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## INTERNATIONAL NEWS

### **International trade declines significantly**

*While global trade was already slowing down prior to the Covid-19 pandemic, the United Nations Conference on Trade and Development (Unctad) states that economic and social disruptions brought about by Covid-19 are resulting in a dramatic decline in trade.*

As laid out in Unctad's global trade update for June, the value of international trade in goods has declined by about 5% in the first quarter of this year and is expected to decline further by 27% in the second quarter of the year.

Leading indicators, such as the Purchasing Manager Indices (PMIs), also signal further deterioration of international trade in the second quarter. While PMIs tracking international trade indicate that the pace of contraction has slowed in May, they have remained well below the 50 points benchmark.

Unctad notes that international trade is likely to remain below the levels observed in 2019 in the second half of this year, the magnitude of which will be dependent not only on additional economic disruptions brought by the Covid-19 pandemic, but also on the type and extent of policies that countries adopt to restart their economies.

Assuming persisting uncertainty, Unctad expects a decline of around 20% for the year, which is in line with predictions by the World Trade Organisation (WTO), which expects that the decline in international trade will be between 13% and 32%.

Further, the European Commission expects that the 27 European Union member States' trade will decline by between 10% and 16% this year.

Unctad notes that the range of estimates is a sign of the still high uncertainty about the possibility of any economic recovery in the second half of the year.

## WIDESPREAD IMPACT

Unctad points out that statistics for some of the major economies further reinforce the bleak picture for international trade. Most recent trade figures indicate further deterioration in April and May.

In addition, except for the first two months of this year, China appears to have fared better than other major economies, as its exports grew by 3% in April. However, the organisation also highlights that the most recent data for China indicates that such recovery may be short-lived as imports and exports fell by about 8% in May.

Intra-regional trade also appears to have declined to a much lower rate for countries in the East Asian and Pacific regions, according to Unctad.

For the European Union, intra-regional trade has declined at a similar pace as overall trade, while the US's statistics indicate a much stronger decline of intra-regional trade.

Meanwhile, economic disruptions brought by Covid-19 have affected some sectors significantly more than others. In the first quarter of this year, textiles and apparel declined by almost 12%, while the office machinery and automotive sectors have fallen by about 8%.

However, the value of international trade in the agri-food sector increased by about 2%.

Preliminary data for April indicates further declines in most sectors and a very sharp contraction in trade of energy and automotive products, about -40% and -50% in values respectively.

Significant declines are also observed in chemicals, machineries and precision instruments with drops above 10%. Conversely, office machinery appears to have rebounded in April, largely because of the positive export performance of China.

Trade in agri-food products has been the least volatile so far. In general, the variance across sectors has been driven by decreases in demand and

disruptions of supply capacity and on disruption of global value chains owing to Covid-19, according to Unctad.

## **MEDICAL PRODUCTS TRADE**

One of the side-effects of the Covid-19 pandemic has been the increase in demand for medical goods and equipment such as ventilators, monitors, thermometers, hand sanitisers, protective masks and garments.

In the early months of this year, Unctad notes, the rapid diffusion of Covid-19 internationally resulted in a race to secure supply of such goods, and in some instances of export restrictions.

Product level data for the three major economies shows that international trade played a positive role in meeting demand of medical products related to Covid-19. While international trade of such medical goods contracted at the onset of the pandemic, it then increased in February and March and almost doubled in April, thus contributing to the availability of critical equipment to countries affected by Covid-19.

In this regard, Unctad points out that the first two months of this year saw the increase in Chinese domestic demand for such medical products resulting in a strong increase in imports. This demand was largely met by increases in exports from Europe and the US which were not yet significantly hit by Covid-19.

Noteworthy is also that Chinese exports of such equipment declined by 15% in the first two months of the year as Chinese supply reoriented towards domestic demand.

Data for March shows that imports of medical equipment continued to increase in China (41% increase) but also in the European Union (21% increase). April saw a massive increase in Chinese exports of medical equipment (338% increase). This surge was largely driven by exports of protective equipment.

Finally, April data for the US reflect the increasing concern for the Covid-19 pandemic as imports of medical products increased by almost 60% while exports declined by about 20%

Source: m.engineeringnews.co.za- Jun 11, 2020

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## **WTO report looks at trade dev'ts amid COVID**

*Coronavirus - Africa: World Trade Organization (WTO) report looks at trade developments in poorest countries in wake of COVID-19 There are currently 47 least-developed countries (LDCs), 36 of which have become WTO members A new information note published by the WTO Secretariat looks at how the COVID-19 pandemic has affected the participation of least-developed countries (LDCs) in global trade.*

The note stresses that LDCs have seen a significant decline in export earnings due to decreasing demand in key markets, falling commodity prices and a decline in remittances and are likely to be the hardest hit by the crisis due to their limited resources to stimulate growth.

Most LDCs have experienced a significant decline in export earnings since the outbreak of COVID-19. The report anticipates that the downturn in world trade in 2020 will continue to be particularly severe for LDCs.

LDC exports of textiles and clothing have been badly affected by declining global demand and supply chain disruptions.

In addition, LDCs that depend on tourism revenues are being hard hit by the slump in this sector. There are currently 47 LDCs, 36 of which have become WTO members. The full list of LDCs can be found [here](#).

The note underscores that the pandemic is undermining the development gains of countries such as Angola, Bangladesh and Vanuatu that are expected to graduate from LDC status in the near future.

The note also collates the measures that LDCs have taken to combat the pandemic, ranging from strengthening health care systems to providing stimulus packages to export-oriented sectors and liquidity support for small and medium-sized enterprises.

In early May, the LDCs group called on other WTO members to refrain from imposing export prohibitions or restrictions on medical goods and food.

They urged governments to facilitate trade in these goods, including by implementing the provisions in the WTO's Trade Facilitation Agreement.

The LDCs have called for countries to refrain from export prohibitions and restrictions on medical goods and food, of which many are net importers. The report notes that the international community is seeking to support LDCs' participation in world trade by providing debt relief and strengthening social sectors.

The report can be found [here](#).

Among the COVID-19 pandemic's far-reaching consequences for the global economy, the least developed countries (LDCs) are likely to be the hardest hit, even in countries spared the worst effects of the virus itself.

A lack of resources to support an economic rebound is compounded by LDCs' dependence on a limited range of products exported to a few markets, some of which have been those worst affected by the COVID-19 outbreak.

The ongoing pandemic threatens to derail development gains in LDCs and may affect the near-term prospects for some countries to graduate from LDC status.

The year 2020 started against the backdrop of a subdued trade performance in 2019. The value of LDC exports of goods and services declined by 1.

6 per cent in 2019, a greater decline than that of world exports (1.

2 per cent). Consequently, the share of LDCs in world exports also registered a marginal decline, falling to 0.

91 per cent in 2019. The expected downturn in trade in 2020 is likely to be even more severe for LDCs than at the global level.

The pandemic has accentuated the slump in oil prices seen in 2019.

Declining demand, as well as supply disruptions, have weighed significantly on LDC exports, especially exports of textiles and clothing products.

LDCs dependent on tourism revenues have seen the sector come to a virtual standstill.

As migrant workers from LDCs return from host countries affected by the pandemic, flows of remittances — a critical source of foreign exchange for many countries — have dramatically dried up.

All of these factors are predicted to worsen further in the coming months.

LDCs such as Angola and Vanuatu, which are scheduled to graduate soon, and LDCs such as Bangladesh, which are on the path to graduation in the next few years, have been experiencing unavoidable declines in economic growth and export earnings.

The LDCs have called for countries to refrain from export prohibitions and restrictions on medical goods and food, of which many are net importers.

Several LDCs have lowered duties on medical goods to ensure their availability at more affordable prices to their citizens.

Since the start of the pandemic, at least two-thirds of LDCs have put in place a variety of lockdown measures. Some LDCs have announced stimulus packages, which have covered export-oriented sectors. They have also strengthened healthcare systems and ensured social relief packages and liquidity support to small and medium-sized enterprises (SMEs).

The international community has announced support measures ranging from debt relief to strengthening social sectors and providing social safety nets for the most vulnerable. Maintaining this momentum, while redoubling coordination efforts, remains vital as the world moves towards economic recovery.

