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INTERNATIONAL NEWS

US reports record $738 billion budget deficit in April

The United States on Tuesday reported a record $738 billion budget deficit in April as an explosion in government spending and a shrinking of revenues amid the novel coronavirus pandemic pushed it deeply into the red.

The Treasury Department said the budget deficit in April was the first to reflect the enormity of government spending that has been authorized to try to mitigate the economic impact of the crisis. The previous record budget deficit for any month was $235 billion in February 2020.

Until recently, most of the country was under strict lockdown orders and many businesses were shuttered to try to contain the spread of the virus, which has killed more than 80,000 people in the United States.

"They really are striking numbers that I didn't think I would ever see," a senior U.S. Treasury official told reporters when asked about the monthly budget figures.

The fiscal year-to-date deficit surged to $1.48 trillion compared to a $531 billion deficit in the comparable period in 2019, blasting past the previous monthly deficit record of $870 billion in April 2011.

The U.S. Congress approved a $2.3 trillion rescue package to deal with the crisis on March 27 and has since added to it, taking total emergency relief spending to help insulate individuals, families, businesses and state and local governments to around $3 trillion.

April marked the first month some of those stimulus programs were begun to be paid. Roughly $600 billion in outlays for April were attributable to government spending on coronavirus relief measures, while receipts were reduced by about $300 billion by the crisis, the senior Treasury official estimated.

April is normally a month in which Treasury posts a surplus because tax payments are due on April 15, but they have been delayed this year until July 15 due to the pandemic. The government has only reported an April deficit 15 times over the past 66 years.

The primary reason for a reduction in receipts was the deferral of certain individual and business taxes from April, as well as changes to tax laws passed in recent legislation, Treasury said.

More than 33 million Americans have filed for unemployment benefits since March 21, which equates to roughly one in five jobs. That has also cratered the U.S. government's revenue base.

In April, receipts totalled $242 billion, down 55% from a year earlier, while outlays surged 161% to $980 billion.

About $283 billion in non-withheld individual income taxes were paid in April 2019, according to Treasury data, and receipts for taxes withheld from worker paychecks, which totalled $114 billion in April 2019, were reduced this year by the jump in unemployment.

Source: indianexpress.com – May 12, 2020

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China announces new list of US imports eligible for trade war tariff waivers

China on Tuesday released a list of 79 American products which will be exempted from the second round of retaliatory tariffs imposed at the peak of the bilateral trade war, as it faced fresh pressure from the US to import more to end the bruising dispute.

This is the second list of American goods to be excluded from the second round of tariff countermeasures against the US Section 301 measure, according to a statement from the Customs Tariff Commission of China's State Council.

The exemption will be valid from May 19, 2020, to May 18, 2021, it said.

There are 79 products in total on the list published on Tuesday by the Ministry of Finance that included rare earth mineral ores, aircraft radar equipment, semiconductor parts, medical disinfectants, and a range of precious metals, chemical and petrochemical products.

The first batch of exclusions was announced in September 2019, and included major agricultural commodities such as soybeans and pork, as well as petrochemical products.

Tariffs that have already been levied will be refunded, the statement said. The remaining US products subject to China's second round of additional tariffs will not be excluded for the time being, it said.

For US products that are not on the first two lists, the commission advised enterprises to apply for the exemption of additional tariffs following a specific product list that applies to domestic firms which plan to sign deals to purchase and import these products from the United States in a market-oriented and commercial fashion, the state-run Xinhua news agency reported.

The US and China signed the phase one deal on January 16 to end the 22-month-long trade war during which two countries slapped tit-for-tat tariff hikes over nearly half a trillion USD worth of products.

Under the January deal, China agreed to increase its purchases of US goods from a 2017 baseline by USD 200 billion over two years.

China's announcement comes at a point when two countries are engaged in fiery exchanges over the origin of the coronavirus pandemic that had cast a shadow over the deal.

US President Donald Trump last week threatened to tear up the phase one trade deal if China did not increase its imports of US goods, as per the purchasing agreement element of the deal.

Trump had launched the trade war with China in 2018 demanding Beijing to reduce the massive trade deficit.

The US goods trade deficit with China was USD 419.2 billion in 2018.

His demands included an intrusive verification mechanism to supervise Beijing's promise to protect intellectual property rights (IPR) technology transfer and more access to American goods to Chinese markets.

Source: financialexpress.com- May 12, 2020

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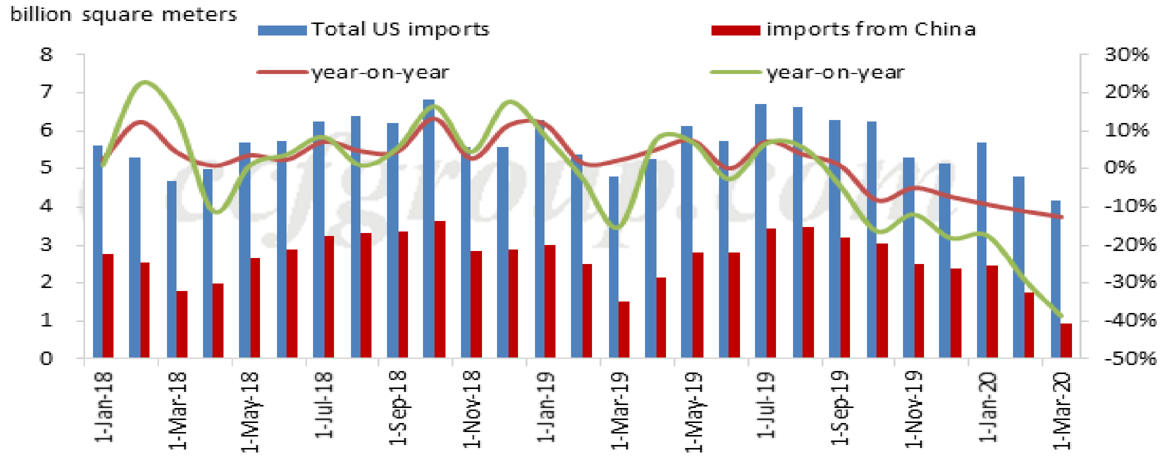
US textile and apparel import demand plunged

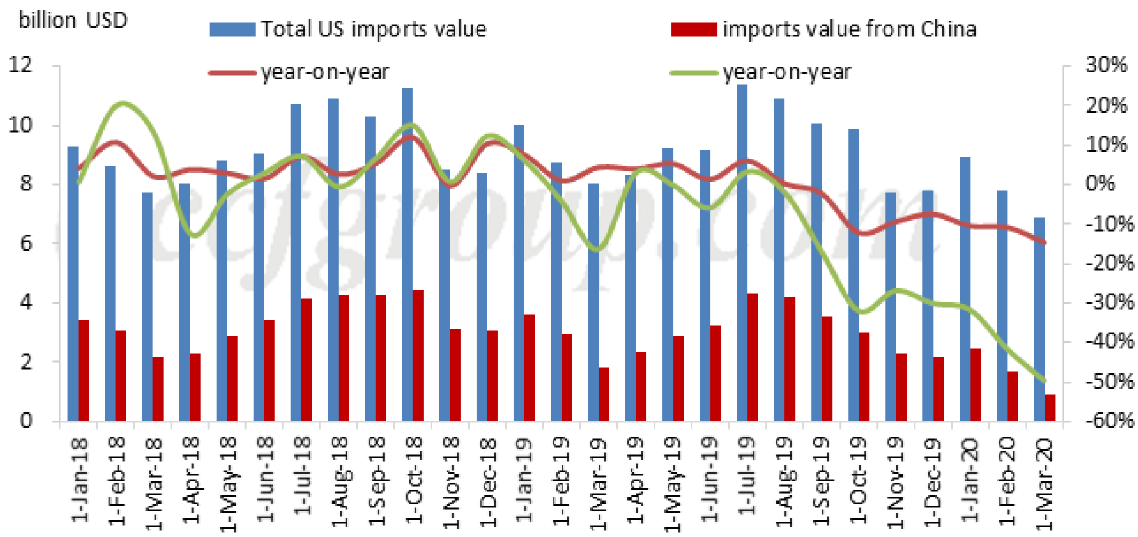
COVID-19 pandemic is still severe. The United States has become the hardest hit and global economic activities have been greatly affected. The latest data show that US textile and apparel imports reached 4.19 billion square meters in Mar, down by 12.6% year-on-year; the volume from China was 940 million square meters, down by 38.7% year-on-year.

US textile and apparel imports and those from China in 2018-2020



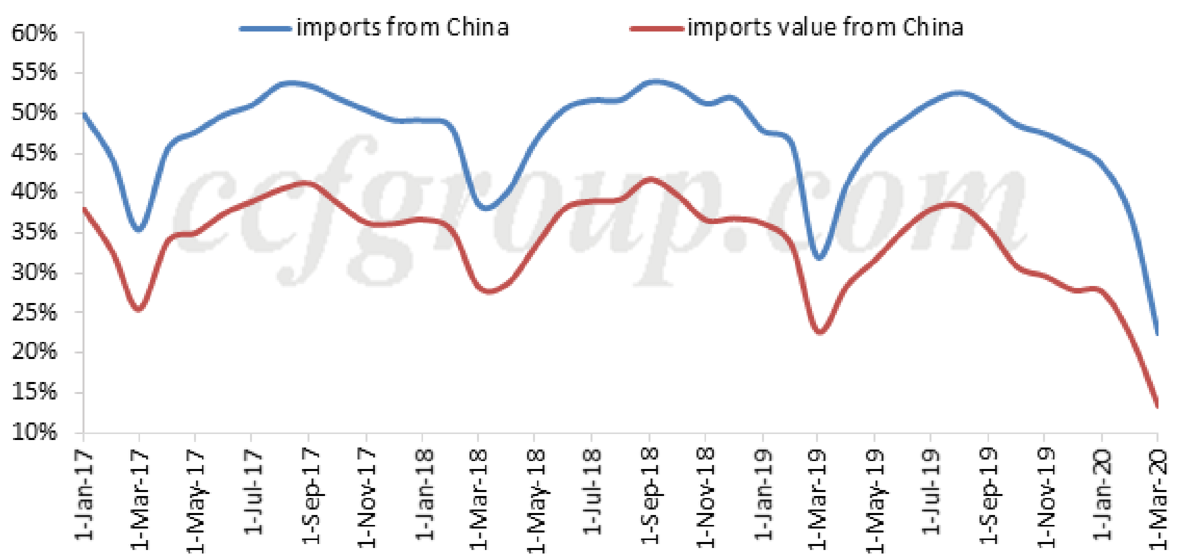
US textile and apparel imports have been showing negative growth for six consecutive months, and declined more quickly; the volume from China saw faster speed than the total, a negative growth for seven consecutive months. Apr import demand will be weaker. In terms of import value, it declined faster year-on-year. In the first quarter, the cumulative US textile and apparel imports were 14.66 billion square meters, down 10.9% year-on-year; the volume from China was 5.18 billion square meters, down 26.2% year-on-year.

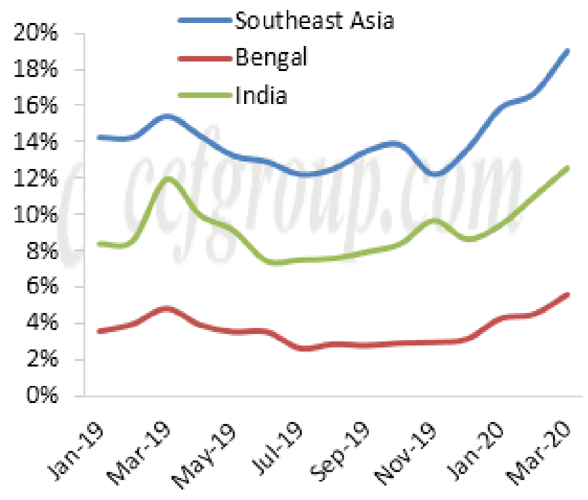
US textile and apparel imports value and those from China in 2018-2020



In Mar, the cumulative US textile and apparel imports were 6.88 billion square meters, down 14.6% year-on-year; the volume from China was 0.92billion square meters, down 49.6% year-on-year. In the first quarter, the cumulative US textile and apparel imports were 23.63 billion square meters, down 11.8% year-on-year; the volume from China was 5.1billion square meters, down 39% year-on-year. From the share, both the volume and value of US textile and apparel imported from China declined significantly in March.

