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INTERNATIONAL NEWS

Trade wars with China could cost US universities $1.15 billion

Uncertainties around the trade war between the U.S. and China have hurt businesses and weighed on the global economy. However, new research from the University of California San Diego also shows lesser known consequence: up to $1.15 billion in reduced tuition to U.S. universities.

According to the authors of the new working paper from the Center for Global Development, the recent guidelines from Immigration and Customs Enforcement (ICE) barring international students from having online classes could have the same chilling effect on universities.

Their study is the first to demonstrate how increased trade with China joining the World Trade Organization in 2001—when Normal Trade Relations tariff rates were made permanent—was a crucial determinant of student flow from China to the U.S. for acquiring higher education.

"We show that trade-driven growth raised wealth among upper-income families, shifting the composition of demand to U.S. services, and higher education in particular," said Gaurav Khanna, assistant professor of economics at the UC San Diego School of Global Policy and Strategy. "However with the recent trade wars, for the first time, growth in students from China has stopped, hurting American universities."

The revenue from international students also aids domestic students as their tuition has helped stabilize U.S. universities, especially public schools, suffering large, adverse shocks from state budget cuts.

Trade wars disrupt a crucial aspect of U.S. services exports: higher ed

U.S. President Donald Trump has long accused China of unfair trading practices and intellectual property theft. In China, there is a perception that America is trying to curb its rise as a global economic power. Amid these U.S-China business relations tensions, tariffs policies adopted by the White House have aimed to encourage consumers to buy American products by making imported goods more expensive. For example, in 2018, tariffs on Chinese goods increased by nearly 20 percentage points.

"Such accusations miss that money which flows out of the U.S. when they buy goods from China flows back, as Chinese students pay for higher education in the U.S.," Khanna explained. "Thus, the U.S. trade deficits cycle back to the U.S. in with exports surplus of higher education services."

Direct evidence of this in the study shows that cities in China that grew faster because of trade are also the ones that sent more and more international students to the U.S.

For instance, cities in China that were more dependent on textile production grew more quickly in the 2000s as textile tariffs fell. As residents of such cities grew richer, they sent more students to the U.S. Such cities, which include Nanjing and Tianshiu led to an increase in Chinese student enrollment in the U.S. of around 32 students per one million city residents.

However, with the tariff increase of 20 percentage points in 2018, the researchers calculate it could cost U.S. universities around 30,000 Chinese students over the next 10 years, a loss of equivalent of $1.15 billion in tuition revenue.

Signs of this alarming trend are already showing. The year-on-year growth rates for the number of Chinese students in the U.S. averaged about 22 percent between 2007 and 2013; since then it has fallen to less than five percent per year—a dramatic deceleration.

Universities serve as an economic engine to all parts of the U.S.

Khanna and co-authors underscore foreign tuition revenues are a crucial aspect of U.S. services exports. The U.S. Commerce Department estimates that in 2017, educational exports added about $34 billion to the country's current account; about as large as the combined total exports of soybeans, coal and natural gas.

Increasing education exports has the potential to lift all regions, as universities expand nationwide, the authors write. Hurting the market for higher education would imply a further negative shock to localities most exposed to the fall of manufacturing.

"Revenue and jobs from universities in smaller Midwestern towns, in places like Indiana and Michigan, can provide stability while other forms of employment have been falling," Khanna said. "The trade restrictions will hurt them in a year that the Midwest is an important part of the election."

Source: techxplore.com– Jul 14, 2020

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China: Foreign trade stabilizes in 1st half of year

China is more than capable of stabilizing its foreign trade and promoting the high-quality development of imports and exports in the second half of this year, officials and experts said on Tuesday.

China's foreign trade rose 5.1 percent on a yearly basis in June, with exports up 4.3 percent and imports growing 6.2 percent, according to data released on Tuesday by the General Administration of Customs.

Despite the country's foreign trade being confronted by many uncertainties due to the COVID-19 pandemic and many countries' weak purchasing power, there was a notable surge in the country's manufacturing activities and trade last month, said Wei Jianguo, vice-chairman of the China Center for International Economic Exchanges.

June's trade data showed that global market demand is recovering and the country's export-oriented companies received more orders from foreign clients last month, especially from member economies of the Association of Southeast Asian Nations and countries and regions related to the Belt and Road Initiative, he said.