Source: [businessghana.com](http://businessghana.com)– Jun 11, 2020

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## **Pakistan: LSM registers negative growth of -2.28 percent**

The federal government said on Thursday that FY2019 has proved to be a hard year for Large Scale Manufacturing (LSM) as it recorded negative growth of -2.28 percent.

According to Economic Survey, 2019-20, LSM sector was not able to withstand constrained economic environment triggered by exchange rate depreciation and contractionary monetary and fiscal policies. The distress continued during the whole the current fiscal year, the LSM growth plunged to -5.4 percent during July-March FY2020 compared to -2.34 percent during last fiscal year. The major contributing sub-sectors such as Textile and Food, Beverages & Tobacco have experienced negative growth. Other sub-sectors such as Iron & Steel Products, Coke & Petroleum Products and Automobile growth have also turned negative during the period which dampened the overall growth of LSM. Year-on-year (YoY), LSM dived by -22.9 percent in March 2020 as compared to -7.35 percent decline in March 2019.

Month on month LSM behavior has exhibited random trajectory. Textile, the item with the heaviest weight, observed moderate growth up till Feb 2020 and witnessed a hefty decline in March 2020 due to supply disruptions. Second heavy weight item Food, Beverages & Tobacco witnessed a tremendous growth of 122 percent in Dec 2019 on account of sugar production. Coke & Petroleum products observed a major slump in Feb 2020, a 33 percent decline. Demand and supply bottlenecks have adversely hit the petroleum industry. Automobile, Non-metallic Mineral Products and Electronics have also showed mixed growth. Fertilizers, after a consecutive decline, have started showing some signs of recovery from Feb 2020. All manufacturing sectors except Fertilizers, have witnessed decline in Mar 2020 in the wake of business closures due to Covid-19 crisis.

During FY2020, required fiscal and monetary adjustments, such as flexible exchange rate and austerity drive, were adopted to stabilize the economy. Nevertheless, external imbalances were eased to some extent but some short-term repercussions had to be confronted domestically, specifically by industrial sector. Pak rupee depreciated by 3.9 percent during Jul-Mar FY2020 which increased the cost structure of industries in general, and

particularly for those relying on imported raw materials. Further, policy rate was kept high to contain inflation which on the other hand discouraged investment. Subdued demand further hampered the overall production and performance of the industry. Certain sector specific issues also contributed to the decline in LSM. Automobile sector alone accounted for major portion of contraction in LSM. Its prices witnessed multiple upward revisions due to PKR depreciation which accounted for potential buyers refraining from making booking and purchases. The shift in power generation from furnace oil has reduced the fuel's demand and affected the coke & petroleum industry output. Upward adjustment in electricity prices dented domestic steel producers' margins.

Textile sector has the highest weight of 20.91 in Quantum Index Manufacturing (QIM) thus having a significant impact on overall performance of LSM. Textile production declined by -2.57 percent during Jul-Mar FY2020 against -0.17 percent in the same period last year. Major slump came from -2.96 percent decline in cotton yarn and -2.81 percent decline in cotton cloth, both having a combined weight of 20.15 in textile sector. However, exports of textile grew by 4.24 percent during the period under review. The mismatch between the LSM and export data sets is a welcome boost for the industry as it shows industry is regaining competitiveness after exchange rate adjustment. Further, the textile export data is relatively encouraging on account of its wide-ranging coverage than the LSM data as in addition to cotton yarn and fabrics, it also includes the higher value-added items like hosiery, knitwear, towels and readymade garments.

Food Beverages and Tobacco has the second highest weight of 12.37 in QIM. During July-Mar FY2020 this sector decreased by -2.33 percent as compared to -3.59 percent dip during the same period last year. This is mainly due to decline in sugar and cigarettes production by -1.7 and -31.4 percent, respectively. The primary reason for the decline in cigarettes is the significant jump in Federal Excise Duty (FED) and continued competition from counterfeits and smuggled alternatives. Although, sugar witnessed a sharp increase during Dec-Jan FY2020 due to favorable weather yet seasonality factor was linked for its decline. Therefore, this trend could not continue in subsequent months. However, cooking oil, vegetable ghee and wheat & grain milling grew by 9.38, 5.54 and 28.9 percent, respectively.

Coke and Petroleum industry registered a double-digit contraction of -17.46 percent during Jul-Mar FY2020 as compared to -6.0 percent decline last year.

Petroleum industry has been adversely affected from both demand and supply side. On supply front, shift in power generation away from furnace oil has reduced the fuel's demand. Demand remained subdued due to higher end-consumer prices and reduction in commercial activities. Diesel and furnace oil production decreased by -18.8 percent and -17.5 percent respectively.

Pace of contraction diminished in Pharmaceuticals and it registered -5.38 percent decline during Jul-Mar FY2020 as compared to -8.66 percent decline in the corresponding period. Similarly, Chemicals declined by -2.3 percent during Jul-Mar FY2020 as compared to -4.1 percent last year. Automobile sector witnessed a steep decline of -36.5 percent during Jul-Mar FY2020 as compared to -7.56 percent fall in corresponding period. Major contributor to this dip is the passenger car segment due to its weight in LSM index. During the period under review, car production declined by -47.9 percent. While jeep production contracted by -42.7 percent, buses by -28.8, trucks by -45.7, LCVs by -46.1, tractors by -37.9 and motor cycles by -11.6 percent. The factors which impacted this sector remained currency depreciation, policy rate hikes, increase in FED from 2.5 percent to 7.5 percent against different vehicle categories and Additional Customs Duty (ACD) from 2 percent to 4 percent and 7 percent against tariff lines of 16 percent and 20 percent and above respectively.

The pace of contraction of Iron & Steel production slowed down during Jul-Mar FY2020 as it declined by -7.96 percent as compared to -11.0 percent in the same period last year. The decline was more visible in Billets/Ingots which fell by -13.04 percent indicating the subdued construction activities mainly due to high financing cost. H/C R Sheets/ Strips/Coils/plates having the highest weight in iron & steel products declined by -4.15 percent.

Low automobile production, upward adjustment in electricity prices, lower housing investment by public and private sector and rupee depreciation further dampened steel industry. Fertilizers recorded a growth of 5.81 percent during Jul-Mar FY2020 mainly on account of Nitrogenous

Fertilizers which recorded a growth of 6.7 percent. The impetus came from small as well as large urea producers, who scaled up their operations.

Source: breccorder.com– Jun 12, 2020

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## **Africa to see record drop in exports amid Covid-19, says WTO**

A new report says the world's 47 least developed countries will be hardest hit, especially those reliant on tourism and commodity exports

Many African countries will see a significant drop in export earnings in the coming months due to decreasing demand in key markets as Covid-19 continues to wreak havoc globally. This will likely drive unemployment and poverty rates higher.

According to a new report by the World Trade Organisation (WTO), the decline in export earnings will hurt countries' prospects of graduating from the least developed category. The UN defines least developed countries (LDCs) as low-income countries confronting severe structural impediments to sustainable development. They are highly vulnerable to economic and environmental shocks, and have a high level of skills shortages.

There are currently 47 countries on the list of LDCs, many of which are in Africa. Such countries have exclusive access to certain international support measures, in particular in the areas of development assistance and trade, the UN says. The list is reviewed every three years by the UN's Committee for Development.

The global trade body said in its report published this week that most LDCs have experienced a significant decline in export earnings since the outbreak of Covid-19. The report anticipates that the downturn in world trade in 2020 will continue to be particularly severe for LDCs. It notes that declining demand, as well as supply disruptions, have weighed significantly on LDC exports, especially exports of textiles and clothing products.

LDCs dependent on tourism revenues have seen the sector come to a virtual standstill. The UN World Tourism Organisation estimates that international tourist arrivals could decline by 20% to 30% in 2020, translating to losses of up to \$450bn in international tourism receipts (exports).

Furthermore, according to the report, as migrant workers from LDCs return from host countries affected by the coronavirus pandemic, flows of remittances – a critical source of foreign exchange for many countries – have dramatically dried up. Average remittances accounted for 7% of GDP in LDCs in 2019. Remittance inflows to the top 10 LDCs reached \$45bn in 2019, according to the WTO.

### Commodity exports

The downward spiral in commodity prices is increasingly being felt by LDCs heavily reliant on commodity exports, the WTO said. Angola – the largest LDC commodity exporter, with oil accounting for more than 90% of its exports – saw the average price of its crude oil plummet to \$14 a barrel in April 2020 from \$33 in March and \$57 in February. Overall, the average price of Angola's crude oil nose-dived by 80.5% in April, year on year.