US textile and apparel imports value and volume from China





The volume and value of US textile and apparel imported from China in Mar fell to 22.4% and 13.4% of the total textile and apparel imports respectively, 30.1% and 25% lower than that in Aug of last year mainly due to the epidemic. In recent years, US textile and apparel import market has gradually shifted to Southeast Asia, Bangladesh and other regions, and emerging markets have continued to occupy China's market share.

Confronted both by Sino-US trade war and the epidemic, China's textile and apparel market share in the United States has gradually declined, especially in the first quarter. However, the share of ASEAN, India and Bangladesh gradually increased, especially that of ASEAN rose to 19% in Mar and that of China fell to 22.4%.

There is a time lag in import data. The epidemic outside China in Mar and Apr continued to spread, and the United States became the hardest hit. Therefore, the US textile and apparel consumption was bound to be greatly impacted, and the import volume also declined.

However, mills in ASEAN, Bangladesh and India were hard to resume work amid the pandemic, so it is expected that US textile and apparel Apr import will still slip evidently, with larger decline than that in Mar.

Source: ccfgroup.com - May 12, 2020

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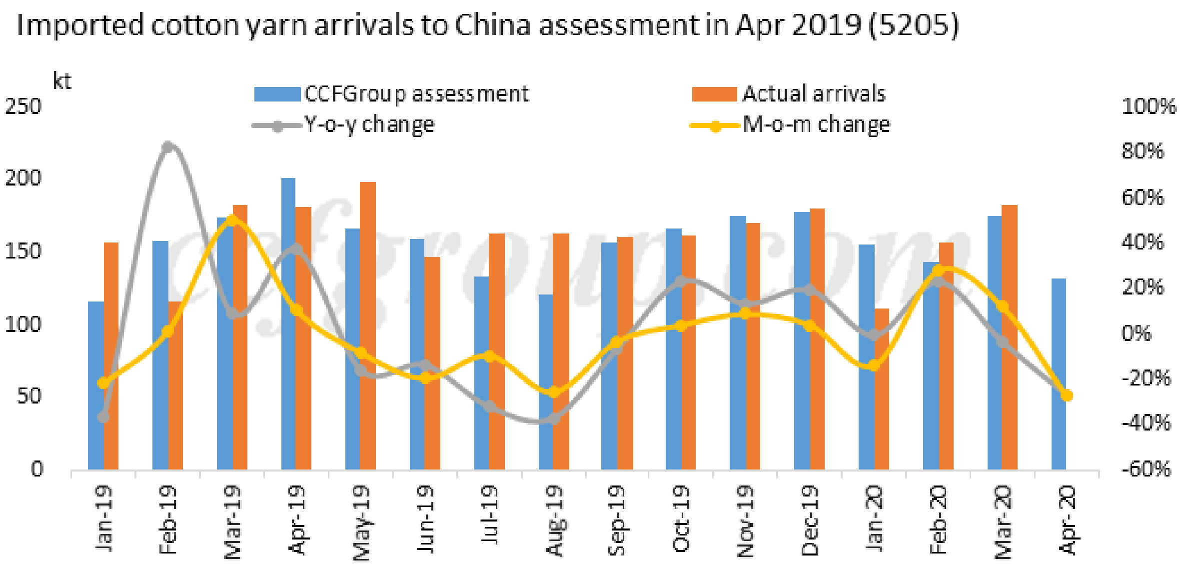
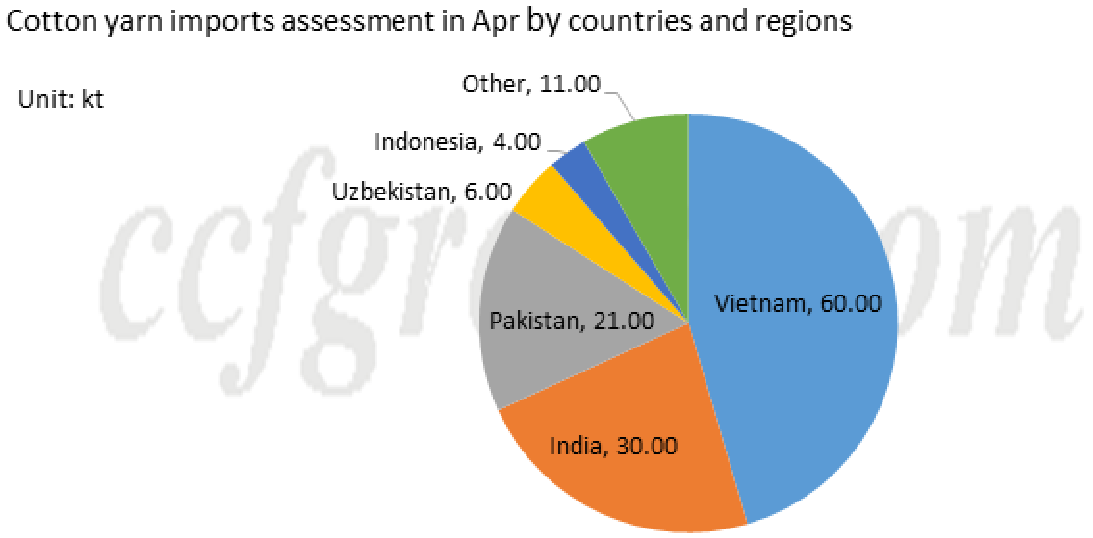
China: Apr'20 cotton yarn imports may move down 27.47% m-o-m to 132kt

1. Imported cotton yarn arrivals to China assessment



Imported cotton yarn arrivals to China in Apr 2020 are estimated at 132kt, down 27.07% y-o-y and 27.47% m-o-m. Of the total arrivals, there was a large amount of cargos which had been ordered before Spring Festival, and a part of cargos which were delayed to deliver from Feb. The data above considered the breach of contracts. Without considering that, Apr arrivals would be 163kt, down 9.9% y-o-y and 10.44% m-o-m.

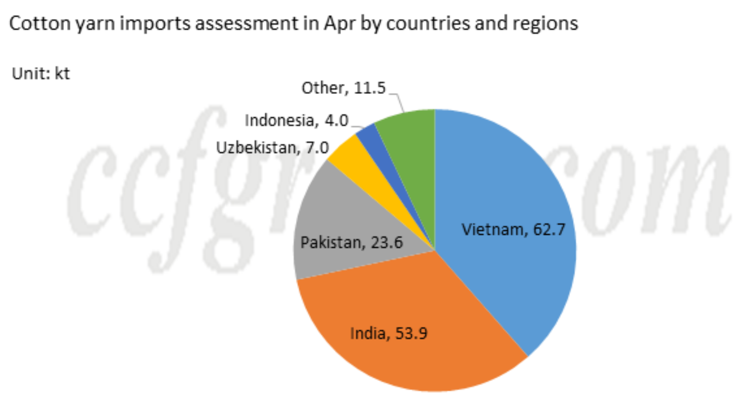


Considering that a part of shipment was calculated into customs data, but was not delivered normally due to the breach of contracts

According to foreign shipment data in Mar and considering the breach of contracts, arrivals of Vietnamese cotton yarn are estimated at 60kt; that of Indian cotton yarn at 30kt; Pakistani cotton yarn 21kt, Uzbekistani cotton yarn at 6kt; Indonesian cotton yarn at 4kt, and that of other regions and countries at 11kt. The breach of contracts was little seen in history, so the result of research may show large differences. The breach of the contracts may be beyond expected.

Without considering the breach, Apr arrivals of imported cotton yarn from Vietnam would be 62.7kt, from India would be 53.9kt, from Pakistan 23.6kt, from Uzbekistan 7kt and from other countries and regions 11.5kt.

2. Traders' reflection



Without considering the breach of contracts

Major traders and L/C issuing companies expected less arrivals of imported cotton yarn in Apr.

3. Imported yarn stocks and supply and demand outlook in May

In terms of supply, Apr arrivals of imported cotton yarn are estimated at about 132kt at a normal level. The stocks in the ports stayed high as the sales were poor in Apr, and the pressure on traders sustained. Due to L/C issues, pressure on traders continued to increase, so the price of imported cotton yarn is predicted to weaken and underselling may appear.

Looking from demand, operating rate of fabric mills recovered somewhat after Tomb Sweeping Day holiday (Apr 4-6), but later, it reduced. The run rate in North China seemed improved. That in Weifang, Shandong, representative of weaving bases, reached over 70%. It started to tick down in Jiangsu and Zhejiang.

In Nantong and Lanxi it remained at 40% and in Changzhou it was at 30%. Especially from mid-Apr, it declined from 40-50% to 20-30% in Foshan. Before and after May Day holiday, the operating rate of fabric mills nationwide has declined about 30%. In short run, it may be hard to recover to over 50%.

As for later market, the supply will mainly come from the 230kt stocks in the ports and 30-day inventory of foreign cotton yarn in Vietnam, India and Pakistan.

Arrivals of imported cotton yarn may reduce later, but it is noteworthy that the export companies in India and Pakistan recover well, and as the consumption in their local markets has not restored, they focus on export.

The proportion of Indian cotton yarn and Pakistani cotton yarn exported to China increases, which may provide support for the imported volume of China.

As for the demand, it is still restrained by the pandemic. The control across the world is difficult and it may spread for one to two years. The possibility of the outbreak of economic crisis keeps increasing. The companies are suggested to prepare for it.

Source: ccfgroup.com - May 12, 2020

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USA: Cotton Highlights from May WASDE Report

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

The U.S. cotton forecasts for 2020/21 include larger beginning stocks, consumption, exports and ending stocks compared with the year before. Production is forecast at 19.5 million bales – 400,000 bales less than the year before, based on 13.7 million planted acres as indicated in the NASS March Prospective Plantings report.

Planted area is expected to be virtually unchanged from 2019/20, but harvested area is projected 2 percent lower, as abandonment rises from 2019/20. The yield is projected only slightly higher, using 10-year regional averages.

Domestic mill use and exports are expected to rebound as the world economy begins to recover. Mill use is expected to rise 200,000 bales, and exports by 1 million; but ending stocks are expected to rise 600,000 bales to 7.7 million, equivalent to 41% of use. This would be marginally higher than in 2019/20 and the highest since 2007/08's 55%. The price received by upland producers is forecast at 57 cents per pound, slightly below 2019/20.

For 2019/20, U.S. cotton production is raised slightly from last month. The export forecast is unchanged, but expected consumption is 200,000 bales lower and ending stocks 400,000 bales higher.

World ending stocks in 2020/21 are projected to rise for a second consecutive year, but at a much slower pace. With harvested area down globally, production is expected to decline 3.7 million bales, while consumption is expected to rise 11.5 million bales as the global economy begins recovering. Global ending stocks are expected to rise 2.3 million bales, but fall as a share of consumption, from 93% in 2019/20 to 85%.

For 2019/20, the world consumption forecast is reduced to 105.0 million bales, down 5.6 million from the previous forecast and 12.7% below the previous year. This would be the largest annual decline in world consumption since the 19th century.

World production is raised 1 million bales from the previous month, and 2019/20 ending stocks are 5.9 million higher. The revised year-to-year increase in global ending stocks is 16.9 million bales.

Source: cottongrower.com - May 12, 2020

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Belarus lifts ban on cotton wool, face masks export

The Belarusian government has lifted the ban on export of locally-made face masks, and cotton wool, gauze and bandages with effect from May 9, 2020. The government had banned export of some medical products in March this year, and now with the lifting of the ban both single and multi-use face masks are eligible for export, if they are produced in Belarus.

Meanwhile, Belarusian textile firm Kamvol is in talks with companies in the US and Canada to branch out in to the north American markets. The company has this year added distributors in Armenia, Russia and Uzbekistan, according to Belarussian media outlet.

Source: fibre2fashion.com- May 12, 2020

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Italian fashion and textile sector looses €3.5 billion revenues in Q1

Research by Confindustria Moda shows, in the first quarter of 2020, Italian fashion and textile companies lost more than €3.5 billion in revenues and their sales could decrease by a total of about €9 billion by the end of the year. The report analyzed the performances of companies represented by SMI — Sistema Moda Italia, and those that have been significantly impacted by the coronavirus outbreak in the country since February.

It showed, 42 per cent companies interviewed registered a loss between 20 and 50 per cent in revenues, while 28 per cent posted a decrease between 10 and 20 per cent. In addition, compared to the same period last year, for 49 per cent of the fashion and textile companies the number of collected orders decreased between 50 and 20 per cent.

As SMI president Marino Vago highlighted, in order to protect their workforce, 95 per cent companies included in the research used the wage support measures made available by the government and, to protect the safety of their employees, 80 per cent of them activated smart working.