External demand will gradually pick up as other countries, such as the United States and France, started to boost their manufacturing and service sectors over the past two months.

While the global industrial chain is in the process of reshaping, China's early economic recovery and complete industrial chain will help boost its exports in the second half, said Zhang Yu, chief analyst at Huachuang Securities.

China's foreign trade declined 3.2 percent year-on-year to 14.24 trillion yuan ($2.03 trillion) in the first half of 2020, with the rate of decline falling by 1.7 percentage points compared with the figure in the first five months of this year, the GAC said.

Although the World Trade Organization predicted in April that global trade is expected to fall by between 13 and 32 percent in 2020, Li Kuiwen, the GAC's spokesman, said China's foreign trade in the first half of this year was better than expected, with both imports and exports registering positive growth in June.

China's exports of epidemic prevention and control supplies surged sharply between January and June. Its textile exports, including face masks, rose 32.4 percent year-on-year. In the meantime, exports of medical materials and medicines jumped 23.6 percent and those of medical equipment and devices rose by 46.4 percent, the customs authority said.

Li said China will continue to improve its export tax rebate policy, enhance supply and industrial chains, increase foreign trade credit placement, establish new cross-border e-commerce pilot zones and support export-oriented firms to sell more goods in the home market to help foreign trade enterprises overcome difficulties and secure foreign orders.

Chen Geng, chairman of Fuzhou-based Fashion-Flying Group, a large-scale outdoor garment manufacturer, said his company will partner with more cross-border e-commerce service providers and domestic e-commerce platforms, such as Tmall, to further diversify its sales channels in both the global and domestic markets. The value of its foreign orders dropped 20 percent on a yearly basis to $80 million in the first half of this year, due to several clients canceling their shipments in the second quarter of this year.

Supported by over 17,000 employees at its manufacturing bases in China, Vietnam, Ethiopia, Rwanda and Bangladesh, the company shifted a part of its business from producing outdoor jackets and sleeping bags to protective clothing to offset losses from insufficient foreign orders between February and May.

"As many countries have accumulated enough medical supplies, we only produce a small proportion of protective clothing now and will continue to make breakthroughs in product design and the innovation of new fabrics to secure our long-term global market share," said Chen, adding that the group's research and development department has been expanded to 200 employees this year.

Source: ecns.cn– Jul 15, 2020

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China's trade rises as economy recovers from coronavirus slump

China's imports of US goods rose 10.6 per cent in June over a year ago and its global trade also increased in a fresh sign the world's second-largest economy is gradually recovering from the coronavirus pandemic.

China's global imports rose 3 per cent to USD 167.2 billion, rebounding from May's 3.3 per cent decline, customs data showed Tuesday. Exports edged up 0.4 per cent to USD 213.6 billion, an improvement over the previous month's 16.7 per cent contraction.

The country's global trade surplus was USD 46.4 billion. Imports of American goods increased to USD 10.4 billion despite higher tariffs that were imposed in a fight with Washington over trade and technology. Exports to the United States gained 1 per cent to USD 39.8 billion.

China, where the pandemic began in December, was the first major economy to shut down to fight the virus and the first to begin the struggle to restore normal business activity after the ruling Communist Party declared victory over the outbreak in March.

Chinese factory activity is recovering but consumers, uneasy over possible job losses, are reluctant to commit to big purchases. Forecasters warn exports are likely to weaken as global demand for surgical masks and other medical supplies declines and U.S. and European retailers cancel orders.

Leading indicators suggest that exports will start to contract again before long, Martin Rasmussen of Capital Economics said in a report. Imports should continue to ramp-up, he said, as the government spends more to support economic recovery and consumer demand.

The Chinese economy shrank by 6.8 per cent in the first quarter, its worst performance since at least the mid-1960s. The ruling party skipped announcing an economic growth target for this year but private sector forecasts range from low single digits to a small contraction.

Some forecasters raised their outlook slightly after factory activity in May improved more than expected. Exporters also face hurdles due to U.S. tariff hikes on Chinese goods in the fight over Beijing's technology ambitions and trade surplus. The two sides signed an agreement in January to postpone further penalties but increases imposed earlier stayed in place.