Zambia, which is among the top 10 exporting LDCs, relies heavily on the mining sector (70% of its exports). Since the start of the pandemic, over a span of two months, the price of copper in Zambia fell by 9.6%, contributing to a sharp depreciation of the kwacha.

All these factors are predicted to worsen in the coming months.

“Among the Covid-19 pandemic's far-reaching consequences for the global economy, the LDCs are likely to be the hardest hit, even in countries spared the worst effects of the virus itself,” the WTO said.

It added that a lack of resources to support an economic rebound is compounded by LDCs' dependence on a limited range of products exported to a few markets, some of which have been those worst affected by the health crisis.

“The ongoing pandemic threatens to derail development gains in LDCs and may affect the near-term prospects for some countries to graduate from LDC status,” it said.

The report also collates the measures LDCs have taken to combat the pandemic, ranging from strengthening healthcare systems, to providing stimulus packages to export-oriented sectors, and liquidity support for small and medium enterprises.

Source: [businesslive.co.za](http://businesslive.co.za) – Jun 11, 2020

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## **Global exports of terry towels declines**

The global trade of terry towelling and similar terry fabrics of cotton has been reduced in the year 2019. Total trade slightly increased 1.26 per cent from \$157.34 million in 2017 to \$159.33 million in 2019, according to data from TexPro. The total trade of terry fabrics of cotton has declined 11.67 per cent in 2019 over the previous year.

Further, the trade is anticipated to surge to \$163.63 million in 2022 with a rate of 2.70 per cent from 2019, according to Fibre2Fashion's market analysis tool TexPro.

The global export of terry fabrics of cotton was \$75.50 million in 2017, which fell 5.57 per cent to \$71.30 million in 2019. Total exports dropped 19.62 per cent in 2019 over the previous year and is expected to move down to \$65.42 million in 2022 with a rate of 8.24 per cent from 2019.

The global import value of terry fabrics of cotton was \$81.84 million in 2017, which grew 7.57 per cent to \$88.03 million in 2019. Total imports decreased 3.99 per cent in 2019 over the previous year and is expected to grow to \$98.21 million in 2022 with a rate of 11.56 per cent from 2019.

China (\$17.61 million), Turkey (\$14.61 million), Germany (\$14.20 million) and Vietnam (\$4.20 million) were the key exporters of terry fabrics of cotton across the globe in 2019, together comprising 71.01 per cent of total export.

These were followed by Pakistan (\$3.94 million), India (\$3.44 million) and Brazil (\$1.90 million).

From 2016 to 2019, the most notable rate of growth in terms of export value, amongst the main exporting countries, was attained by Turkey (44.92 per cent) and Vietnam (86.98 per cent) only.

Hungary (\$15.34 million), Czech Republic (\$11.75 million), Japan (\$7.29 million) and Indonesia (\$6.04 million) were the key importers of terry fabrics of cotton across the globe in 2019, together comprising 45.91 per cent of total import. These were followed by Sri Lanka (\$4.30 million), UK (\$4.18 million) and Russia (\$4.15 million).

From 2016 to 2019, the most notable rate of growth in terms of export value, amongst the main importing countries, was attained by Czech Republic (148.96 per cent) and Hungary (40.19 per cent).

Source: fabric2fashion.com– Jun 11, 2020

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## **Worldwide shipments of new textile machinery down in 2019**

International Textile Manufacturers Federation (ITMF) has announced that in 2019, global shipments of spinning, texturing, weaving, knitting and finishing machines decreased on average compared to 2018. Deliveries of new short-staple spindles, open-end rotors and long-staple spindles dropped 20 per cent, 20 per cent and 66 per cent, respectively.

The number of shipped draw-texturing spindles declined by 4.5 per cent and deliveries of shuttle-less looms shrunk by 0.5 per cent.

Shipments of large circular machines contracted 1.2 per cent while shipped flat knitting machines fell by 40 per cent. The sum of deliveries in the finishing segment also dropped 2 per cent on average. These are the main

results of the 42th annual International Textile Machinery Shipment Statistics (ITMSS) just released by the ITMF. The report covers six segments of textile machinery namely spinning, draw-texturing, weaving, large circular knitting, flat knitting and finishing.

The 2019 survey has been compiled in cooperation with more than 200 textile machinery manufacturers representing a comprehensive measure of world production.

The total number of shipped short-staple spindles decreased about 1.7 million units in 2019 to a level of 6.96 million. Most of the new short-staple spindles (92 per cent) were shipped to Asia & Oceania where delivery decreased by 20 per cent. While levels stayed relatively small, Africa and South America saw shipments increasing 150 per cent and 120 per cent respectively. The six largest investors in the short-staple segment were China, India, Uzbekistan, Vietnam, Pakistan, and Bangladesh.

Global shipments of single heater draw-texturing spindles (mainly used for polyamide filaments) increased 12 per cent from nearly 22,800 in 2018 to 25,500 in 2019. With a share of 88 per cent, Asia & Oceania was the strongest destination for single heater draw texturing spindles. China and Chinese Taipei were the main investors in this segment with a share of 64 per cent and 12 per cent of global deliveries respectively.

In 2019, worldwide shipments of shuttle-less looms decreased 0.6 per cent to 133,250 units. Thereby, shipments in the categories of “air-jet” and “rapier and projectile” fell 7.7 per cent to 30,200 and 22 per cent to 25,000, respectively. The deliveries of water-jet looms increased 12 per cent to 78,000. The main destination for shuttle-less looms in 2019 was Asia & Oceania with 95 per cent of all worldwide deliveries.

Global shipments of large circular knitting machines fell 1.2 per cent to 26,400 units in 2019. The region Asia & Oceania was the world’s leading investor in this category with 86 per cent of worldwide shipments.

In the “fabrics continuous” segment, shipments of stenters and washing (stand-alone) grew 34 per cent and 0.6 per cent.



Source: fabric2fashion.com– Jun 11, 2020

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## **Fibre2Fashion webinar moots India-Bangladesh collaboration**

*For resurrection of the textile-apparel industry post-COVID-19 pandemic, stakeholders of the Indian and Bangladesh textile industry have mooted the idea of greater collaboration between the industries of the two countries. A textile-apparel regional hub would play a vital role in marketing to the European countries, they said during a panel discussion organised by Fibre2Fashion.*

"Collaboration is the only way forward. There is no alternative to collaboration," said Bangladesh Garment Manufacturers and Exporters Association (BGMEA) president Rubana Huq while emphasising on collaboration between the textile-apparel industries of India and Bangladesh during the virtual panel discussion 'Reboot – Rebuild – Rebound: Fashion industry ready for Resurrection?'

Agreeing to the idea, A Sakthivel, chairman of India's Apparel Export Promotion Council (AEPC) said, "Regional cooperation is a must. It will play a vital role in marketing to Europe." He added that virtual fairs and virtual marketing should also be held in both India and Bangladesh.

Participating in the discussion, Stephen Lamar, president & CEO, American Apparel & Footwear Association (AAFA), welcomed the idea of creating a regional hub between India and Bangladesh for textile and apparel.

Stressing on digitisation, he said: "COVID-19 has taught us that digitisation is going to be very important. If you are not using technology actively, you are going to fall behind."

"Digitisation saves time and resources. Implementation of digitisation is collaboration of supply chain—designers, garment manufacturers, etc. It is

happening, but needs to happen much quicker," added Matthijs Crietee, secretary-general of International Apparel Federation (IAF).

Explaining that buyer-supplier synergy is one of the biggest problems in the industry, he said, "Products are made which are not bought. Then those products are sold at a discount. We cannot have sustainability if there is over production and supply-demand mismatch. So, industry has to become smarter by teaching middle management with knowledge, installing systems, and conducting a lot more trainings in the industry."

According to Crietee, normally no industry produces more and then sells at a discount. The problem of over production in textile-apparel industry must be addressed and the industry should become 'normal' like other industries.

Hoang Ngoc Anh, acting general secretary of the Vietnam Textile and Apparel Association (VITAS), said ensuring continued employment of workers, sustainable development, and adjusting the supply chain are important. In view of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (EVFTA), she said the Vietnamese government needs to focus on garment industry development planning, and allow investment in dyeing, sewing, etc to maximise benefits from these agreements. She added that more cooperation and collaboration should be facilitated with governments of other Asian countries.