Confindustria Moda's research also focused on the fact that for the Italian fashion and textile companies, which took part to the survey the biggest issue they had to face during the emergency was the management of the relationships with clients. As Vago noticed, since most SMI associates operate in the textile sector, they were significantly affected by requests of clients, sometimes big fashion groups, to postpone payments or revise contracts.

In addition, the research highlighted how the companies in the Italian fashion and textile sector are suffering after a lack of liquidity due to the low capitalization rate of the medium and small-sized companies.

Source: fashionatingworld.com- May 12, 2020

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US imports to see double-digit annual decline: NRF

Imports at major US retail container ports are expected to see double-digit year-over-year declines this spring and summer as the economic effects of the coronavirus pandemic continue, according to the Global Port Tracker report released by the National Retail Federation (NRF) and Hackett Associates. NRF is the world's largest retail trade association.

"Factories in China are largely back online and stores that closed here in the US are starting to reopen, but volume is far lower than what we would see in a 'normal' year," NRF vice president for supply chain and customs policy Jonathan Gold said. "Shoppers will come back and there is still a need for essential items, but the economic recovery will be gradual and retailers will adjust the amount of merchandise they import to meet demand."

"Much will depend on consumers' willingness to return to spending," Hackett Associates founder Ben Hackett said. "Our view is that second-quarter economic growth will be significantly worse than the previous quarter, but we continue to expect recovery to come in the second half of the year, especially the fourth quarter and into 2021. This is based on the big and somewhat tenuous assumption that there is no second wave of the virus."

US ports covered by Global Port Tracker handled 1.37 million Twenty-Foot Equivalent Units (TEU) in March, the latest month for which after-the-fact numbers are available. That was the lowest volume since 1.34 million TEU in March 2016, down 9.1 per cent from this February and down 14.8 per cent year-over-year. A TEU is one 20-foot-long cargo container or its equivalent.

April was estimated at 1.51 million TEU, down 13.4 per cent year-over-year. May is forecast at 1.47 million TEU, down 20.4 per cent from last year; June at 1.46 million TEU, down 18.6 per cent; July at 1.58 million TEU, down 19.3 per cent; August at 1.73 million TEU, down 12 per cent, and September at 1.7 million TEU, down 9.3 per cent.

Before the coronavirus began to have an effect on imports, February through May had been forecast at a total of 6.9 million TEU but is now expected to total 5.87 million TEU, a drop of 14.9 per cent.

The first half of 2020 is forecast to total 9.15 million TEU, down 13 per cent from the same period last year. Before the extent of the pandemic was known, the first half of the year was forecast at 10.47 million TEU.

Imports during 2019 totaled 21.6 million TEU, a 0.8 per cent decrease from 2018 amid the trade war with China but still the second-highest year on record.

Global Port Tracker, which is produced for NRF by the consulting firm Hackett Associates, provides historical data and forecasts for the US ports of Los Angeles/Long Beach, Oakland, Seattle and Tacoma on the West Coast; New York/New Jersey, Port of Virginia, Charleston, Savannah, Port Everglades, Miami and Jacksonville on the East Coast, and Houston on the Gulf Coast.

Hackett Associates provides expert consulting, research and advisory services to the international maritime industry, government agencies and international institutions.

Source: fibre2fashion.com- May 12, 2020

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China weavers to cut production

A recent survey by Textile Excellence reveals, saddled with high levels of inventory due to cancelled orders and dull domestic demand, weavers in China may cut production in May. Additionally, two units of Jilin Chemical Fiber will be shut for maintenance in May for about two months. This will lower operating ratio to 86 per cent-88 per cent.

The survey reveals inventory of weavers is significantly higher than in the same period of past years. This may force many weavers to shut down again for the holidays.

Spot cotton sales were frozen after intensive order cancellation around mid-March, and the situation worsened during the week from April 6-10, when traders basically saw no liquidity and large traders also witnessed dull transactions. From April 13, cotton transactions warmed up somewhat.

Despite limited improvement, the downstream buying indication moved up somewhat, and when ZCE cotton futures market declined on April 21 and 22, on-call cotton sales were relatively good. On April 22, there were rumors that China would purchase one million ton of cotton into state warehouses, spot cotton transactions turned thinner again.

Downstream plants have export orders successively from last week, and some delayed orders have also restarted. According to the survey, new export orders are very limited, and domestic sales are also dull. Thus cotton purchases by mills are need based.

As competition is fierce in China's local market, margins are squeezed, and cotton yarn prices are at a record low. Inventories are high. Most downstream plants worry that domestic demand may turn worse as wages in the country may go down on average, and seasonal demand shrinks.

Source: fashionatingworld.com- May 12, 2020

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EU vows to clean up the apparel industry

In a fresh sign of the European Union's ambitions to expand its green regulatory footprint around the globe, the bloc's environment chief Virginijus Sinkevicius vowed to zero in on the apparel industry to ensure that it avoids using harmful chemicals and wasting water. Sinkevicius says the new draft EU rules will aim to require information on clothing labels about the resources used in manufacturing and set sustainability obligations for producers seeking access to the €500 billion European single market for textiles and apparel.

The EU announced in December an unprecedented "Green Deal" to become the first climate-neutral continent through an economic overhaul that will affect industries ranging from energy to agriculture.

The new "circular economy" initiative covers industries ranging from textiles and construction to electronics and batteries. It sets the stage for months of work by the European Commission, the EU's regulatory arm, on detailed proposals that EU lawmakers would need to approve in a process lasting many more months.

The portion of the plan dealing with textiles has the potential to affect numerous apparel companies that rely on low-cost Asian countries including China, Vietnam and Bangladesh as production sites. It would be a further example of how the EU, the world's most lucrative single market, deploys its rule-making authority to exert soft power over businesses across the globe. A previous landmark example of this occurred in the mid-2000s when, during three years of deliberations, the EU pushed through tougher chemical rules over the resistance of the industry and trade partners.

Sinkevicius says EU national governments would have to step up enforcement of any new environmental legislation covering the textiles industry to ensure the bloc's credibility. He signaled that the future EU labeling framework for textiles would resemble decade-old European eco-design legislation for improving the energy efficiency of household appliances like refrigerators and televisions. These rules, which include labeling requirements, have helped cut EU electricity consumption by the amount of power that Italy uses annually.

Source: fashionatingworld.com- May 12, 2020

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Bed Bath & Beyond extends store closure till May 16

Bed Bath & Beyond, a seller of domestic merchandise and home furnishings, has extended the temporary closure of all its retail banner stores across the US and Canada, other than buybuy Baby and Harmon Face Values stores, until May 16, 2020. Company will implement Store Safety Plan to promote a safe shopping experience across all stores scheduled to re-open.

Based on the latest guidance from federal, state and local government and health authorities, company is providing Buy-Online-Pick-Up-In-Store (BOPIS) and contactless curbside delivery services to customers at a number of store locations across the US and Canada.

The company expects the majority of stores across its retail banners to remain closed to the public until at least May 30, 2020. The approach to re-opening stores will include the following measured steps: expand BOPIS and contactless curbside pickup services to at least 200 additional locations, taking the total number of locations that offer these services to approximately 750 stores, or approximately 50 per cent of the company's total store fleet across the US and Canada; continue to expand its fulfilment capabilities to support increased demand across its digital channels, enabling the company to ship online orders in two days or less on average, or make orders available for pick-up in less than two hours for customers using BOPIS and contactless curbside services; and in addition to its Baby and Harmon stores that have remained open to provide essential goods throughout this period, the company intends to gradually re-open its other retail banner stores to the public, starting with approximately 20 stores, including its Bed Bath & Beyond and Christmas Tree Shops stores, by May 22, subject to state and local regulations.

“At a time when our homes have become the centre of our lives, Bed Bath & Beyond has been meeting the everyday needs of our customers and making it easy to feel at home. We're expanding our network of contactless curbside locations, so even more of our customers can conveniently buy online and pick up at store in just a few hours.

So, whether it's a last-minute Mother's Day gift, essential spring-cleaning equipment, or the start of a full renovation, we're here to make it easy to feel at home this Spring,” Mark Tritton, president & CEO at Bed Bath & Beyond, said in a press release.

Source: fibre2fashion.com- May 13, 2020

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Vietnam: Door opens for export of face masks

Hundreds of millions of made-in-Vietnam face masks have been exported abroad, showing an upsurge in the operation and production capacity of Vietnamese garment and textile sector at a time when the country's economy is struggling to overcome the impacts of the COVID-19 outbreak. However, there are still many things to do to facilitate the sustainable export of face masks.

Conquering the world's market

As a major garment and textile business with export revenue reaching hundreds of millions of US dollars, the Garment 10 Corporation Joint Stock Company has also suffered from the COVID-19 economic storm. The corporation has faced difficulties not only in the interruption in the supply of raw clothing materials from China but also in seeking demand for their products.

After recognising the increasing demand for face masks amidst the epidemic outbreak, the company found a way to transform the challenges into opportunities by switching to cloth face masks.

The company's director Than Duc Viet said that Garment 10 had received an export order for 400 million medical face masks worth US$52 million, which is planned to be exported this July. The company has also received orders for more than 20 million cloth masks from US and German partners.

Face masks made by other Vietnamese garment and textile businesses have also achieved a strong position in export markets. As of April 19, Vietnam has exported over 415 million face masks.

Vietnamese businesses' face mask production capacity is huge. The Ministry of Industry and Trade has stated that domestic producers have a total production capacity of 40 million face masks per day, or about 1.2 billion a month. By working at full capacity, the entire garment and textile sector can even produce 100 million face masks per day, or about 3 billion a month.

As estimated by the Vietnam Textile and Apparel Association (VITAS), domestic garment and textile businesses are able to produce around 150 million - 200 million face masks a month, which can absolutely meet domestic demand for epidemic prevention and control besides maintaining exports.

The Ministry of Industry and Trade has worked to help Vietnamese businesses connect with foreign partners. Vietnamese trade offices abroad have also shared a helping hand in seeking business partners to export these items to their host countries.

Recently, the Government promulgated Resolution No 60/NQ-CP on licences for export of medical face masks, which regulates that medical face masks can be exported without caps on export volume.

Deputy head of the Ministry of Industry and Trade's Export-Import Agency Tran Thanh Hai said that the resolution has opened up the door for garment and textile businesses to seize opportunity amidst this difficult period of time.

Attention needed to meet quality standards

However, Vietnamese businesses have faced certain difficulties in meeting mask quality standards from the importing countries. Accordingly, to export masks to the EU and the US, Vietnamese firms must obtain a CE marking and FDA certification, respectively, which indicate that a product meets the appropriate safety and environmental protection standards.

In the wake of the pandemic ravaging the globe, and a large demand for face masks, the EU and US may allow the import of these products without CE marking and FDA certification. However, when the epidemic slows down, they will be mandatory for Vietnamese firms to get access into these markets, said Deputy Director Tran Thanh Hai.

Dinh Ngoc Long, an expert from the Vietnam Certification Centre (Quarcert), noted that to obtain a CE marking Vietnamese firm must thoroughly understand all relevant EU-wide requirements and make sure that their products meet all these essential requirements.

For FDA certification, Tran Anh Tuan, an expert from Quarcert, noted that products must undergo a review of safety and effectiveness by FDA experts and achieve agency approval before they can be marketed. Businesses must prepare adequate documents for FDA to perform a review anytime without prior notice.

Experts also noted that mask producers must be well-prepared right from the start of the production process in order to raise their competitiveness and promote their exports in the long term, particularly to demanding markets like the US and EU.

Vietnamese businesses will also face competitiveness issues when other countries with success in developing their textile and garment sectors, including China, India and Pakistan, have recovered after the epidemics.

Source: en.nhandan.org.vn- May 12, 2020

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Bangladesh: An overhaul of payment terms needed for the RMG industry

The current global COVID-19 crisis has placed severe strain upon the apparel industry supply chain, with Bangladesh Ready-Made Garment (RMG) manufacturers and related ancillary industries feeling the financial effects of the global collapse in clothing retail. The crisis has thrown into sharp focus the inadequacies of the existing system of payment terms within the apparel manufacturing supply chain.

As fashion brands and retailers around the world face dwindling customer numbers, enforced store closures and mounting stock inventory, the immediate reaction of a large proportion has been a scaling back of, or delay in current production orders to Bangladesh RMG manufacturers. As has been well documented, this has caused major problems for RMG manufacturers, as their cashflow was immediately affected and they struggled to raise the necessary funds to pay their workers, their immediate suppliers and to cover overheads and utility bills.