Source: financialexpress.com– Jul 14, 2020

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EU's Free Trade Agreement (FTA) with Vietnam Leaves India Fuming

EU's Free Trade Agreement (FTA) with Vietnam has come as a big blow to India. India has started trade talks with the European Union (EU) and is open to dialogue with the United Kingdom for a free trade agreement, commerce and industry minister Piyush Goyal said on Saturday.

The FTA may hurt India's garment industry as the new deal removes 99 percent of customs duties which would enable Vietnamese services and public procurement markets to EU companies.

India's neighbours including Bangladesh, Sri Lanka, Cambodia and Pakistan currently ship apparel to the European Union at zero duty while India's trade agreement with the EU features a 9.6 percent tax rate.

"The clear tariff differential in the EU market will add to our already-stark disadvantages in other areas such as logistics costs and further erode our competitiveness vis-à-vis Vietnam," said Gautam Nair, Managing Director at Matrix Clothing, one of the country's largest apparel exporters.

According to experts and officials, New Delhi is keen to expedite its own bilateral free trade negotiations with the EU, which could level the playing field for its exporters, but will not be rushed into a deal.

"Indian exporters are apprehensive about losing their markets in the EU to Vietnam for key products where its competitor will soon have the advantage of duty-free access because of its FTA with the EU.

India can nullify this advantage by concluding its own FTA but it needs to move carefully as a hurried deal may result in the industry losing more than it gains. We are ready to talk with the EU whenever it shows interest," told a government official.

Last year, India's readymade garment exports to the EU dropped from €4.47 billion to €4.31 billion whereas, Bangladesh's exports rose from €12.62 billion to €15 billion, Cambodia's from €2.71 billion to €3.30 billion and Pakistan's from €2.23 billion to €2.70 billion.

Vietnam's garment exports to the EU went up from €2.61 billion to €3.29 billion. Experts have noted that aside from tariffs, India has a higher logistical cost which poses as an obstacle to its growth. The ongoing pandemic has put the garment workers out of work across the country.

"Vietnam's FTA with the EU will be another blow to the Indian garment exporters," said Raja M Shanmugham, President of the Tirupur Exporters' Association. "What we need is no quick-fixes but a long-term vision. Promoting garment clusters, initiating structural reforms and tailoring policy interventions accordingly will be a way forward," he added.

Federation of Indian Export Organisations (FIEO) has asked the Commerce Ministry to expedite negotiations on an agreement launched in 2007, but stalled since 2013 due to disagreements over key areas.

India has expressed its willingness to get back in talks with the European Union but the EU had put conditions which involving government procurement, labour standards and sustainability to be included which India finds difficult to accept.

"The EU and Vietnam FTA will also make Vietnam a more advantageous location for investments moving out of China due to the China-US trade war," said Biswajit Dhar, Professor at Jawaharlal Nehru University.

Source: eurasiantimes.com– Jul 14, 2020

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Italian Fashion Sales Could See 15-18 Percent Drop in 2020

Milan's digital fashion week kicked off on Tuesday with a digital press conference hosted by Carlo Capasa, president of the Italian Camera della Moda, Milan Mayor Giuseppe Sala and Carlo Ferro, chairman of the Italian Trade Agency.

While Sala touted the potential of the city to recover its "past brilliance" and prestige as a fashion capital, and Capasa also delivered a message of positivity, "hope and trust" in the industry, the Fashion Economic Trends reported by the Camera reflected the impact of the coronavirus pandemic.

In April alone, sales plummeted 78 percent, and in the first four months of the year they decreased 28 percent, compared with the same period of 2019. The contraction occurred on both domestic and foreign markets, due to the lockdown and the general world trade drop of 7 percent.

According to a study just published by the country's National Institute for Statistics ISTAT, 48.2 percent of companies in the fashion supply-chain are at risk. On the other hand, fashion is also the sector with the highest share of companies that claim to have started reorganization strategies.

Export figures for Italian fashion were in line with the general dynamics of international trade in the first quarter, showing an 8 percent decrease. The eyewear, jewelry and beauty sectors reported a 12.9 percent drop in sales.

Uncertainties, including fresh outbreaks of the coronavirus, cloud forecasts for the end of 2020.