Arguing for a balanced approach in automation, Huq said the Bangladesh garment industry employs 4.1 million workers, who are dependent on the industry for their livelihood. "Since next-gen takes shopping as an experience, we need to insert a lot of humanism. The story of workers, the story of livelihood needs to be told. Let's adapt a more better and human strategy, while we move on with automation."

Stating that the pandemic has brought a lot of thinking in the industry, Sakthivel said the industry has started working on strengthening sportswear and activewear, and after the crisis is over, India will be one of the largest producers of manmade fibre (MMF) products. India is presently mainly a supplier of summer/cotton products, and it is now time to diversify and be able to supply products throughout the year for all seasons.

Indian textile-industry has good backward linkage, but it lacks in economies of scale, he said. However, since Indian apparel industry is already producing with zero pollution, it has a good future as the younger generation wants to buy eco-friendly clothing.

"Trust and partnership has taken a beating on the supply chain over the last couple of months," said Lamar. So, companies who want to be successful in the 'new normal', would have to do a lot of work. "The supply chain is going through a lot of changes; we will see an acceleration of diversification out of China. There might be a renewed rhetoric of the trade war." But, he quickly added, "a lot of services will remain in China, if not for any other reason, China is a big market itself."

On the question of sustainability, he said, "We have a chance of changing the footprint, and we have to ensure that new investments in Vietnam are done in a sustainable manner."

Putting across her point, Huq said, "The kind of fast-fashion consumption that was there earlier is not going to be back, and there will be a drop in consumption." To avoid reflecting the same on livelihood of workers, prices should go up. "What we are seeing in Asia should be transmitted to the whole world. We have more than 100 factories that are LEED certified, and we have more than 25 factories that are Platinum. It will be worthwhile for us to collaborate regionally and come out with a win-win situation."

Criete added the LEED tag tells a good story, but "we do not have something like that to put on a clothing product."

Source: fabric2fashion.com– Jun 11, 2020

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## **Down but not out: Crisis puts the brakes on fast fashion**

A woman walks past an outlet of the fashion chain Zara in Hong Kong in 2004. Image: AFP/Ted Aljibe. Zara, H&M and Gap may be slowly reopening their stores but the coronavirus pandemic has had a devastating financial impact on the fast fashion sector, which needs a radical overhaul if it is to recover, experts say.

Nearly 40% of businesses in the sector are expecting the impact to be “much worse” than that of the 2008 financial crisis, a Euromonitor International survey showed.

It expects sales of clothing and shoes to fall by at least 12% this year.

Global leader Inditex, the Spanish group which owns the Zara fashion chain, posted a first-quarter loss of 409 million euros on Wednesday, its first-ever loss since it went public in 2001.

With 88% of its stores closed at the height of the global lockdown, the group saw its sales practically halved.

But the group, which has solid financials and whose shares have held up well, has continued to pay its staff throughout the crisis without having to put them on short-term leave through a furlough scheme. Its rivals, however, have not been so lucky.

Primark furloughed nearly 8,000 of its employees in Spain and Mango did the same for its 4,700 staff, according to the Workers’ Commissions (CCOO) union.

Sweden’s H&M still has “tens of thousands of employees” on short-term leave throughout the world, a spokesman said, predicting second-quarter losses after sales plunged by 46% in March. The chain has been slowly reopening its 5,000 or so stores but by the end of May, 1,350 were still closed.

Around 68,000 employees of Britain’s budget fashion chain Primark have benefitted from furlough payments through various government schemes across Europe, “without which we would have been forced to make most redundant,” chief executive George Weston admitted in a statement.

Between March 22 and April 21 the brand had sold “nothing,” he said. American retailer Gap also posted a first-quarter loss of \$900 million.

With shops now open, Japan's Uniqlo said it saw "solid" sales in May after a month in which they plummeted by 60%, while Inditex said it saw a "progressive recovery" with around three-quarters of its shops open.

But recovery will take a long time.

"Brands are finding themselves left with huge stocks on their hands," said Benjamin Simmenauer, professor at the French Institute of Fashion in Paris.

"It's difficult to bounce back because fashion is so dependent on the seasons, with collections changing so quickly."

Above all the crisis has thrown the global supply chain into chaos. Some groups have canceled orders from their Asian suppliers, causing huge problems for local garment workers.

And in the short-to-medium term, consumers' appetite for fashion "is going to be fairly diminished due to a decrease due to the strong reduction of disposable income," Euromonitor analyst Marguerite Le Rolland said in an ongoing briefing.

But there will also be other factors.

"(The) pleasure and social aspect of shopping for fashion is going to be very difficult to keep with social distancing measures in place," she said.

The crisis has definitely fuelled a shift towards online sales. They have enjoyed a lockdown boom with interest from new consumer groups, such as the baby boomer generation, she said.

Most fashion groups have seen their online sales soar, with Inditex seeing its first-quarter sales up 50%, Gap seeing a 13% increase while H&M sales rose 17% in the first quarter with greater increases in April and May.

The sector needs to also take into account the type of fashion consumers are looking for. After months of being shut up at home, will they be looking for sophisticated outfits for a night on the town, or will they stick to comfy lounge-wear and sports gear, sales of which rose during the lockdown?

“There is total uncertainty on this issue,” said Simmenauer who believes that one way or another, the pandemic and the lockdown “will leave its mark on style.” *RGA*

Source: fabric2fashion.com– Jun 11, 2020

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## NATIONAL NEWS

### **Exports improving, down by 36 per cent in May, says Piyush Goyal**

*“I am happy to share with you that in May, things have drastically improved and from the position of 60 per cent down in April, the May data shows that our overall exports have been down 36 per cent,” he said in a webinar.*

The country’s exports are “drastically” improving with the outbound shipments contracting 36 per cent in May as compared to 60 per cent in April, Commerce and Industry Minister Piyush Goyal said on Thursday.

“I am happy to share with you that in May, things have drastically improved and from the position of 60 per cent down in April, the May data shows that our overall exports have been down 36 per cent,” he said in a webinar.

The minister added that the country’s non-oil exports, excluding POL (petroleum oil and lubricant) exports, were down only 30 per cent. He said these figures provide confidence that the country is poised for a turnaround.

Goyal said the contraction rate is coming down despite the fact that the country was under lockdown during large part of May. Further talking about June exports, he said the situation gets even more exciting as “our export in the first week of June, is at par with what it was in June 1-7, 2019”.

Exports during June 1-7 this year dipped by only about 0.76 per cent to USD 4.94 billion from USD 5.03 billion in the same period last year, the minister said. He added that some stress could be there on certain discretionary spending sectors, and segments like textiles may take a little longer to recover.

“I hope that by the time we close March 2021, we would have recovered the lost ground of April and May. It will be a loss of close to USD 30 billion in two months...I have the confidence that our exporters and logistics companies together will make that happen,” he said.

Contracting for the second straight month, India’s exports shrunk by a record 60.28 per cent in April to USD 10.36 billion, mainly on account of the coronavirus lockdown.

Imports also plunged by 58.65 per cent to USD 17.12 billion in April, leaving a trade deficit of USD 6.76 billion as against USD 15.33 billion in April 2019.

Source: [financialexpress.com](http://financialexpress.com)- Jun 11, 2020

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## **In a relief to companies, government allows refunds of unutilised input tax credits on imports**

*Many tax officials have been rejecting refunds after claiming that companies are not eligible for such refunds unless it's explicitly reflected in the forms (GSTR-2A).*

The clarification comes at a time when many companies are facing cash flow issues and are highly dependent on smooth tax refunds.

In a major relief to several companies the government has asked tax officials to allow refunds of unutilised input tax credits to companies in certain cases.

Many tax officials have been rejecting refunds after claiming that companies are not eligible for such refunds unless it's explicitly reflected in the forms (GSTR-2A). The government in a Wednesday circular said that while companies would be ineligible if there is a mismatch between the claims they have made and their vendors'; this would not be applicable in certain cases.

“Various representations have been received seeking clarification on the issue relating to refund of accumulated ITC (input tax credit) in respect of invoices whose details are not reflected in the form GSTR 2 of the applicant,” the government clarification claims.