The immediate question might be: how can such a situation have come to arise? In order to answer that, we need to consider the existing payment structure within the apparel supply chain that has resulted in a catastrophic collapse in the financial security of the Bangladesh apparel manufacturing community.

Payment terms within the apparel industry are varied and differ sharply from normal trade practices. It would be easy to assume that if a customer orders goods for production, that they would then pay for the same, as with other trade or retail transactions. More often than not, this is not the case, as there has come to exist, over a period of time, a system of payment terms that benefits the customer but exposes the supplier to financial risks.

Historically, the traditional purchasing model involved the use of telegraphic transfers (TT's) whereby the manufacturer would receive 60-70 percent of the order value of the goods being purchased in advance, in order to be able to procure the necessary raw materials (fabric and trims) to produce the required items. The buyer would then settle the outstanding balance for the finished production once the finished production had been shipped.

Over the course of time, with the evolution of the Bangladesh apparel manufacturing sector and relationships with our customers, different payment terms evolved. First and foremost was the use of Letters of Credit (LC's). A letter of credit is basically a guarantee from a bank that a particular seller will receive the payment due from a particular buyer. The bank guarantees that the seller will receive a specified amount of money within a specified time. In return for guaranteeing the payment, the bank will require that strict terms are met and will want to receive certain documents—for example shipping confirmation and inspection report for the goods—as proof that production has been completed to the customer's required standards and satisfaction.

LC's can carry different payment terms, normally at sight (whereby the manufacturer receives payment upon satisfactory completion of production and the shipment of the order) or deferred, with payment delayed for a pre-determined period of time after goods have been shipped by the supplier. The payment deferral period can vary depending upon the sourcing region and the customer/supplier relationship, from anything between 30 and 150 days, post-shipment.

Although the LC system offers manufacturers some financial security in that they are guaranteed payment if goods produced comply to the customers' requirements, it also necessitates the customer having to satisfy the lending bank's credit rating checks, requires the management of another tier of financial bureaucracy and can add time to the whole production process.

As relationships between buyers and RMG manufacturers have developed over recent years, a prevalent payment system that has emerged in the apparel industry is that of the Sales Contract (SC). Under this system a manufacturer will rely on a Purchase Order (PO) from a customer to execute an order. Based on the PO the manufacturer and customer will create a Sales Contract (SC) to allow the manufacturer to raise their own L/C to procure the necessary raw materials to complete the customer's order to the required standard. Under the terms of the SC, the buyer commits to making payment for the goods, after receiving copies of the documents relating to shipment of the order.

Under the terms of the standard SC the manufacturer has a legal right to receive payment for goods produced, under the proviso that the goods comply with the customer's terms outlined in the order. A manufacturer can take legal action against a buyer if no payment is forthcoming, however, this is rarely the case in the Bangladesh RMG industry as manufacturers shy away from the legal costs and potential damage they may inflict on their relationship with their customer.

The flaws in the SC payment system has been harshly exposed in the aftermath of the COVID-19 pandemic as customers, citing the extraordinary circumstances caused by the virus, are withholding payments or cancelling orders, leaving RMG manufacturers, without the security of a bank guarantee, financially exposed. Given the investments made by the RMG industry in improvements in factory safety, workers' welfare, compliance and environmental standards since the Rana Plaza disaster of 2013, it borders upon disbelief that RMG manufacturers have been abandoned by their customers and it is a situation that must not be allowed to happen again.

The current payment terms that exist in the RMG industry, it is fair to suggest, benefit the customer to such an extent that they are untenable for the future and a new system of payment terms needs to be established for the industry and monitored by a recognised international body, the World Bank or International Monetary Fund (IMF) for example and endorsed by our own government.

A revised set of rules will need to be implemented making the process of order execution against SC's internationally invalid and no longer binding. This might well hamper the relationships of buyers and their RMG partners, so a compromise scenario could well be that an advance payment is made to manufacturers to allow them to purchase the necessary raw materials, with the balance payment guaranteed by sales contract or by LC at sight, or settlement upon shipment for any finished goods. Similar payment terms exist within the industry already, so are not a totally alien concept—what we need is a validated set of terms that are recognised by all parties and enforced by local and international law.

What is important is that whatever payment term system is adopted by the RMG industry, it needs to be clearly recognised that existing payment terms are no longer fit for purpose. In tandem, buyers and RMG manufacturers alike, need to be open about the issues that have been raised over the last few weeks since the effects of the pandemic started to bite.

The apparel industry needs to recognise that the current system, with its unhealthy bias in favour of the buyers is no longer tenable and Bangladesh's RMG manufacturers can no longer be expected to bear the financial burden of this, or any other, economic meltdown that may arise.

When the world returns to normal, or the new post COVID-19 normal, the RMG industry needs, collectively, to establish a payment system that is endorsed by international agencies and is respected by all participants. The concept of collaboration between RMG manufacturers may appear alien to some but, as an industry, our voice will be stronger if we work together, not as competitors but as a part of unified trading body.

Only after a new system of payments has been agreed and ratified can we be assured that RMG manufacturers will no longer be exposed to the financial risks that they are experiencing during these current troubling times.

Source: thedailystar.net- May 12, 2020

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PM Modi unveils ₹20-lakh-crore package for 'Atmanirbhar Bharat Abhiyan'

Says lockdown will stay beyond May 17, but in a new form

Prime Minister Narendra Modi on Monday announced a ₹20-lakh-crore special economic package, which is almost equal to 10 per cent of the country's GDP. Meanwhile, he indicated that the lockdown will continue beyond May 17 but in a totally different form.

"This package will lay emphasis on land, labour, liquidity and laws," Modi said, in his fourth televised address to the nation in the last two months.

The package included the first tranche of the stimulus amounting to ₹1.70-lakh crore on March 26 and multiple policy measures including the ₹3.74-lakh-crore liquidity infusion by the Reserve Bank of India.

From Wednesday, Finance Minister Nirmala Sitharaman will start providing details of various measures proposed to address the concerns of all sections of the economy including migrant labourers, small vendors, farmers and micro, small and medium enterprises (MSMEs).

Titled 'Atmanirbhar Bharat Abhiyan' (Self Reliant India Campaign), the package will focus on supply chain in the farm sector, taxation, simple and clear rules/regulations, sound infrastructure, competent and efficient labour force and a strong financial system. These reforms will promote business, attract investment, and further strengthen 'Make in India'.

"Self-reliance will prepare the country for tough competition in the global supply chain, and it is important that the country wins this competition. It will not only increase efficiency in various sectors but also ensure quality," he said, in anearly 40 minutes speech.

Five pillars

The Prime Minister said the crisis has taught us the importance of local manufacturing, local market and local supply chains. All our demands during the crisis were met 'locally'. Now, "it is time to be vocal about the local products and help these local products become global," he said.

Recalling the devastation in Kutch after the earthquake, the Prime Minister said through determination and resolve, the area was back on its feet. A similar determination is needed to make the country self-reliant.

He said that a self-reliant India will stand on five pillars, namely, Economy, which brings in quantum jump and not incremental change; Infrastructure, which should become the identity of India; System, based on 21st century technology-driven arrangements; Vibrant Demography, which is our source of energy for a self-reliant India; and Demand, whereby the strength of our demand and supply chain should be utilised to full capacity. He underlined the importance of strengthening all stakeholders in the supply chain to increase, as well as fulfill, the demand.

Modi noted that several experts and scientists have said the virus is going to be part of our lives for a long time. However, "it is also important to ensure that our life does not revolve only around it", he said. He said the contours of Lockdown 4.0 will be different from those of previous ones.

The new rules will be based on recommendations from States, details of which will be conveyed before May 18.

Source: thehindubusinessline.com – May 12, 2020

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DPIIT examining suggestions on FDI restrictions from bordering nations

A decision on appropriate response to be taken in consultation with Finance Ministry, RBI, say officials

The Department for Promotion of Investments and Internal Trade (DPIIT) is examining various suggestions that have come in from stakeholders, including domestic and foreign investors, after the recent amendment to the Foreign Direct Investment (FDI) policy placing restrictions on flows from China and six other bordering nations.

Further changes or clarifications to the FDI policy may be announced, if needed, in consultation with the Finance Ministry and RBI, a government official has said.

"There are a number of suggestions that have poured in after the amendment to the FDI policy was notified last month. Numerous clarifications have also been sought by stakeholders. Some have suggested that there should be more tightening of the policy while others have suggested that it should be made more liberal," the official told BusinessLine.

The DPIIT is looking into the merits of the various proposals and wherever necessary amendments could be made to the policy, the official added.

On April 19 2020, the government announced amendments to the FDI policy stating that an entity of a country sharing the land border with India (including China and six others), or where the beneficial owner of investment into India is situated in or is a citizen of any such country, can invest only under the government route.

The press note specified that the amendment is to curb opportunistic takeovers/acquisitions of Indian companies due to the current COVID-19 pandemic.

If there is a direct or indirect transfer of ownership of any existing or future FDI in an entity in India, resulting in the beneficial ownership falling within the purview of the conditions mentioned above, such a change in beneficial ownership will also require the government's approval, it said.

"There are queries on how beneficial ownership should be defined. Also, some say that the term `indirect transfer' should be better defined so that there is no scope for confusion," another official told BusinessLine. Some investors want clarity about whether the restrictions announced by the government would be limited to FDI or does it also intend to cover investments by a Foreign Portfolio Investor registered with SEBI, he added.

There are also enquiries on whether India will set a 10 per cent 'beneficial ownership' cap for FDI flowing from China and the six other countries beyond which government clearance would be needed.

"The DPIIT will hold discussions with the Finance Ministry and the RBI on many of these issues and take a decision on what is to be done," the official said.
Source: thehindubusinessline.com – May 12, 2020

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Industrial production crashes by a record 16.7% in March

No headline retail inflation number for April due to limited transactions

In the strongest indication of an industrial crisis, growth in India's industrial production contracted by 16.7 per cent in March. This is the biggest fall among all the data series collected with base years of 1980-81, 1993-94, 2004-05 and 2011-12.

Based on the latest data available, industry has a share of 28.3 per cent in Gross Value Added (GVA; once tax is added, it becomes GDP) during the first half of fiscal year 2019-20. This means almost one third of the economy is in the contraction zone --- an indication that the fourth quarter of FY2019-20 (January-March) GDP number will be very disappointing as well. The number is expected to be made public at the end of this month.

Meanwhile, the government has not released the headline retail inflation number for April as there were very limited transactions in the market. It did make public price movements of some groups of goods such as fruits, vegetables, pulses and sugar, but these are not enough to provide an overall picture.

Manufacturing sector's show

Manufacturing sector growth slipped to (-) 20.6 per cent, which is also its steepest fall. Devendra Kumar Pant, Chief Economist with India Ratings & Research, said the numbers are on expected lines as the economy was locked down for a quarter of the month.

"Barring mining, all sectors contracted. The April 2020 numbers are likely to be even worse," he said.

The Quick Estimates of the Index of Industrial Production (IIP) are released on the 12th of every month (or the previous working day) with six weeks' lag and compiled with data received from source agencies, which in turn receive the data from producing factories/ establishments.

According to the Statistics Ministry, due to the lockdown, the flow of data from the producing units has been impacted.

As some of these units are yet to resume operations, the response rate has been lower than usual.

Source: thehindubusinessline.com – May 12, 2020

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MSMEs need immediate relief from banks, govt: CARE report

The micro, small and medium enterprise (MSME) sector needs immediate assistance, including enhancement in working capital limit and the immediate release of tax refunds, otherwise many units may go out of business, cautioned CARE Ratings.

The sector, which operates mainly on a cash basis and has less access to formal source of credit, has been under immense financial stress as operations have been curtailed due to the lockdown but overhead cost still remains to be borne by the companies, the credit rating agency said in a report.

Without a steady stream of income to cover the expenses, many companies may not survive and shut down or are on the brink of shutting down, it added.

Besides the lockdown, the sector is likely to witness tepid demand going forward due to the overall slowdown in the economy. Most small scale business may not be in a position to survive long without timely support from the government.

“The government has been nudging banks to provide credit to the MSME sector. However, banks are unwilling to lend to the sector given the high risk of default of such loans in the current economic scenario.

“The government should extend guarantees on loans to small businesses (up to 100 per cent) under the government’s credit guarantee scheme, which will alleviate banks’ fear to lend to the MSME sector,” said Rashmi Rawat and Bhagyashree C Bhati, Deputy Managers, Industry Research, CARE Ratings.