Given the easing of lockdowns in Italy, as well as a resumption of international trade flows, the Camera estimates a decrease in 2020 fashion revenues close to 15 percent, for a total of 57.2 billion euros. A second scenario, factoring in new outbreaks, sees sales dropping more than 18 percent.

"For both scenarios, it is assumed that the financial support measures will prevent the crisis of 48 percent of fashion companies deemed at risk by ISTAT," the study said.

As per the positive scenario, exports are seen decreasing 12 percent to 48.2 billion euros in 2020.

In the two months of lockdown for which official data are available, the turnover of the fashion sector (textiles, clothing, leather, leather goods, footwear) fell by 42 percent in March and 78 percent in April, with an average decrease of 28 percent overall in the first four months of the year.

"The negative impact of the lockdown was greater on fashion than on the rest of Italian manufacturing," according to the Fashion Economic Trends study. "Indeed, fashion was the sector that suffered the largest turnover drop in the manufacturing industry. The second sector in this negative ranking is automotive, hit almost as hard as fashion. Order figures also remained still extremely negative in April, as can be easily guessed, with fashion, once again, the sector most affected within the Italian manufacturing industry."

Jewelry showed a "collapse" and eyewear "a very strong fall" in March and April, the study noted. The beauty sector was helped by surging demand for soaps and sanitizing gels.

"While the size of the drop recorded in the past months is now clear, a big question mark remains about the companies' capacity to survive the shock and to react. A study just published by ISTAT shows that fashion is in a peculiar situation, characterized by a strong polarization. On one hand, it is the manufacturing sector with the highest share of businesses at risk of survival [48.2 percent], and on the other hand, it is the sector with the highest percentage of companies that claim to have initiated reorganization and change strategies [38.4 percent]," the Camera said.

The overall volume of world trade in goods fell by 7 percent year-on-year in the first quarter, according to World Trade Monitor statistics published at the end of June. The organization forecasts a significant deterioration with a year-on-year decline close to 20 percent for the second quarter, when the pandemic spread globally.

Italian fashion exports in the first quarter mirrored the general contraction in international trade. In the first quarter, exports to China and Hong Kong fell 27.5 percent and 29.3 percent, respectively.

"Expectations for the second quarter are even worse than those of the first," the study stated. Should the WTO estimates be confirmed, "fashion, which has been affected by the crisis more than the other sectors, could suffer a drop of 25 to 30 percent, compared to the second quarter of 2019," Capasa said during the digital conference.

Based on the figures available up to April, provisional estimates point toward a drop in turnover of around 30 percent in the first half compared to the same period of 2019.

Source: wwd.com– Jul 14, 2020

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Last three-month pandemic has resulted in a 90% decrease in production utilization in INDONESIA

The last three-month pandemic has resulted in a 90% decrease in production utilization leading to a permanent closure in September of 50% of textile factories in Indonesia.

The Indonesian Textile Association (API) announced that there is only 10 per cent left to use large industrial production. That lowers the financial position of the industry to run low. The API predicts the industry will last until next September only.

The pandemic had launched export markets and domestic products. As a national strategic industry that requires a large workforce, this industry needs serious attention from the government.

Therefore, in order to ease business, some entrepreneurs have asked for assistance in the form of easy banking loans, postponed payment of electricity tariffs during April-September and provided Corporate Tax PPH tax relief for 2020.

Since output has been disrupted in China, the association has noted about 17 containers of textile products originating in China. With illicit smuggling, the number has increased. Some of the items are finished goods, thus the selling of goods is becoming increasingly difficult for domestic industries.

The weak demand for textile goods exacerbates the situation. China is Indonesia's biggest exporter of textiles and textile (TPT) goods. The number of Chinese TPT imports reached 4,392 tonnes in 2018.

Source: textilefocus.com– Jul 15, 2020

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Home Textiles Sourcing Expo to go Virtual on July 21 to 23

Trade shows of Home Textiles which were at disadvantage are slowly taking a new form and starting with virtual form of trade shows to reach round the world and overcome the loss.