The clarification is set to impact the companies that export goods and services and had found that some of the foreign exchange was stuck in the form of credit due to the taxman's stand.

“The clarification would help provide significant relief to India's foreign exchange earners who were facing serious on ground challenges on refunds



claims of unutilized input tax credit. The issue of rejection by lower level officers was significantly prevalent in certain jurisdictions where officers had taken a literal interpretation of the earlier circular without giving credence to the practical applicability of the same in certain scenarios,” said Abhishek Jain, tax partner, EY said.

The issue started after the government on March 31 said that companies would not be eligible for input tax credit refunds in cases where they are unable to match invoice from vendor. Industry trackers say that after this circular several tax officials started rejecting refunds in many cases where an invoice from a vendor is not possible—for instance in cases where goods are imported and IGST has been paid on that.

“This circular rightfully clarifies that the earlier circular no 135 was not intended to apply to cases of reverse charge and ISD transactions. Businesses that have been denied input tax credit refunds on the ground that Circular 135 was also applicable to reverse charge and ISD transactions as also the ITC availed on imports, would significantly benefit from the clarity imparted by this circular,” said MS Mani, partner, Deloitte India.

The clarification comes at a time when many companies are facing cash flow issues and are highly dependent on smooth tax refunds. The recent clarification means that companies that import goods, or have reverse charge transactions or have intercompany GST charges would not face any issue with their refunds being held back due to a mismatch.

Tax experts say that this is mainly because in these three instances there is no vendor on the other side whose invoice has to be matched with the company’s claims.

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## **Bombay High Court asks cotton farmers to file their grievances on purchase lapses by govt**

*The bench ordered the government to place on record the procedure adopted by the authorities for purchasing cotton from farmers, complaints*

*received from farmers, funds made available for purchasing cotton and capacity of each centre created for purchasing cotton from farmers.*

The Aurangabad bench of the Bombay High Court on Tuesday asked all cotton farmers from Maharashtra to put forth their grievances regarding the lapses on part of the Maharashtra government and other relevant authorities including the Cotton Corporation of India (CCI) and Agriculture Produce Market Committee (APMC).

The HC has ordered the state government to file a detailed affidavit regarding its policy for purchasing cotton from farmers and why it did not buy cotton from these farmers via offline mode. The HC has also ordered the government to purchase as much cotton as possible from farmers, even offline, before June 12. The petition was filed by Trymbakrao Ganpatrao Siral from Parbhani against Cotton Corporation of India, Belapur & others. He approached the court after the Parbhani Deputy Registrar of Cooperative Societies announced that the APMC will not buy cotton from those farmers who have not made online registrations.

A bench of Justices Tanaji Nalawade and Shrikant Kulkarni passed the order while taking note of the plight of cotton farmers who were facing losses due to the delay on part of the authorities in purchasing their produce. In view of the circumstance that there were news items in newspapers and electronic media that more than 50% of the cotton of the farmers isn't purchased by the respondents (CCI) this Court felt it was necessary to treat the proceeding as a Public Interest Litigation (PIL).

The bench said, "This court is allowing farmers to put forth their grievance of any nature in respect to the policy adopted by the government for purchasing cotton. They can also voice their grievance if they have suffered a loss due to this policy. Farmers will have to also produce documents which show that they were compelled to sell cotton to private traders, as it was not purchased by the government, and thus, suffered losses." The court assured the farmers that their names will not be disclosed.

The bench noted that farmers were given tokens by APMC and on the basis of these tokens the farmers were to sell the cotton at CCI's procurement centres. However, there were allegations leveled by farmers that this token system was misused by the traders. "There is an allegation that the traders were purchasing cotton at lower rates than the rates fixed by the

government. There is such a possibility. However, there is also another possibility of using the present online process, and virtually preventing farmers from selling cotton to the authorities at the support price,” the judges noted. The bench further said that if such was the case (online procurement), then farmers could have been compelled to sell cotton at lower rates to the traders.

The bench ordered the government to place on record the procedure adopted by the authorities for purchasing cotton from farmers, complaints received from farmers, funds made available for purchasing cotton and capacity of each centre created for purchasing cotton from farmers. “We would also like to know why the authorities did not procure cotton by using the offline mode. Let there be a detailed affidavit in this regard and till then the government must procure most of the cotton from farmers,” Justice Nalavade said while placing the matter for hearing on June 12.

When contacted, PK Agrawal, CMD, Cotton Corporation of India (CCI) stated that the CCI which is the main nodal agency for procurement of cotton in the country along with the Maharashtra Marketing Federation has been purchasing 70,000 to 80,000 quintals on a daily basis from farmers and nearly 23.5 lakh bales have been procured from Maharashtra so far. The CCI will do its best to purchase from small and marginal farmers and shall continue procurement till the onset of monsoon and continue the procurement after the monsoon as well, he said. According to him, only 6 lakh bales remain to be purchased. CCI has procured a record 98 lakh bales nationally and is expected to touch the 1 crore bales mark in the next 10 days, he said.

Source: [financialexpress.com](http://financialexpress.com)- Jun 11, 2020

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### **Slow recovery likely for fashion retailers in Q3 but adopting these measures a must to tap into demand**

*Driving higher loyalty through intimate engagements at the store and digitally will be a key. Experiential buying will be the norm with leaders having a loyal set of customers, a community that relates to the brand philosophy.*

With the lockdown expected to ease across the country, albeit at different levels of intensity, businesses are waiting with trepidation to be back in operations. Fashion brands and retailers can, however, not breathe easy yet. Going forward getting demand back will be the biggest battle. For the section of the population that has affordability, factors like work from home and lack of access to restaurants and social gatherings greatly reduce the “wear occasions” and for the rest of the population, basic survival takes precedence over discretionary spends. So, what happens to a brand that has bet big last year on trendy bomber jackets and high-ankle sneakers? What is the outlook for this sector that was already saddled with hyper-competition, unsustainable rentals, discount seeking consumer behaviour and an archaic planning process leading to low inventory turns?

It is not all gloom and loss that lies ahead for those in this sector – the first two quarters of this fiscal year most certainly will be impacted but there is a strong likelihood of a slow recovery from the 3rd quarter, coinciding with the onset of festival season. With already strong cries to boost the economy by encouraging people to spend more and a slew of other planned reforms, apparel sales will most likely return to FY20 levels by early to mid FY22. Navigating this tough 18-month passage and to be ready to capture share when demand revives in FY22, requires a 2-pronged approach – execute with agility, while in parallel, drive long-term changes to the entire business model.

From the operations side, companies need to save every single penny that they have – rental waivers, shutting down non-performing stores, variabilized model of retail staff deployment, freezing all discretionary spends are some of the many initiatives that need to be put in place to survive this phase. And what do you do with the inventory? Be smart in planning Autumn/Winter20 (AW20) – barring the winter exclusives, companies should ideally not order anything else – with near 3 months of no-sale, the inventory that is already sitting in warehouses from the SS20 collection should be carried over as stock for AW20. And any summer exclusives that won’t find market later should be given a push in July and August through intelligent pricing and markdowns.

On the demand side, consumers across price segments will react differently when lockdown eases – the customer for luxury (and bridge to luxury) is

likely to seek retail therapy as a break from this lockdown monotony. Across premium, prestige and masstige segments, there is bound to be downtrading and postponement except for select categories (like innerwear and loungewear will drive some of the sales. However, fear of crowded places will hamper footfalls. So how do you tap into whatever little demand that will be there over the next few months? A 2-fold answer again – i) Enable e-commerce quickly (store collection available online, door-delivery through tie-ups with hyperlocal delivery companies etc.) ii) Tap into opportunistic categories (fashion masks, protective wear, work-from-home collections etc.)

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### **Export inquiries rise but labour intensive sectors concerned about rising costs**

*Exporters have seen a 20% rise in export inquiries in the last fortnight from the US, Australia and Japan with cotton yarn being exported at a 15-20% discount especially to China, handicraft exporters getting inquiries worth Rs 150 crore in a span of four days, and the EU resuming its jewellery imports.*

Exporters have seen a 20% rise in export inquiries in the last fortnight from the US, Australia and Japan with cotton yarn being exported at a 15-20% discount especially to China, handicraft exporters getting inquiries worth Rs 150 crore in a span of four days, and the EU resuming its jewellery imports.