Financial requirements

The report's authors emphasised that MSMEs need enhanced working capital limit as they are in need of finance to meet their regular expenditures even when they are not earning any revenue due to lockdown.

Further, all pending dues owed by public sector units and electricity distribution companies to the small businesses should be cleared.

They sought immediate release of GST (goods and service tax) and tax refunds by the government. Further, GST payment should be waived off or should be reduced by half.

The State governments should consider MSMEs' demand for waiver of fixed electricity charges and electricity charges for the months of March and April, as production was affected due to lockdown.

Pressure on jobs

"Even while relaxations for manufacturing units were provided in the second and third phases of lockdown, clearance of formalities from district administrators is delaying operations at mills and factories. The mills nevertheless are resuming work at below normal operation rates," the report said.

"The disturbance caused due to lockdown has not just affected the demand-supply scenario of these activities but also created pressure on the employed workers," it added.

As a result, stress continues to surmount on around 2.75-3 crore workers involved in MSME manufacturing units, it added.

As per the report, almost 40-45 per cent of the workers employed in the trading enterprises and other services categories are likely to see their jobs under pressure. The estimated number of workers employed in trading enterprises and other services is at 3.87 crore and 3.65 crore, respectively.

The report said there are more than 6.3 crore unincorporated non-agriculture MSMEs (excluding construction) in the country engaged in different economic activities, and the sector provides employment to more than 11.1 crore people.

The MSME sector comprises manufacturing, trade and service providers. A large number of MSMEs are ancillary units catering to the needs of large industries.

Source: thehindubusinessline.com – May 12, 2020

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MSMEs may now get their grievances resolved within 7 days through this new govt portal

Ease of Doing Business for MSMEs: MSME Ministry on Tuesday announced a grievance registration and management system for issues around finance, raw materials, labour, regulatory permissions etc. particularly due to the Covid impact faced by small businesses. The portal – champions.gov.in – will allow MSME associations, units, employees, and aspiring entrepreneurs etc. to register their complaints, suggestions or seek information around the support provided to MSMEs. Grievances registered by MSMEs either on the government's Centralized Public Grievance Redress and Monitoring System (CPGRAMS) or any other portal of the MSME Ministry will be automatically pulled into the Champions portal.

The grievances will then be diverted subject-wise to concerned branch/bureau/office heads under the MSME Ministry to attend them within three days. The matter "should not remain inconclusive after seven days" AK Sharma, MSME Secretary said in a note announcing the trial launch of the Champions portal on May 9. For unresolved complaints, the "top leadership of the MSME Ministry" will "pro-actively take (them) up," said Sharma.

The ministry has also integrated its recently launched portal for MSMEs — ideas.msme.gov.in — to share their ideas, innovation, and research in respective sectors for public reviews for vetting before launching them within the Champions portal. Moreover, it has also added the information and knowledge bank for MSMEs such as steps taken by the government for MSMEs to fight Covid, RBI's relief measures, delayed payments monitoring, all MSME schemes, list of government notifications, the support provided by SIDBI and more.

Source: financialexpress.com – May 12, 2020

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Covid crisis: What India can do to reverse economic decline

Central banks can only provide money. They cannot spend it. Given the huge collapse in private spending, India can launch a fiscal stimulus programme to reverse the economic decline and job losses due to the lockdown associated with the coronavirus. The fiscal stimulus programme will need to be bold and large, in the range of 10-15% of GDP, much like in China, Japan and the US. A fiscal stimulus is not necessarily associated with rising inflationary trends, or macroeconomic stability, or loss in growth or jobs.

To minimise the downside risks associated with fiscal stimulus, it should be launched as an integral part of a comprehensive structural reform programme aimed at reviving economic growth and increasing the pace of job creation. How will this be achieved? Fiscal stimulus will need to focus more on increasing investments in physical and human infrastructure, promoting entrepreneurship, and achieving gender equality and green growth.

Infrastructure and growth

A fiscal stimulus programme during a crisis often tends to crowd out capital investments in infrastructure to shift resources for immediate welfare programmes. While relief programmes are a short-term solution, economic growth remains the best solution for poverty alleviation. India's biggest constraint to poverty alleviation remains poor infrastructure and slow economic growth. Empirical evidence from 500 districts in India has shown that scaling up investment in physical and human infrastructure has been the biggest driver of economic growth, job creation and poverty reduction. Much like in China, infrastructure investment is a key driver of growth, and it plays a bigger role compared to other drivers of growth like Doing Business indicators.

India's infrastructure financing gap is huge, at over $1 billion a day. It is growing exponentially. A fiscal stimulus could close this financing gap immediately. Shifting the responsibility to commercial banks as the source of debt funds to finance infrastructure projects has not worked in the past. Banks often tend to lack the experience in project financing, and infrastructure financing crowds out financing available to private entrepreneurs. Bank financing of infrastructure also creates asset-liability mismatches, given that banks attract short-term deposit and infrastructure projects need long-term investments.

India has many success stories with infrastructure projects. The Golden Quadrilateral highway project implemented by Atal Bihari Vajpayee is the biggest success story that unleashed India's growth story. The next frontier for infrastructure investments through fiscal stimulus will be in rural areas, where 60% of the population lives. Rural areas also have bigger growth potential compared to urban areas, given that the manufacturing sector is moving out of costly and congested megacities to secondary cities and rural areas. However, unlike in China, India's manufacturing sector has been constrained by poor infrastructure in rural areas that need more investments, from roads to broadband communication.

A fiscal stimulus needs to be well-coordinated. While the Ministry of Finance takes the lead, it can help coordinate with the line ministries and state governments to strengthen the institutional and legal framework for infrastructure projects. Problems of moral hazard and adverse selection can be resolved by reducing the opaque structures of projects, providing the information required to improve their risk-return profiles, and establishing project and sector-specific institutional frameworks with independent regulators.

Goods and services cannot be produced and delivered without roads, electricity and telecommunication. And moving people is as important, if not more important, as moving goods. Investing more in roads, railways, bridges and schools should be an integral part of fiscal stimulus agenda. If this is important in the current US context, the role of infrastructure is even more fundamental in India, where there's much more to be done than in the US and other advanced economies.

Entrepreneurship and job creation

Hundreds of millions have lost their jobs during the coronavirus crisis. India needs to create 10 million jobs every year to employ new people who join the labour force every year. Evidence from 500 districts in India has shown that there is a strong link between entrepreneurship and job growth. It is a worrying trend that there are too few entrepreneurs in India for its stage of development.

The link between entrepreneurship and job growth is not automatic. Cities and states that have invested in physical infrastructure and education have produced many more entrepreneurs. There are several policy levers that can be used in a fiscal stimulus programme to promote India's entrepreneurial growth. Instead of being preoccupied with chasing large firms from other locations, policymakers need to shift their focus to improving entrepreneurship in their states.

There are well-understood limits to the pace with which countries can accumulate physical capital, but the limitations on the speed with which the gap in knowledge can be closed are less clear. Because of the strong link between education and entrepreneurship, policymakers should remove any constraints that restrict the growth in the quality and quantity of local colleges and educational institutions. The entrepreneurial potential of India is very large. Imagine if India had more entrepreneurs: given the link between entry, young establishments and job growth, how fast would its growth and job creation then be?

Gender and growth

An economic downturn adversely impacts women more than men. India's rating in gender balance in economic participation and entrepreneurship is already amongst the lowest in the world. The coronavirus downturn has worsened it further. India's fiscal stimulus will need to focus on improving women's access to education and infrastructure. Due to the nature of household responsibilities, inadequate infrastructure particularly affects women. The lack of specific transport infrastructure and paved roads within villages is a big bottleneck for women, given the constraints in geographic mobility imposed by safety and social norms. Investment in local transport infrastructure will directly alleviate a major constraint for women to access markets.

Women will play a bigger role in India's future economic growth, if supported by the fiscal stimulus programme. This support can come in many forms: giving priority to women-owned enterprises in state procurement of goods and services, promoting female labour force participation in public sector jobs, reducing discrimination and wage differentials, and promoting women into leadership and managerial roles. Indeed, empowering half of the potential workforce will have significant economic benefits that go beyond promoting just gender equality.

Green growth

A key challenge for policymakers is how to prevent jumping from 'coronavirus frying pan into the climate fire'. The impact of climate change is being felt by everybody in India. More than 70% of India's population is exposed to outdoor air pollution, which has contributed to one in eight deaths and has reduced the average life expectancy of Indians by nearly two years. Extreme weather conditions, air pollution, crop failure, biodiversity losses and much more are affecting both human health and natural wealth.

It is estimated that nearly 70% of green growth could be achieved by improving energy efficiency. India has a mixed record on energy efficiency and green growth. Empirical evidence from 500 districts in India shows rising spatial disparities in energy efficiency. It is a worrying trend. More developed states have improved energy efficiency. But it has worsened in lagging states. Energy efficiency is much lower in rural regions compared to urban regions. A fiscal stimulus could play a key role in promoting green growth by investing more in rural areas and lagging states to halt the rising spatial disparities in green growth within India.

India has the potential to achieve double-digit growth, thanks to globalisation, the rise of the middle class and demographic dividend. But growth is not automatic. Globalisation does not automatically engender growth. It needs infrastructure—ports, roads, communication, education—to take advantage of trade. The link between demography and growth is not automatic. A demographic dividend could morph into a demographic disaster if people don't have jobs. India is well positioned to benefit from a bold fiscal stimulus programme.

Source: financialexpress.com- May 12, 2020

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Covid-19 crisis: India's latest stimulus package among largest in the world

The mega Rs 20 lakh crore stimulus package announced on Tuesday by Prime Minister Narendra Modi includes previously announced measures to save the lockdown-battered economy, and focuses on tax breaks for small businesses as well as incentives for domestic manufacturing.

The combined package works out to roughly 10 per cent of the GDP, making it among the most substantial in the world after the financial packages announced by the United States, which is 13 per cent of its GDP, and by Japan, which is over 21 per cent of its GDP.

The Rs 20 lakh crore package includes Rs 1.7 lakh crore package of free foodgrains to poor and cash to poor women and elderly, announced in March, as well as the Reserve Bank's liquidity measures and interest rate cuts. While the March stimulus was 0.8 per cent of GDP, RBI's cut in interest rates and liquidity boosting measures totalled to 3.2 per cent of the GDP (about Rs 6.5 lakh crore).

"A special economic package is being announced to make India self-reliant," Modi said in his third address to the nation over COVID-19 pandemic. "This package, taken together with earlier announcements by the government during COVID crisis and decisions taken by RBI, is to the tune of Rs 20 lakh crore, which is equivalent to almost 10 per cent of India's GDP."

Most economic activity in the country had come to a standstill after the government imposed a 21-day nationwide lockdown beginning March 25 to check the spread of coronavirus. The lockdown has since been extended twice through May 17, with some relaxations to allow the resumption of economic activity.

The package, he said, will focus on land, labour, liquidity and laws. It will cater to various sections, including cottage industry, MSMEs, labourers, middle class, and industries.

The Prime Minister did not share details saying Finance Minister Nirmala Sitharaman will over the next few days spell out details for each sector. But going by the previous figures, it would seem that an additional Rs 12 lakh crore will be pumped into the economy. He, however, dropped hints that the package may include tax relief for small, micro and medium enterprises and incentives to boost domestic manufacturing as well as attracting investments.

Proposals such as giving full tax exemption to companies making new investment of a minimum threshold in sectors such as medical devices, electronics, telecom equipment and capital goods was said to be under consideration of the government. Investments in infrastructure are may also form part of the package.

Easy access to land as well as labour reforms may also form part of the package to lure companies leaving China.

The package is seen as a government attempt to check the world's fifth-largest economy hurtling towards its first full-year contraction in four decades. According to estimates, lockdown may have led to 12.2 crore people losing jobs in April and consumer demand evaporating. He said that a self-reliant India will stand on five pillars viz economy, which brings in quantum jump and not incremental change; infrastructure, which should become the identity of India; technology-driven system; vibrant demography; and demand.

As part of the Rs 1.70 lakh crore Pradhan Mantri Garib Kalyan Package (PMGKP), the government announced free wheat or rice plus pulses to poor as well as a cash payment to women and poor senior citizens and farmers over a period of three months till June.