The show highlights:

- Free access to sourcing, education and more
- AI-powered matchmaking that calculates and recommends the
- most relevant connections
- Dynamic online showrooms with vivid customization
- Live chats, virtual networking
- Interactive educational programming
- Flexibility to engage at the user's convenience during the live
- event and beyond

Home Textiles Sourcing Expo, traditionally held at the Javits Center in New York each July, will take place as a globally connected virtual show.

The expo connects Asian and overseas resources with American buyers, importers and wholesalers seeking fabrics and finished soft goods for all home applications.

The dates – July 21 to 23 – remain the same, making it the first event for the home textiles industry to be held virtually.

"Home Textiles Sourcing will continue to provide manufacturers, retailers, jobbers, converters, contract specifiers and designers a dedicated avenue to locate new fabrics and products for their latest home collections, but this year we'll be doing it virtually," said Jennifer Bacon, show director for the event, which is organized by Messe Frankfurt.

The show is the only event in North America that will be solely focusing on fabrics and finished soft goods for home application right from bed to bath and everything in between. The show will be in collaboration with Texworld USA and Apparel Sourcing USA.

Source: textilevaluechain.in– Jul 14, 2020

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Pakistan: ‘Textile sector totally ignored’

Pakistan Cloth Merchants Association (PCMA) has said that it is unethical and inappropriate that the foreign exchange earnings and provision of employment opportunities in the textile sector has been completely ignored in the budget, a statement said on Tuesday.

PCMA Chairman Ahmed Chinoy said stuck up sales tax refunds are causing liquidity problems for the exporters since from July 2019 when 17 percent GST was imposed by the government in the previous budget.

The country is passing through the most difficult time due Covid-19 and the textile industry is facing difficulties by not getting their sales tax refunds, he added.

The cost of manufacturing is also getting higher due to high utility charges, he said, adding that the sector is facing eight to nine hours electricity and gas load-shedding.

Chinoy said the government launched Faster system for the payment of sales tax refunds within 72 hours, but to no avail. The FBR must consult the associations and chamber for recommendations before launching the faster system to make it more accurate, he said.

The PCMA chairman demand the government to restore zero rating regime on GST – no-payment no-refund system or reduction in GST from 17 percent to 4 percent.

Source: thenews.com.pk– Jul 15, 2020

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Pakistan plans tax incentives to brands opening office in the country

Pakistan plans to give tax incentives to any global brand that opens an office in the country. The country is exporting sanitizers and PPEs to the US and plans to graduate to medical and electromagnetic products soon. Abdul Razak Dawood, Trade Advisor, Prime Minister of Pakistan said exports of masks and other protective gear by the country have increased and the textile sector is witnessing an increase in orders.

The country's textile exports had dropped by 7 per cent in the year ended in June. However, supply chain disruptions caused by the pandemic enabled it to secure its first sportswear order from Hugo Boss AG, said Ijaz Akhtar Khokhar, Chief Coordinator, Pakistan Readymade Garment Manufacturers and Exporters Association.

Additionally, rupees' depreciation — by more than 50 per cent since late 2017 — has made the country's shipments competitive globally. The country has received an order for the export of microwave ovens for the first time and hopes to soon progress to exporting other engineering products.

Source: fashionatingworld.com– Jul 14, 2020

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Bangladesh: Orders are finally trickling in, but garment factories are still reaching out for the axe

One has got to feel for the garment workers. Despite the availability of low-cost loans to pay wages, repeated requests from the labour ministry and a recent uptick in work orders from international buyers, they are getting the chop.

"So far, more than 25,000 workers have been fired although we have been suggesting the factory owners not sack them," said Shibnath Roy, inspector general of the Department of Inspection for Factories and Establishment (DIFE).

This month alone, another 1,000 workers lost employment, according to Amirul Haque Amin, president of the National Garment Workers Federation.

The actual number of workers who lost jobs in recent months is a lot higher than the estimate of the DIFE as many were not registered properly, he said.

"Firing workers at this critical time is inhumane. This is the time when the owners should stand beside the workers. Rather, they are firing workers," Amin said, while alleging that workers were not getting legal service benefits when they were fired.

Bangladesh's garment factories have been among the worst-hit as the coronavirus pandemic caused the demand for apparel items to collapse in Western markets, forcing them to shutter operations after the contagion hit the shores of the country in late March.