Consider this: The first virtual fair on Indian Fashion Jewellery & Accessories show had around 1,200 overseas buyers from about 81 countries. “Serious inquiries worth Rs 150 crore were generated which are likely to convert to actual deals,” said Rakesh Kumar, Director General, EPCH.

Cancellation of orders had resulted in India’s merchandise exports contracting a sharp 60% from a year earlier to \$10.36 billion in April. The government expects the contraction in exports in May to be 30-35%.

Commerce and industry minister Piyush Goyal recently said that exports in June could be at par with June 2019 or 8-10% less.

“Exploratory inquiries are happening and there is almost a 20% rise in them in the last few weeks with the US, Australia and Japan contributing to most,” said Ajay Sahai, director general, Federation of Indian Export Organisations. However, labour intensive sectors such as gems and jewellery are unsure of a sharp rise in exports as social distancing norms kick in driving up labour costs.

Anti-China factor is also aiding the higher number of inquiries with exporters terming the ongoing Covid-19 crisis as an opportunity to promote India at the expense of China and benefit from the anti-China sentiment globally.

Source: [economictimes.indiatimes.com](http://economictimes.indiatimes.com)- Jun 11, 2020

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## **Labour woes: Firms worry even as export queries rise**

Labour-intensive sectors continue to grapple with rising labour costs

The 13th edition of Indian Fashion Jewellery & Accessories Fair, which was organised by the Export Promotion Council of Handicrafts (EPCH) as a virtual fair from June 1-4, saw around 1,200 overseas buyers from 81 countries.

Exporters have seen a 20% rise in export enquiries in the last fortnight from the US, Australia and Japan. While cotton yarn is being exported at a 15-20% discount especially to China, exporters of handicraft, jewellery and shoes have got significant enquiries from the EU.

However, labour-intensive sectors such as gems and jewellery are apprehensive about the sharp rise in orders as they grapple with rising labour costs amid social distancing norms.

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Sanjay Jain, chairman of ICC National Expert Committee on Textiles, said yarn exports are happening but at 15% lower rates than in the pre-Covid-19 days. “China is buying from India and there are inquiries from the EU and Bangladesh. Cotton prices have fallen and the old orders, which got cancelled, have now been renegotiated,” Jain said.

The anti-China factor is also aiding the higher number of enquiries with exporters terming the ongoing Covid-19 crisis as an opportunity to promote India.

“The US and EU have reactivated their orders as they look at alternate sourcing destinations. However, not much new business has come in,” said Council for Leather Exports chairman Aqeel Ahmed Panaruna.

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### **Production resumes but lack of new orders worries apparel exporters**

*If new orders do not come through, the \$16-billion (Rs 1.2 lakh crore) industry fears a decline in production activity from August, once the pending orders are fulfilled, said several exporters. While some new orders*

*and enquiries are being made, those are nowhere close to the normal levels, they said.*

About \$3 billion worth of business was lost due to the pandemic, Apparel Export Promotion Council vice-chairman Narendra Goenka said.

The apparel export industry has ramped up production to fulfil orders pending due to the over two-month lockdown, even as concerns mount due to few new orders.

If new orders do not come through, the \$16-billion (Rs 1.2 lakh crore) industry fears a decline in production activity from August, once the pending orders are fulfilled, said several exporters. While some new orders and enquiries are being made, those are nowhere close to the normal levels, they said.

About \$3 billion worth of business was lost due to the pandemic, Apparel Export Promotion Council vice-chairman Narendra Goenka said. He estimated that exports could decline this fiscal year by at least 30%, but more clarity would emerge only in July as to how the demand would be for the rest of the year.

In the Western markets, retailers have registered some sales as countries end the lockdowns imposed to contain Covid-19. However, this was largely on account of pent-up demand.

Inventory levels with retailers are quite high and so the orders that were supposed to come around the end of May have been postponed by 15-30 days, Orient Fashions joint managing director Amit Sethi said.

“The news from Europe is cautiously optimistic. They are doing better than they anticipated but it’s too early to tell,” said Gautam Nair, the managing director of Matrix Clothing. In the US, stores were barely opening up when the protests over the death of an African-American in police custody forced many to down their shutters again, he said.

Demand would also be impacted due to several retailers filing for bankruptcy protection and closing hundreds of store locations. In the US and Europe, over a dozen retailers have gone bankrupt, with their pending



dues to Indian exporters in excess of \$50 million, ET had reported on May 18.

Also, in the US and Europe, tourists account for about 20% of garment sales, Texport Industries director Shailesh Goenka said. “Sales will definitely decline; there are no two ways about it.”

Source: [economictimes.com](http://economictimes.com)- Jun 10, 2020

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## **Ludhiana textile firms in fix as largest buyer halts new PPE orders**

*The PPE manufacturers are facing the problem of surplus production and low demand.*

A section of the textile industry that had found hope in making PPEs is faced with uncertainty as the country’s largest buyer and a Centre-designated nodal procurement agency of Covid-19 emergency supplies, Hindustan Latex Limited (HLL), has temporarily halted new orders owing to issues concerning quality control.

Out of 121 units certified for manufacturing PPEs in the state out of which 108 are in Ludhiana. At least 12 of these Ludhiana firms were the HLL’s sole suppliers and received orders to manufacture PPE suits in lakhs earlier. The decision will indirectly affect other vendors as well.

A recent order from the mega-buyer has asked its suppliers to stop all further supplies as the quality of coveralls supplied by the manufactures is being reviewed by them.

“You are requested to stop all further supplies since we are reviewing the quality of coveralls supplied by the manufacturers,” reads the mail shot by HLL to its PPE suppliers across the country.

The order has come as a jolt to Ludhiana’s textile industry. Ludhiana Knitwear Club president Vinod Thapar said in these troubled times, making

PPEs had come as a ray of hope to the manufacturers who worked with full zeal to meet the country's demand. "Quality checks were conducted before the licence to manufacture was approved. It is unfortunate that the new orders have been halted," he rued.

A city-based manufacturer said that HLL Lifecare Ltd instructing us to put pause on the supply for uncertain/ indefinite period is creating bottlenecks in the factories, forcing manufacturers into financial and operational difficulties.

The PPE manufacturers faced with the problem of surplus production and low demand are pinning their hopes on the export option.

"We are in surplus production already. The price of PPEs has also fallen. We have requested the government to allow exports," said Akhil Malhotra of Shiva Tex Fab in Ludhiana.

Punjab industries director Sibin C said they have already taken up the issue of export of PPEs with the Union government "Since there is over production and low domestic demand, we have requested the Centre to allow exports," he said.

Source: hindustantimes.com- Jun 10, 2020

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## **Why is India's tax administration not in sync with MSMEs and exporters?**

The Report of the Working Group on Micro, Small and Medium Enterprises (MSMEs) Growth for the 12th Five Year Plan (2012-17) estimated the sector accounts for 45% of the manufacturing output and 40% of total exports of India. As per official estimates, there are 63.05 million micro industries, 0.33 million small, and 5,000 medium enterprises in the country. As a comparison, one should bear in mind that 12 million entities are GST-

paying businesses, of which not more than 500,000 are registered companies. The remaining 95% are small businesses, but who also pay almost 30% of India's GST revenue and an equivalent in direct taxes.

The enlightened bureaucracy may be laughed off as an oxymoron and their alignment with the macroeconomic policy can only be wished. This is even more so when it comes to India's taxmen. When the finance minister announced direct tax concessions for 'companies' in 2019 Budget, one wondered about the policy briefing. Why should a government, regarded as MSME and trader friendly, disfranchise 95% of the population (proprietorships and partnerships) and choose to benefit only the corporates? It certainly does not answer to a populist move. Neither does it answer to an economic move of improving liquidity in the hands of small businesses. Nor does it answer to the adage of improving compliance through a tax-less and collect-more philosophy. India's informal sector is big and the number of MSMEs is very large. Credit availability is a challenge for them in general, working capital availability particularly so, even in the best of times, and especially now in the wake of banks having cut back on lending. Yet the government chose that they pay taxes at higher rates!

Let's move on to exports. The world recognises that e-commerce is the bandwagon that can enable our small businesses to become international brands and reach the more remunerative markets of the world. Appallingly, Indian Customs took seven long years to provision the automated express courier terminals. And having started them, howsoever belatedly, one would think of a rapid proliferation to all cities branded as centres of 'export excellence'. But no, what started as a pilot continues through three years till date from the airports of Delhi, Mumbai and Bengaluru. That's a wasted decade.