According to the latest government data, Rs 34,800 crore financial assistance using digital payment infrastructure were provided to about 39 crore beneficiaries. Under the Pradhan Mantri Garib Kalyan Ann Yojana 67.65 lakh MT of foodgrains have been lifted by 36 states/UTs for April 2020. Around 16 LMT of foodgrains have been distributed, covering 60.33 crore beneficiaries by 36 states/UTs for April 2020.

About 6 LMT of foodgrains have been distributed, covering 12.39 crore beneficiaries by 22 states/UTs for May 2020. 2.42 LMT of pulses have also been dispatched to various states/UTs. Pulses have been distributed so far to 5.21 crore household beneficiaries out of 19.4 crore such beneficiaries.

Source: financialexpress.com- May 12, 2020

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Coronavirus lockdown: Companies cautiously resume work as India begins reopening economy

Top companies across sectors – automobile maker Maruti Suzuki, consumer electronics giant Samsung to IT giant Infosys – have reopened factories and offices as India took its first steps towards resuming economic activity after weeks under a near-total coronavirus lockdown.

While the government has allowed businesses to resume under strict guidelines, companies are not rushing to achieve pre-COVID-19 run-rates and instead are calibrating staff strength as they are aware that any incident of infection can prove costly.

Companies said employee safety and workplace hygiene is the prime focus.

While Maruti resumed operations at its Manesar plant in Haryana on Tuesday, Infosys opened offices in some cities with up to 5 per cent staff and plans to gradually raise employee strength to 40 per cent.

Tata Consultancy Services (TCS) has less than 1 per cent of its employees currently in India offices. Mahindra & Mahindra too started operations at its factories with a limited number of workers.

Flipkart, Panasonic India, Whirlpool and Dabur are among a host of companies that have put in place plans to restart operations with a small section of staff.

Tata group-owned jewellery brand Tanishq has announced its plans to reopen its 328 stores across the country in a phased manner.

The government imposed a nationwide lockdown on March 25, and it has already been extended twice — first until May 3 and then again until May 17. However, some curbs have been eased beginning April 20 with permission being given to industries in rural areas to restart.

Later, production, sale and transport of goods in areas where virus cases are less severe have also been allowed.

However, the process of restarting factories and businesses is likely to be protracted, with production only gradually ramping up towards operational capacity levels.

IHS Markit said although the limited restart of some industries has been permitted since April 20, India will still suffer severe disruptions to its industrial output due to the protracted lockdown.

“The Indian economy is facing a recession in the 2020-21 financial year for the first time since 1979-80, during the second OPEC oil crisis shock,” IHS Markit said.

“Consequently, IHS Markit expects the lockdown measures to result in a contraction of Indian industrial production in the 2020-21 financial year.”

But several companies across sectors ranging from textiles to consumer electronics and liquor to pharma have partially resumed operations after getting permission from local authorities.

While Panasonic India and South Asia President & CEO Manish Sharma said the company plans to start operations at its factory with 30 per cent capacity and slowly take it up to 50 per cent in a month's time, Samsung Electronics India said its Noida factory has started limited operations.

The Noida factory of Dixon Technologies too has resumed operations. The firm's Tirupati and Dehradun plants too have started operations at about one-third capacity, which will be scaled up to 75-80 per cent in the next one week, said Sunil Vachani, Chairman, Dixon Technologies.

Neeraj Bahl, the CEO of BSH Home Appliances — German company which manufactures and sells under Bosch and Siemens brands in India — said the firm is in process of starting production in its Tamil Nadu factory with limited staff.

Mahendra Singhi, President, Cement Manufacturers Association (CMA), said 25-30 per cent of cement production capacity in the country has resumed.

JK Lakshmi Cement director Shailendra Chouksey said the firm has clearances to operate all its seven plants in five states with reduced staff strength and following government's COVID-19 guidelines for factories.

"However, these measures alone shall not suffice. Unless construction is allowed rather encouraged to resume operations", the sector outlook would not be very good, he said.

Consumer Electronics and Appliances Manufacturers Association (CEAMA) president Kamal Nandi said slowly retail operations are opening up in green and orange zones. "Roughly industry's 30-35 per cent outlets are open throughout the country though geographically not equally distributed."

"We have also got permission to open factories in green and orange zones. Most of the brands are preparing to resume operations. Some brands started last week and some would start from this week. Even more important, the supplier's plant is opening up and we are all preparing to resume operations and slowly production would start," he said.

There is still no pressing need for the brands to go ahead and start mass production from day one as there is a lot of inventory in warehouses and with dealers, he added.

Society of Indian Automobile Manufacturers (SIAM) director-general Rajesh Menon said the auto sector lost over Rs 90,000 crore in revenue due to the lockdown.

Ashok Leyland MD & CEO Vipin Sondhi said these are truly unprecedented times, and the government and industry need to work closely to bring the industry back on its feet.

The government is said to be working on a second fiscal package to support businesses, particularly small and mid-sized companies that account for about a third of India's gross domestic product (GDP) and employ more than 11 crore people.

Source: financialexpress.com- May 12, 2020

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Apparel exporters resume work to meet pending demand

Apparel makers are slowly resuming production of ready-made garments for export markets even as they face hurdles like cancellation or deferment of orders, extended payment schedules and lack of new orders.

"About 15-20% of the over 8,000 apparel exporters in the country have resumed operation with 25-30% of their workforce," said Narendra Goenka, managing director of Texport Industries and vice-chairman of Apparel Export Promotion Council (AEPC).

With limited workforce being allowed, pending demand is more than the manufacturing capacity, manufacturers said.

"Vietnam and Indonesia never shut down and are at an advantage. A complete lifting of the lockdown in low-risk areas is required, with mandated social distancing and sanitation norms, to ensure that Indian suppliers do not lose out on their export commitments," said Sivaramakrishnan Ganapathi, managing director of Gokaldas Exports.

Many apparel makers had opened some of their factories with a rudimentary workforce in April to make personal protective equipment, but now more factories are being opened and production of apparels is being resumed. These include leading exporters like Shahi Exports, Gokaldas Exports, Texport Industries, Matrix Clothing and Orient Fashion Exports.

With lockdowns in place the world over to contain Covid-19, many companies had cancelled or deferred their orders, said people in the know. Some of these orders were in the middle of production and the salvage value of these was less than a quarter of the cost.

According to industry estimates, between 15% and 25% of orders placed before the pandemic have been cancelled with companies invoking the 'force majeure' clause and not all have reimbursed their suppliers for the material loss. The garment industry is seasonal and most of the deferred orders were for the summer collection, which may have to be now held till summer 2021, Ganapathi said.

Meanwhile, companies have been negotiating for longer payment schedules than the usual 30-day or 60-day cycles to 90 and 120 days, leading to cashflow constraints for manufacturers. Some have even tried negotiating for 180 days, according to Goenka.

New orders for fall and winter collections are also being delayed as stores in the western hemisphere are only now slowly opening and the companies are yet to assess the demand. Ganapathi said since many corporate offices in Europe and the US remain closed, it will take longer for clarity to emerge whether these orders will come at a later stage or not.

Indian apparel makers supply to some of the highest-selling fashion labels as well as retailers in the western world like PVH, H&M, Kohl, Banana Republic, Marks and Spencer, Walmart, and Target to name few. During FY20, Indian apparel makers exported ready-made garments worth almost Rs 1.1 lakh crore, according to AEPC.

Export business upwards of $3 billion (Rs 22,650 crore) has been impacted due to the Covid-19 pandemic because key European markets like Italy had gone into lockdown even before India in mid-March, Goenka said.

Source: economictimes.com- May 12, 2020

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Punjab registers record cotton production at 43 lakh quintals

Punjab has registered a record production of cotton at 43.25 lakh quintals in 2019-20 season even as the procurement of the crop is still in its last stage.

According to the data procured from the Punjab State Agricultural Marketing Board, the state has witnessed a jump of over 26% over the production of 34.68 lakh quintals recorded during the 2018-19 season.

Officials said cotton is generally purchased till the end of June but due to lockdown, the arrival of the cash crop is expected to culminate by May 15.

“While the Cotton Corporation of India (CCI) continues purchase in the cotton-growing districts at the MSP (minimum support price), lockdown restrictions have kept the private players at bay from the market. But before the lockdown, private buyers were paying farmers less than the MSP,” said state cotton coordinator Rajnish Goel.

He said of the total produce, the CCI purchased 16.74 lakh quintals at MSP of Rs 5,450 per quintal whereas the private buyers had bought 26.50 lakh quintals from farmers in the cotton-growing south Malwa belt.

State agriculture secretary KS Pannu credits farmers for the record production, saying they followed the advisories issued by the Punjab Agricultural University and state authorities.

He said 2019-20 was the best year for the traditional crop of cotton as there was no pest attack. He said the integrated pest management plan significantly reduced cost of production by replacing chemical sprays with neem-based bio-pesticides to handle whitefly pest.

The average per acre yield reached close to 800 kg lint per hectare this time, said Pannu.

As per the official data, the cotton yield in 2015 had dropped to a low of 197 kg lint per hectare due to the whitefly attack. The crop yield was 756 kg in 2016, 750 kg in 2017 and 778kg in 2018.

“The overall production of cotton is on the expected lines and we hope that it would touch 44 lakh quintals in the next few days. The record production and organised crop management will encourage farmers to switch over to the traditional crop in the semi-arid southern part of Punjab,” he added.

State agriculture director Sutantar Kumar Airi said that after a delay of about a week due to the Covid-19 outbreak, cotton sowing has gained pace and it will be completed by the end of May.

“We will chalk out a cotton purchase plan for the next season with the CCI on the basis of the total area finally covered under cotton. Besides the availability of seeds and fertilisers to farmers, the agriculture department has planned to ensure required canal water amid Covid-19 crisis,” said Airi.

The department is planning to bring 5.5 lakh hectares under cotton cultivation this year, an increase of 1.5 lakh hectares over the last year, said Airi.

Source: hindustantimes.com- May 12, 2020

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Discount for cotton

The Cotton Corporation of India (CCI) has announced bulk discount for cotton bales with it from 2018-2019 and 2019-2020 cotton seasons.

A press release from CCI said that mall and medium-scale textile industries will benefit from the scheme.

Details of the scheme, which is valid till May 31, are available on www.cotcorp.org.in

Source: thehindu.com- May 12, 2020

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Lift lockdown to save economy, with localised efforts to contain Covid

States should adopt the best practices of those with low fatality rates, undertake widespread testing and make transparent daily disclosures on infection and fatality rates

Fifty days into India's lockdown, the Centre and States appear to be equally at sea on the best way forward. Consensus proved elusive in the latest round of talks on Monday, when some States demanded an extension beyond May 17 while others urged expedient re-opening. No doubt it's a hard choice between re-opening the economy and risking a more virulent Covid spread or remaining shut — prolonging the pain for the poor. But a dispassionate assessment of evidence suggests that lifting the lockdown is the more rational choice today, with States being allowed, and adequately funded, to frame decentralised local responses for identified hotspots.

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Incoming data is making it abundantly clear that the bar on all non-essential activity is extracting a price on the economy that it can scarcely afford to pay. The reading of 5.4 on the IHS Markit Services PMI and 27.4 on the Manufacturing PMI, suggest that these two critical engines likely contracted by over 90 per cent and 45 per cent respectively in April with the complete lockdown in place. Fuel offtake also fell by 46 per cent, indicating a body blow to the transport and logistics sector. The 80 per cent drop in GST collections for some States, and the 23.5 per cent unemployment rate estimated by the CMIE for April point to the debilitating damage that the lockdown is inflicting on livelihoods and the fisc. Moody's has already trimmed India's GDP growth forecast to zero for FY21, while Nomura predicts the economy may contract 5 per cent.

Such a manufactured crisis for the economy may be deemed to be worth it, if the lockdown had succeeded in diminishing the Covid-19 threat by helping States prepare for an explosion in cases by beefing up their hospital capacity.

But reports of cancer patients being shunted out of hospitals, States scrambling for testing kits and hospital staff being asked to reuse PPE suggest that this hasn't been the case. While States such as Tamil Nadu or Kerala with robust public health infrastructure have scrounged up capacity, others like Maharashtra are still battling severe constraints.

Despite its population density, India has so far reported just 1.7 per cent of the global Covid-19 infections and 0.8 per cent of the fatalities while being home 18 per cent of the world population. Yes, a few cities are beginning to show a hockey-stick like escalation lately, but the infection clusters appear concentrated.

The large number of asymptomatic patients and a fatality rate that is less than half the world average (3.2 per cent) offer hope that, armed with more information, targeted testing and stringent containment strategies through localised effort, can help India contain the Covid spread better than its developed world counterparts.