Even more disappointingly, the pilot served the interests of MNC e-commerce companies, the likes of China's Club Factory, the 'Gift' mafia operating out of the Middle East, but not our MSME exporters. It finally took the Confederation of All India Traders (CAIT) to raise a storm against 'gifts', forcing the Directorate General of Foreign Trade (DGFT) to prohibit them and the racket to stop. Even today, an Indian MSME cannot export through the automated express courier terminals, adversely affecting their competitiveness and timeliness, so critical to winning the e-commerce race.

The DGFT is no better. Responding to a call to encourage e-commerce exports, it notified books, handicrafts, bespoke tailored garments, footwear and toys under the Merchandise Exports from India Scheme. And what do Indian MSMEs export through e-commerce—pharmaceuticals, cosmetics, artificial jewellery, leather handbags and high street fashion garments. One wonders who prepared the policy brief!

Export-related subsidies are crucial to the micro, small and medium-sized exporters, as tough competition in terms of price from East Asian countries is their biggest challenge. The competitors enjoy higher subsidy packages from their respective governments as compared to Indian MSMEs. Infrastructure-related problems like setting up factories, capacity, remoteness to airports, accessibility to export destinations, lack of warehouses in foreign markets, etc, pose serious challenge to the Indian small and medium-sized exporters as compared to their East Asian counterparts.

Small businesses of India hope that the new secretary of MSMEs, with all the experience in the PMO, will bring tailwinds for them and a broad-based economic revival of India.

Source: [financialexpress.com](http://financialexpress.com)- Jun 10, 2020

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## **MSME retailers stare at sustained downturn as consumer demand less likely to recover post lockdown**

*Ease of Doing Business for MSMEs: Retailers have already been reeling under the lockdown impact for over two months with little to no revenue to sustain operations.*

Indian retailers might have to prepare themselves for a sustained downturn in the market as majority consumers are less likely to shop after the lockdown. According to a survey of more than 4,000 respondents by the Retailers Association of India and LitmusWorld, 67 per cent consumers

showed little to no excitement in shopping post lockdown. Moreover, 78 per cent said that their shopping expenditure will decrease after the lockdown. This suggests a slower recovery for the sector. “With most consumers demonstrating hesitation to resume shopping in the coming months, the retail sector needs the support of all stakeholders to revive sentiment,” said Kumar Rajagopalan, CEO, Retailers Association of India. The association represents 13,667 retailers across the country out of which 80 per cent are MSMEs including mom-and-pop and kirana stores while remaining are large enterprises. These retailers have around 5 lakh stores and provide direct and indirect employment to 50 million people in India.

Retailers have already been reeling under the lockdown impact for over two months with little to no revenue to sustain operations. Even as the shops or stores for non-essential goods had started to resume operations last month, stores in malls were given the go-ahead to operate from Monday onwards. However, the risk of virus contraction is likely to keep majority customers at bay irrespective of the lockdown conditions ahead while the hygiene measures adopted by shops/stores are less likely to make a huge difference in winning consumer confidence.

Those who are willing to move out will prefer low exposure, contactless shopping as hygiene-level would be the key factor for attracting consumers even if they have to pay some extra amount. 75 per cent respondents said that regular sanitization of stores was the most preferred measure and expectation for safe shopping. “Shopping trips will be less but more focused. This will lead to more planned purchases instead of impulse buys,” retail experts opined in a webinar organized by the association last month. “Sustainability, Safety, Origin and Trust are going to be the themes driving consumer behaviour going forward.”

According to the survey, 62 per cent respondents said they may visit stores within the first three months post lockdown while the number increased up to 75 per cent in Tier-II and III cities. “Despite a strained quarter, the sector will have to make investments in implementing the necessary safeguards to win back consumer confidence,” said Rajagopalan. Apparel and clothing followed by food and grocery, consumer durables/electronics, beauty and wellness, and footwear were the top five categories receiving immediate consumer interest.

Source: [financialexpress.com](http://financialexpress.com)– Jun 09, 2020

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## **Levy of BAT on imported goods to create level-playing field for domestic players: Niti member**

*"US-China trade tensions are currently at historic high levels. In the post COVID world, it is expected to rise further... so first we have to do a border adjustment tax to provide the domestic industry a level-playing field vis-a-vis imports," he said at a virtual event organised by the PHD Chamber of Commerce.*

Saraswat, a former chief of the Defence Research and Development Organisation, said India is over dependent on everything including ventilators.

Niti Aayog member VK Saraswat on Wednesday favoured imposing a border adjustment tax (BAT) on imports to provide a level-playing field to domestic industries. Also, he stressed on the need to identify reforms that can be immediately undertaken.

*"US-China trade tensions are currently at historic high levels. In the post COVID world, it is expected to rise further... so first we have to do a border adjustment tax to provide the domestic industry a level-playing field vis-a-vis imports," he said at a virtual event organised by the PHD Chamber of Commerce.*

BAT is a duty that is proposed to be imposed on imported goods in addition to the customs levy that gets charged at the port of entry. Saraswat said various taxes like electricity duty, mandi tax, clean energy cess, royalty etc lead to escalation of price. "Such taxes which are imposed on domestic goods, give them (imported goods) a price advantage in India," he pointed out.

The Indian industry has been complaining to the government about domestic taxes like electricity duty, duties on fuel, clean energy cess, mandi tax, royalties, biodiversity fees that get charged on domestically produced

goods as these duties get embedded into the product. But many imported goods do not get loaded with such levies in their respective country of origin and this gives such products price advantage in the Indian market.

Talking about Prime Minister Narendra Modi's Atmanirbhar Bharat vision, Saraswat said advocating self-reliance should not imply that India will embrace isolationist policies. "I think many people think that we are going back to the old era. They are wrong. We have to be global but we have to have a supply chain which is more local," he noted.

Saraswat, a former chief of the Defence Research and Development Organisation, said India is over dependent on everything including ventilators. "We have to invest in infrastructure... We must minimise our dependence on others for raw material and semi-finished goods," he stressed. Saraswat emphasised on the need to look beyond banks for infrastructure funding.

Source: [economictimes.indiatimes.com](http://economictimes.indiatimes.com)– Jun 10, 2020

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## **Telangana tapping companies moving out of China, says KTR**

*State keen to attract companies from textiles, electronics and life sciences that are looking to create large-scale employment, State's irrigation project has helped it produce 83 lakh tonne paddy, which is 63% more than the total production in the country.*

Telangana has been focused on tapping companies that are likely to move out from China. TS has been following up with embassies, high commissions and others to attract companies from the textiles, electronics, life science and other segments that have a capacity to create large scale employment, said Industries Minister KT Rama Rao.

“We have a reasonable success and a formal announcement will be made in a couple of weeks,” he said.

Speaking at a webinar on `Rebuilding and rebooting Telangana's economy post Covid-19, organised by industry body Ficci, he said the ambitious Pharma City project will take shape in a few months. About 10,000 acre has been acquired and another 2,000 acre is being acquired, he said adding that the pharma manufacturing cluster once ready will cut the dependence on imports and further strengthen Telangana's hold in the pharma and bulk drug segments, said Rao. Hyderabad already has an electronic manufacturing cluster and there is a need for more such facilities given the demand they have. The State is continuing its focus to attract investments with proactive policies that are focused on ease, cost and quality of doing business in the State. It will continue to work on these parameters, he said.

### **Economic growth**

The Minister said that the fight with Covid will go on. On the other hand, the State and the nation cannot afford to shut out the economic growth. Alluding with industrialist and Bajaj Auto MD Rajiv Bajaj, KTR said India indeed flattened the wrong curve- that of economy. “Governments are in a catch 22 situation. The effort has been to strike a balance between the economy and the health issues. While there is no doubt that health of people



is most important, reviving the economy is also important,” he said adding that the Telangana revenues also suffered due to the lockdown and was now getting only about Rs 150 crore from the earlier Rs 500-600 crore on daily basis.

### **MSMEs**

Telangana was among the States that have opened up the economic activities without delay. It has now allowed the manufacturing sector including the MSMEs to open up their activities. The Government of India and the Reserve Bank of India have announced several measures that will ease the liquidity crunch for the industry and more can be done. He said Telangana Government has decided to defer collection of property taxes for the MSMEs. In another measure giving relief to the small industries, the TS Government has decided to bill on the actual power usage and no fixed charges will be collected. The State is urging the banks to step up lending at the district level.

### **Agriculture and pharma**

Telangana was also among the States that have ensured that there is no shortage of essential commodities and services even during the lockdown. It ensured there is no disruption to agriculture and health industry activities then. Several Hyderabad-based pharma companies have made hydroxychloroquine tablets here and have exported to the US on President Trump’s insistence for having the drug supplied there. The TS Government has been implementing the irrigation projects on a war-footing and that has helped the State to produce 83 lakh metric tonne paddy, which is more than 63 per cent of the total quantity produced in the country, the minister said.

### **Healthcare, textile and electronics**

KTR said that the standard of living has been enhanced due to the proliferation of IT industry, which has recorded 18 per cent growth in the State, compared to the 8 per cent the country recorded. Now, healthcare can play the same catalytic role in the coming decade. “Corona has shown the world that the healthcare infra and personnel are woefully inadequate to tackle a pandemic. This is an opportunity to train the youngsters in healthcare and allied sectors. About 78 per cent of the medical devices used

in the country are imported. The effort should be to up the local production to cut down the imports. Telangana is now setting up the largest medical devices park in the country, he said.

There is a need for Government investment and some bold reforms keeping scale in mind. Mega industrial parks are the need, he said. TS is also setting up a mega textile park and this will focus on making garments to the global market. This will have a capacity to use rural infrastructure. Citing an interaction he had with an economist, Rao said the economist observed that the entire industrial infrastructure is intact and what is missing is the workforce. The productivity will come back once the workforce joins back and it could be a 'V' shaped recovery (sharp rise) but the current conditions indicate that it will be 'U' shaped recovery (slow).

### **Industrial incentives**

The TS in the Budget has allotted Rs 1,500 crore to be clear part of the pending incentives that are due to the industry. In all, the dues are about 1,800 crore. However, Covid has changed all these plans as the economy has gone haywire. Now, the State will work on a mechanism to award certificates which can be used to adjust against State GST or for paying power bills and the like. A similar mechanism will be evolved for the solar sector too. He also urged the industry to up the payments due to the State. The Government is also engaging with cement and steel makers as spiraling prices will hit the demand in the construction segment, which is linked with several other sectors.

### **New policies**

The TS government will soon announce a new waste management policy and that will cover solid, liquid, biological, biomedical, construction and demolition waste management among others. TS shortly will also announce a policy for the hospitality segment, which is one of the most affected sectors, to re-emerge from the covid dent, the Industries Minister said.

## **Telecom and Evs**

Rama Rao stressed the role of telecom companies in the times of Covid in ensuring uninterrupted communication. TS is now executing T-Fibre and once ready this will create a robust broadband ecosystem that will help the Government come closer to people and enhance the quality of education and health services. The State is also working on Telangana Emerging Technologies Corridor (TETC) to focus on new technologies like artificial intelligence, machine learning, robotics, drones and allied fields, he said adding that the TS has declared 2020 as year of AI. TS is working with healthcare provider Apollo and WEF on a project – Medicine from the sky- to deliver drugs or even blood through drones.

The State is already using some electric buses and going forward it will favour hybrid buses as well. This will meet the transport needs of rural and semi urban areas. Hyderabad has been consistently rated as the most livable city in the country. The city stands 142 on the global scale and the Government is working on decongesting city by building satellite townships leveraging the 160-km Outer Ring Road. A regional ring road, double the size of ORR, is also proposed to take development further.

## **Water resources**

Sircilla has now become a case study in water management for the civil servants. The groundwater has risen 6m mainly due to the irrigation projects. The State has already rejuvenated more than 20,000 tanks and an equal number will be done. The State is also keen on increasing water treatment for secondary uses like construction and landscaping.

## **Borrowing limits**

The central governemnt should enhance the limits of borrowing. The governemnt allowed partly but those came with a lot of riders. Also, we are disappointed that the government is not buying the commercial bonds. That would have been a great help to the States. Even as our own resources have been hit, we are continuing with the debt services and other obligations. We are all in the same boat. Now, we want the industry to give us the comfort of choosing to invest in TS or increasing the investments.

## **Defence and aerospace**

The State has three aeroparks and two more will be added. About 30 per cent of the components used in the Mars Orbiter Mission (MOM) were sourced from companies in Hyderabad. One company is also making parts for submarine. The cabins of Sikorsky helicopters are made in Hyderabad.

## **Industry lauds TS' efforts**

Industry leaders have lauded the efforts of Telangana in dealing with Covid, particularly with respect to reopening the industry. They also made suggestions for some areas that need to be improved.

“The State has done good in dealing with Covid and it is among the States with lowest number of cases. I am sure the State will step up in areas that need some corrections. Lifting of the lockdown and getting back to work have been done smoothly,” said Sangita Reddy, president, FICCI at the online conference ‘Rebuilding and Rebooting Telangana’s Economy Post COVID-19’.

“The attendance you have is really exemplary and this is reflection of the positive image of the State and your personal proactive interactions,” she said.

“We all realise that the next 60 days will be critical. TS is among the few states that have opened up agriculture and others quite early with the requisite standard operating procedures. It is also the only State that is procuring 100 per cent of the paddy produced, which is a huge relief to the farmers. This has been the history of Telangana- to be proactive, farmer-friendly, pro-poor policies, which continue to be the hallmark. TS has a strong industrial base with many inbuilt drivers for a sustainable growth,” she said.

Sandip Somany, vice chairman and managing director, HSIL Limited, said: “In terms of revival of the industry, Telangana was an easy State to work from. The Government ensured that the industry opened fairly quickly and

also followed due safety procedures. I think we have reached about 60 per cent capacity. I am an emissary of your State and we are happy that we have our investments in the State. Significant investments have come to Telangana in the last few year.” “It is great to feel the optimism from States that are well managed like yours,” said Naina Lal Kidwai, chairman, Advent Private Equity.

“You represent the new age and future Indian political leadership, most importantly totally aligned to the tech suaveness that India requires to be able to deal with 1.3 billion people. You demonstrate by example the fact that technology use and absorption in Government is perhaps one of the ways now to deal with governance for the people,” said Tanmoy Chakrabarty, chairman, FICCI Committee on Urban Transformation.

Source: telanganatoday.com– Jun 11, 2020

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### **‘Textile and auto parts industries hardest hit, in worse condition’**

Ajit Lakra, MD of Superfine Knitters Ltd that is engaged in manufacturing of knitted fabric and garments, says the Covid-19 impacted their business badly.

“Our business is a seasonal business. When the lockdown started in March, we had huge quantities of summer-ready goods lying with us to be dispatched to our customers before March 31 or latest by April 15,” he says. “Unfortunately, all the customers cancelled or put on hold all summer goods,” Lakra added. Lakra is also the Textile Division Head of the Federation of Industrial and Commercial Organisation (FICO).

**How is the micro, small and medium enterprises (MSME) sector doing in Unlock 1.0?**

It is slightly different in different segments. Like bicycle and bicycle parts are doing comparatively better but our textile sector is not doing well.

**How is the problem of labour shortage being tackled?**

There is an acute shortage of labour in Ludhiana which is being felt by those segments that have some business in hand. In textile, we have about 25 per cent orders and about same percentage of labour availability. Labour is likely to return after June. 'Needy' industries are calling their labour and requesting the government to bring them back like they sent them.

**What are the major problems as of now?**

A major problem is the drastic drop in demand in the market. If the retail sales do not pick up anytime soon, the manufacturing sector cannot pick up to optimum and viable levels. Some fixed expenses and bank interest etc will not 'stop', thereby plunging many units into serious financial stress despite six-month deferment up to August 2020.

**How do you visualise business in these times?**

The business is limping back. The textile and auto parts industries are hardest hit and are in worse condition. Covid-19 pandemic is not over yet and there is an economic slump. Your comment. Unprecedented slump. Garment purchase is not a priority for the citizens, especially for one year till the pandemic ends. After about two years when the agreement of duty-free import of MMF garments from Bangladesh ends and some positive effect and opportunities arising out of anti-China sentiment the world over and with some major import policy changes in India, there can be ushered in a big boom in the textile industry of India.

Source: [tribuneindia.com](http://tribuneindia.com)– Jun 11, 2020

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