States, instead of working at cross-purposes, should look to adopt the best practices of those with low fatality rates, bite the bullet on widespread testing and make transparent daily disclosures on the infection and fatality rates, so that citizens are inclined to self-regulate behaviour rather than have a nanny state monitoring them.

Source: thehindubusinessline.com- May 12, 2020

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India Looks to Lure Factories Leaving China With Land Access

When factories leave China to avoid the kinds of supply disruptions that came in conjunction with coronavirus, India wants to be the one to welcome them.

The lure, according to a Bloomberg report, will come in the form of a 461,589-hectare land pool (somewhere between the size of Rhode Island and Delaware) that will be designated for manufacturers. Textiles are among the government's 10 hand-picked sectors to benefit from the plan. The land, which is spread across the country, includes existing industrial land in Tamil Nadu, where there's already a bustling ready-made garment industry. It could also include available land in special economic zones where infrastructure is already in place.

India Prime Minister Narendra Modi's administration is reportedly working with state governments to ease land acquisition impediments (currently, companies hoping to set up factories in India are on their own to acquire the land), Bloomberg said, citing sources with knowledge of the matter. Already, manufacturers from the U.S., China, Japan and South Korea have reportedly expressed interest in investment.

"We have the advantage of coastline and ready-made industrial parks with necessary clearance," Rajat Bhargava, special chief secretary of the state's revenue department, told Bloomberg. "We are focusing on certain sectors like IT and related manufacturing, food processing, and chemicals and have been holding video conferences with investors."

As of March, China's share of U.S. apparel and textiles imports has fallen 39 percent year over year and now the country that once claimed the lion's share of clothing coming into America, accounts for less than 31 percent of the market, according to data from the U.S. Office of Textiles and Apparel.

The country, much like its non-China sourcing players, is suffering from order drought and ever-escalating tensions with the U.S., which could further complicate trade in the not-distant future.

India currently accounts for 7.5 percent of U.S. apparel and textiles imports, and its growth over the year to March was flat. Currently, India ranks No. 63 on the World Bank's Doing Business 2020 report for its ease of conducting affairs, a much-improved position from No. 130 in 2016. It ranked among the top 10 improving the most where starting a business and trading across borders is concerned.

While the land pool will have its appeal for anxious investors, recent easing of Modi's mandated lockdown has sent coronavirus-related deaths up sharply in the country.

Source: sourcingjournal.com- May 12, 2020

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Brace for "historic" contraction in April exports, warn exporters associations

Export Promotion Councils across the country have warned of a historic contraction In India's exports during April, 2020 when most factories were shut and logistics activity minimal because of the nationwide lockdown.

Labour intensive exports are likely to report the worst ever dip as customers cancelled orders for shoes, apparel, machine parts, jewellery and carpets.

"We are expecting at least a 50 percent contraction in merchandise exports in April 2020," said Ajay Sahai, Director General and CEO of Federation of Indian Export Organisations (FIEO), an umbrella body of Indian exporters.

"Very few export units functioned and most overseas shipments during the month were of export consignments from the previous month," he said

India's exports stood at $21.41 billion in March 2020, down roughly 35 percent over the previous year.

The real impact of the April lockdown on exports will be known on May 15 when India's trade ministry releases the data on trade for the month. While the government has extended the lockdown till May 17, it has allowed limited economic activity since May 1 with minimal presence of workers in manufacturing units located outside containment zones.

Apparel exporters said there was minimal or no activity in factories producing readymade garments, woollen knitwear, and other fabric items due to the lockdown.

To make matters worse, design houses and buyers in top overseas markets like Italy, Spain and US cancelled orders.

“At best, we expect exports of Rs 200 crore in April 2020 as against Rs 9786 crore worth of exports in the same month a year ago,” said A Sakthivel , Chairman of Apparel Exports Promotion Council, with over 8000 exporter members. In year on year terms, that would be a dip of nearly 98% in apparel exports from India during April.

Leather exporters did not fare any better.

“Almost all our members were shut in April. Some consignments of previous orders may have been shipped but volumes are minuscule. As our primary overseas customers are in a lockdown, we expect exports of about $ 16 million,” PR Aqeel Ahmed, Chairman of Council For Leather Exports told CNBC-TV18. That is a fraction of the $ 391 million leather exports seen in April last year.

With the lockdown norms being eased in May, Ahmed expects leather exports to increase to nearly $94 million, but that would still be one-fifth of the numbers seen in May last year.

Engineering goods, the bulkwark of India's exports, too has taken a pounding. On average, goods like auto and auto components, machinery and metal scaffolding comprise nearly one-fourth of the county’s export basket. “We estimate an overall drop of 50 to 60 percent in April ,” said Ravi Sehgal, chairman of Engineering Export Promotion Council.

Pharma exports, which earned between $1.5 to $1.8 billion every month in FY20, could fare slightly than the rest of the pack. “Thanks to air cargo flights, exporters were able to ship out consignments to select countries in the second half of April. But exports through sea route have been minimal.

We estimate a sharp annual fall in pharma exports during April,” said Dinesh Dua, chairman of Pharmexcil, a body comprising exporters of drugs. “Due to sharp demand in overseas countries, pharma exports from India has the potential to reach up to $ 2 billion every month but units need to fully functional for that,” he added.

Source: cnbctv18.com- May 12, 2020

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12-hr shifts in units facing labour shortage in 3 states

With migrant workers returning home, Maharashtra recently allowed 12-hour work shifts until June 30 in factories in the state facing shortage of labourers. This was done under the power given in the Factories Act, according to state labour minister Dilip Walse Patil. Labour unions, however, opposed the move, alleging the decision may lead to job losses.

Odisha and Goa also did the same for three months. Both states said the workers would be paid overtime for the extra hours.

Uttar Pradesh, Madhya Pradesh and Gujarat had extended daily working hours earlier.

The Maharashtra government had received representations from two industry bodies requesting that 12-hour shifts be allowed because of shortage of labourers, Patil was quoted as saying by media reports.
As per the Act, an eight-hour shift and an additional hour of overtime is allowed.

Factories should pay double the regular wages to the labourers for the additional four hours of work. Also, the factories are expected to take all possible precautions to stop the spread of COVID-19 in their premises, ensure safe distance is between two workers and make wearing masks mandatory.

The regulation strictly applies to those industries that are facing labour shortages.

Source: fibre2fashion.com- May 13, 2020

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Port charges still haunt importers despite Govt diktat on fee waiver

After getting relief on penalty levied by shipping companies, importers are now knocking the government doors against container freight service (CFS) and inland container depot (ICD) operators for not adhering to Shipping Ministry notification on waiver of demurrage and other charges due to Covid lockdown.

On receipt of several complaints against the operators, the Office of Commissioner of Customs, Jawaharlal Nehru Port had issued a fresh direction to CFS and ICD last Friday on waiver of charges.

Over 6,000 micro, small and medium enterprises in the recycling industry are staring at charges of ₹4,200 crore which is increasing every passing day.

The CFS charges works out to about ₹20,000 per day for 40-feet container and if it has to be calculated for over 45 days of lockdown period then the charges would be more than the value of goods lying in the container, said an importer.

One of the Kutch-based metal recycling companies plans to file a writ petition in the Ahmedabad High Court against the penalty being levied on imported consignments despite government order.

Sanjay Mehta, President, Material recycling Association of India, said over 1.5 lakh containers with metallic scrap and waste papers are held up at ports as ICDs and CFS across country are not honouring the government directive on waiver of charges during the lockdown period.

Even worse, he added that the foreign shipping companies will also start levying demurrage and penalty from May 17 when the third leg of lockdown ends officially.

Given the current crisis, the industry would be able to clear only 30-40 per cent of containers piled up at the ports before the lockdown ends on May 17, said the MRAI.

Fee waiver extension

Hence, it said the government should direct the shipping lines to extend the fee waiver till May 30.

Despite the government approval to restart economic activity in green zones, the confidence of the trade and industry is impacted by banks reluctance to lower lending rates and provide working capital as most of MSMEs have already exhausted their borrowing limits.

Besides this, labour shortage due to migrant workers exodus, high logistics cost and unsustainable levy on imported raw materials has exerted pressure on manufacturing companies.

Meanwhile, the Container Freight Stations Association of India has issued advisory to its members to provide 50 per cent concession on the rent charged on the container that have arrived between April 1-15.

Mehta said despite government directive CFS and ICDs are imposing hefty penalty for not clearing the cargo despite extension of lockdown till May 17 and it may be further extend in some cities.

Private ICDs and CFS need to follow the government direction on waiver for complete lockdown period and mandatory 14 days of free time, he added.

Source: thehindubusinessline.com- May 12, 2020

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Trading of rupee derivatives in GIFT-IFSC will help tame the currency

With the Finance Minister flagging the trading of rupee derivative contracts on exchanges in the International Financial Services Centre in GIFT City in Gujarat, the RBI has begun the project of moving the large offshore market for the rupee back to India. Due to the higher restrictions on foreign investors trading in rupee forwards, and rupee exchange traded futures and options on domestic platforms, a large offshore market has developed for the Indian currency. The value of rupee derivatives traded in offshore exchanges such as Dubai, Singapore and Chicago is on par with the transactions in domestic exchanges such as the BSE, NSE and MSE. Similarly, value of rupee non-deliverable forward contacts traded in offshore centres is higher than the value transacted onshore.

With the Covid-19 pandemic disrupting all financial markets, including the forex market, it is not surprising that the RBI has finally given its nod for trading rupee derivatives in the GIFT-IFSC. The Indian rupee had declined sharply by 8 per cent in the first quarter of this year. While the currency has not lost much ground since then, it remains vulnerable due to various counts. Emerging economies are perceived to be on a weaker footing in terms of their ability to bear the additional cost of fighting the pandemic and reviving their economies, and hence are likely to witness higher foreign portfolio outflows in the coming months. FPIs have already pulled out $16.5 billion out of the Indian equity and debt market in the first four months of this year.

With businesses globally in a slump, foreign direct investment flows are also likely to be scarce. The crash in crude oil, impacting the oil-producing nations, will impact inward remittances in to India. Over 40 per cent of inward remittances come from the UAE, Saudi Arabia, Kuwait, Qatar and Bahrain. With the risk of FPI outflows remaining high in the near term, the RBI cannot afford to rest easy as far as the external account goes. A report by the task force on offshore rupee markets, headed by Usha Thorat, highlighted that in periods of intense volatility in forex markets, the offshore rupee market tends to influence rupee movement in the domestic market, exacerbating the decline.

With the introduction of exchange traded derivatives on exchanges in the GIFT-IFSC, FPIs, Indian companies, IFSC banking units, trading members, global banks and custodians and NRIs can use this platform for hedging or for taking directional calls. With the transaction on the IFSC exempt from short-term and long-term capital gains tax as well as transaction taxes and stamp duty, this platform is quite competitive, compared to global offshore financial hubs.

The next step for the Centre is to help increase the participation in the exchanges in the GIFT City, since foreign investors are not likely to migrate here unless the liquidity price discovery is good. This move, coupled with the permission to international banking units in the GIFT-IFSC to trade in rupee NDFs, helps begin the process of reversing the migration of rupee trades, from offshore to onshore.

Source: thehindubusinessline.com- May 12, 2020

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Transporters seek special health cover for truck drivers

The All India Transporters' Welfare Association (AITWA) has urged the government to announce a special insurance cover to incentivise and attract truck drivers back to work.

Truck drivers should also be considered as frontline warriors trying to put the economy just such as doctors and health workers fighting the Covid pandemic.

In March, the government had announced a health insurance cover of ₹50 lakh per person to frontline health workers — sanitation staff, paramedics and nurses, Asha workers and doctors working to tackle the Covid illness and face the highest risk of contracting the illness.

Mahendra Arya, President, All India Transporters' Welfare Association, said drivers need to be motivated to resume to the work and this can be done by providing incentives in the form of health insurance from the government, so that their family is assured of certain compensation in an unfortunate event.

The road transport sector is different from many industries, as it pays taxes upfront in many ways without any link to business or profitability as compared to organised sector, he said.

AITWA had apprised ministries about the turmoil in the road transport sector due to the ongoing pandemic.

Driver exodus

Transporters fear that exodus of migrant workers back to their respective States will further add to their trouble as the shortage of drivers could be more acute.

"Post Government plan to resume supply chain from April 20, there are just 30 per cent transport vehicles on the road. With special trains now running to ferry migrants to their States, a few drivers who were riding the trucks will also disappear and the percentage of trucks on the road may further come down to 20 per cent. This will lead to distribution in supply of essential goods," he said.

The sudden national lockdown stranded drivers and compelled them to desert the trucks they were riding at the transit, added Arya.

Source: thehindubusinessline.com- May 12, 2020

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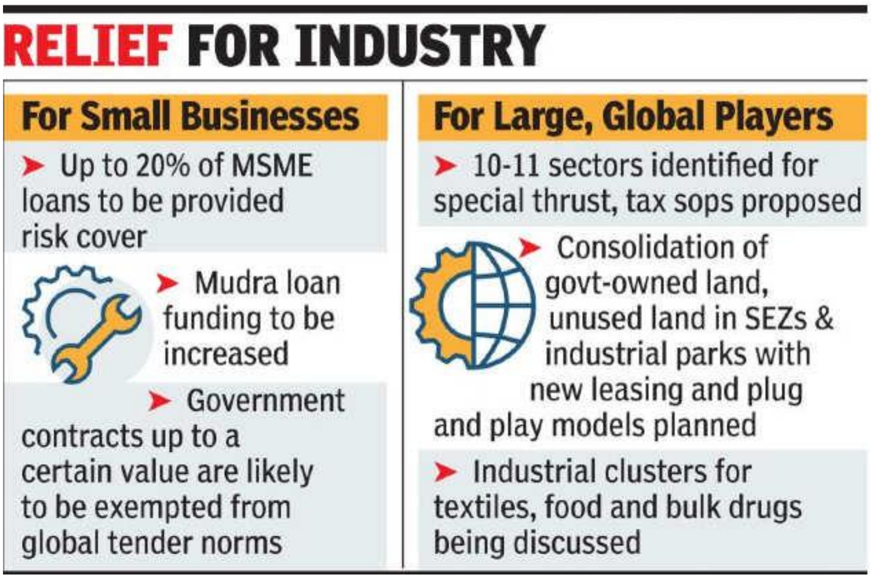
Government set to guarantee up to Rs 3 lakh crore loans to MSMEs

The government's much-awaited stimulus for micro, small and medium-sized businesses is expected to include a provision for additional loans of up to Rs 3 lakh crore or 20% of the bank exposure to the sector, along with a more liberal dispensation for government contracts.

In addition, more funding for Mudra loans, meant for tiny businesses, are on the anvil, government sources told TOI.



The finance ministry has floated a proposal for the cabinet to guarantee fresh working capital limits to small units through the National Credit Guarantee Trustee Company so that small businesses are not starved of working capital. Currently, bank exposure to over six crore micro, small and medium enterprises (MSMEs) is estimated around Rs 15 lakh crore, sources said.

On Tuesday, the finance ministry said that between March 20 and May 8, state-run lenders contacted 97% of borrowers eligible for emergency credit lines and working capital enhancements and sanctioned loans to the tune of Rs 65,879 crore.

But the funding is seen to be inadequate even to pay salaries and other dues given that sales have come to a halt and payments are overdue from large businesses and government departments, something that will be pushed by the finance and MSME ministries once again.

Additional working capital is expected to help banks lend more to provide funds to MSMEs amid expectations that the finance ministry will prod the Reserve Bank of India to extend the loan moratorium beyond the current three-month period so that businesses don't come under pressure to repay dues at a time when liquidity is already tight in absence of sales.

Apart from helping them tide over the immediate cash crunch, an announcement on a new definition for MSME is also expected to enable them to scale up. Besides, there are indications that government contracts up to a specified value will be given to Indian businesses. In addition, the mandatory procurement from micro and small businesses is expected to be tightly monitored.

Source: timesofindia.com- May 12, 2020

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Economic activities picking up? E-way bills on GST site double from April level

The average number of e-way bills generated by businesses on the GST Network portal was 6 lakh/day in the week to May 11, twice the level in April, in what indicated a pick-up in economic activities and demand after the lockdown restrictions were relaxed on May 4 (see chart).

In February, an average of 19.7 lakh e-way bills were issued by the portal on a daily basis. However, in March, which is otherwise the busiest month of the financial year, the average e-way bills generated dropped to 13.1 lakh/day due to lockdown imposed in the last week of month.

E-way bills are required for GST-registered businesses to transport cargo if it exceeds over Rs 50,000 in value. A government portal issues these receipts after relevant information (related to cargo, sender, recipient and vehicle for transport) are provided.

Last week, among several measures aimed at easing compliance burden during the pandemic, the government extended the e-way bill validity for the second time since the lockdown was imposed.

The e-way bill generated on or before March 24 and expiring during March 20-April 15 period would now be valid till May 31. This is likely to help trucks stuck en route to reach their destinations smoothly.

However, experts said that unless lockdown is relaxed substantially, the movement of cargo would remain restricted to essential items.

“During the period of relaxed lockdown daily average of e-way bills has seen a sudden surge, yet the numbers are far away from the regular numbers. E-way bill numbers may continue to be low as many of the state governments are apprehensive about the free movement of non-essential commodities till the pandemic is controlled,” Rajat Mohan, senior partner at AMRG & Associates, said.

Another aspect that may hamper truck movement is the scarcity of drivers as migrants are choosing the travel options made available to go back home states. “The trucks are now carrying cargo from more sectors than before but with drivers leaving for their home states, a problem is looming over us,” All India Transporters Welfare Association (AITWA) joint secretary Abhishek Gupta said.

Tanushree Roy, director-GST at Nangia Andersen Consulting, said: “On 3 May 2020, the government allowed industries and standalone shops in residential complex to transact in non-essential product.

As a result, the goods movement across state borders revived somewhat, leading to a growth in the generation of e-waybills. This is a positive sign signalling revival of the economy.”

Source: financialexpress.com- May 12, 2020

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Industry captains, experts hail PM Modi's massive Rs 20 lakh crore economic package

Prime Minister Narendra Modi, in an effort to not only revive the economy, but also to make it self-reliant, announced a Rs 20 lakh crore stimulus package to help India fight the coronavirus pandemic. The move will be a mix of fiscal and monetary response from the government and the Reserve Bank of India.

The Prime Minister stressed on turning the ongoing coronavirus crisis into an advantage, and making use of India's strengths as the nation gears up to revive the virtually shut economy. Captains of India Inc termed the response as visionary, and said that they expect the Indian economy to get a boost with the Rs 20 lakh crore stimulus package. Here are notable industry and expert voices.

Anil Agarwal, Executive Chairman, Vedanta Resources – The overarching principle of 'self-reliance' mentioned by the Prime Minister in the need of the hour. #AatmanirbharBharat is the best way forward for our nation to shine in the 21st century. The 20 lakh crore economic package will help industries, MSMEs & the society to revive and thrive.

Venu Srinivasan, Chairman, TVS Motors: This was more than what was expected and it is a visionary package. What we now need to do is make it easier for businesses. We need to be in the top 5 countries in ease of doing business. States need to have competition to attract investments and create jobs. (on ET Now)

Vikram Kirloskar, Chairman and Managing Director, Kirloskar Systems: This package is going to mean a huge amount of responsibility. This means there is huge borrowing so there will be issues, but we have to be responsible. It is not just the country or government resetting everything but we as business people need to be sure that we use this money wisely and do our planning in such a manner that we create new models. (on CNBC TV18)

Ajay Singh, owner of SpiceJet: What Prime Minister Narendra Modi is doing is that he is making sure this crisis is turned into an opportunity. This was desperately required and no matter where this money is going to be spent it will benefit the economy as a whole. What I found to be more interesting was how he was talking about the way we do business. This situation creates a unique opportunity for India, and we can roll out the red carpet for firms leaving China but a clear part of this will be our land reforms. (on CNBC TV18)

Vijay Shekhar Sharma, founder of Paytm – Love how the Prime Minister is making this moment. One of the biggest opportunities to make India leap forward! (on Twitter)

Nilesh Shah Managing Director, Kotak AMC: In the 1980s we were next to China, since then we have been left behind. We did wonderfully on the Informational Technology side and now it is time to repeat that on the manufacturing side. If we see Samsung, it makes in India and then it went to Vietnam. Their turnover in Vietnam is more than India. We have to get companies out of China. We have the image to do that, while we have given medicine to the world, China gave the virus. (on CNBC TV18)

Soumya Kanti Ghosh, Group Chief Economic advisor, State Bank of India: This will be staggered and we will have to see how the composition of this stimulus package is. It is huge and nobody was expecting something to the tune of 10% of the GDP. Lockdown is a costly proposition and that has been taken into account. (on CNBC TV18)

Source: financialexpress.com- May 12, 2020

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27 of top 100 companies can't sustain current wage bill: Deloitte study

As per the study, these companies will either have to dip into its cash balance or borrow in short-term.

As many as 27 out of the top 100 companies listed on the National Stock Exchange (NSE) will not be able to sustain current wage bill if their revenue dip by 30% or more due to a nationwide lockdown and imminent salary cuts, a Deloitte study said.

Given the slowdown in general consumption across all levels, companies must evaluate their ability to pay salaries, said Deloitte, which conducted a study of the top 100 companies listed on the NSE in terms of market capitalisation.

It said "27 companies won't be able to sustain current wage bill from cash profits, if their revenue dips by 30% or more. The impact will, in fact, be even larger since the cash stuck in inventory and receivables is likely to increase in such a scenario".

These companies, it said, will have to either dip into its cash balance or borrow in short term. Without naming the companies, the study said 11 of the 27 vulnerable companies have a debt to equity ratio of more than 1, making it difficult to borrow to pay salaries.

"All the companies covered have an ability to pay their fixed opex, interest and compensation cost from cash and cash equivalents for about 5.5 months at the median," it said, adding for 20 companies, this cover can last for less than a quarter.

A nationwide lockdown imposed from March 25 to contain the spread of coronavirus (COVID-19) has resulted in the shutting down of businesses and factories, suspension of flights and trains and restrictions on the movement of people and goods. This has led to a slump in consumption, denting revenues of many companies.

"The situation appears less comfortable after considering that other current liabilities also need to be serviced from the same cash and cash equivalents cover. Thus, even if shareholders were to take the most generous view of foregoing their share of value adds for the current year, wage bill cuts are imminent for even some of the largest of the companies in India," it said.

Deloitte said companies must evaluate their ability to pay salaries using the very effective parameter of Compensation Cost Coverage Ratio.

Compensation Cost Coverage Ratio looks at cash profits for the company before tax and wage obligations, divided by wage obligations. Higher the ratio, higher will be the company's ability to keep paying wages as before, even when it faces a reduction in cash profit.

Even after factoring the company's other possible cash commitments such as planned capex, debt repayments, replacement/upgrade of depreciated assets and working capital requirements, a sustainable ratio has to be at least 1.5 or higher, it said.

"However, a ratio of 2 or lower can possibly leave little to be returned to the providers of equity capital," it said.

In case of a 30% drop in revenue, the 27 companies with a compensation cost coverage ratio of less than 1 can continue to pay fixed opex, interest and comp cost for 4 months at the median. The survey of top 100 NSE companies yielded a median cost compensation coverage ratio of 3.25. More than 60% companies showed Compensation Cost Coverage Ratio of 4.

Giving sector-wise breakup, Deloitte said companies in the energy sector have a higher Compensation Cost Coverage Ratio median of 6.31. This is because working capital and incremental capex have a far higher share of operating cash flow as compared to compensation cost.

The service sector is second in line with a median ratio of 5.60. The median falls sharply to 3.4 if one public sector logistics company is taken out of this service sector basket.

"It may be noted that the companies in the service sector will likely need a higher coverage ratio since their revenues are more associated with uncertainty and stress, due to the lockdown and continued social distancing norms," the study said.

IT companies, it said, have the lowest median of 1.51. A large portion of operating cash flow goes towards compensation costs for IT companies. The study said for several sectors, cash profits may actually fall deeper than their revenue in the first couple of quarters of FY21, because of a decrease in the overall consumption.

Sectors such as retail-, travel- and entertainment sector continue to have close to zero revenue but continued operating expenses, leading to negative cash profits. While 43 out of the 100 companies fall below the ratio of 3, six have a median ratio of more than 10. The six firms are asset-heavy companies, in the sector of power transmission, mining and gas distribution.

Deloitte suggested companies to assess Compensation Cost Coverage Ratio under various scenarios and plan for maintaining a target compensation cost coverage by deferring compensation or incorporating variable cost. "It is prudent to ensure that the coverage doesn't fall below 1.5 in the worst-case scenario plan," it added.

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