Both the labour ministry and the DIFE have already held several meetings with the representatives of garment factories and other stakeholders to discuss the issues of jobs and inflow of work orders.

"In every meeting, we asked the factory owners not to sack workers. But the firing in the garment sector has continued," Roy told The Daily Star by phone.

The laying off came although the government has given the factory owners a stimulus package to pay wages and salaries to the workers, the labour leader said.

On the eve of the countrywide shutdown, the government unveiled a Tk 5,000-crore emergency package for exporters to help them pay wages and salaries to workers.

However, the pace of laying off has started to drop off as the factories are receiving an increased amount of work orders after the opening up of stores in Europe and the US, the main destinations of Bangladesh's garment items.

Some workers at some medium and small-sized factories lost jobs, said Arshad Jamal Dipu, vice-president of the Bangladesh Garment Manufacturers and Exporters Association.

"We are urging the owners not to fire workers. We are telling them to wait for at least two months as the inflow of work orders is increasing," he said.

A good number of workers have come to the DIFE office to lodge complaints about the shutdown of factories, according to Roy.

Many factories employ 200 to 400 workers and these units are in big trouble as they do not have work orders and their financial strength is not strong.

"So, they are shutting down the units," Roy said. He, however, did not give an exact number of factories that have been closed.

Although the work orders are returning, the factories are not running at full capacity yet. The sector has more than 30 per cent shortage of work orders, he said.

Some 351 factories with a combined export value of $12.26 billion in the last fiscal year are running in full scale and there is no job loss in these units, the entrepreneur said.

There are 341 medium-sized factories with an export value of $4.1 billion. These factories are running at 60 per cent of their capacity and are trying to revive their business.

"Some workers lost jobs from these medium level garment factories," said the entrepreneur.

The number of small garment units is 642 with an export value of $2.86 billion. Three lakh workers are employed in these units.

"The small units are struggling to survive because of the lack of work orders. If 10 per cent of their workers lose jobs in this difficult time, it would not be surprising," Dipu added.

The inflow of work orders is expected to improve further from September.

"The tally of the fired workers will not be too high as no factory owner wants to lose skilled workers as workers matter at the end of the day," Dipu said.

Source: thedailystar.net– Jul 14, 2020

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NATIONAL NEWS

India-EU summit: Govt's 'atmanirbhar' call may hit proposed FTA, fear EU officials

A new high-level dialogue on trade and investment likely to be announced India's growing protectionism, reflected in its recent focus on building a self-reliant (atmanirbhar) economy, has not gone down well with the European Union which believes that the conditions are not yet there to engage in formal negotiations on the proposed India-EU free trade pact, according to EU officials.

"The conditions are not there yet to engage in formal negotiations (on a bilateral free trade pact). We have witnessed trends in India going on the protectionist side.

First there was the 'Make in India' initiative. And now you have the recent announcements on building a self-reliant economy in response to the Covid-19 crisis which did not go down well with EU countries," the EU official said ahead of the India-EU Summit on Wednesday.

Prime Minister Narendra Modi will represent India at the summit, to be held via video-conference, while the EU will be represented by European Council President Charles Michel and European Commission President Ursula von der Leyen.

India had earlier expressed hopes that the long-pending India-EU free trade pact negotiations, formally called the Bilateral Trade & Investment Agreement (BTIA), which were suspended in 2013 over major differences on key market access issues, could be resumed following discussions at the India-EU Summit.

Problem areas

India's refusal to give reasonable market access in the primary areas of wines and spirits and automobiles as well as services, coupled with its lack of enthusiasm in including commitments on government procurement and development issues such as labour and environment, are seen by the EU as major hurdles to re-start the BTIA negotiations.

A new high-level dialogue on trade and investment, to be headed by EU Trade Commissioner Phil Hogan and Commerce Minister Piyush Goyal, likely to be announced during India-EU Summit, will hopefully provide the political impetus to move forward on contentious issues, the official said.

The EU is not ready to accept India's proposal for a 'early harvest programme', focussing on duty cuts on just a handful of items, preceding a BTIA. "The EU wants nothing less than a comprehensive agreement covering goods, services, investments, procurement etc," the official said.

The need to discuss a bilateral investment agreement separately from the India-EU BTIA, will also be taken up by the EU at the summit as it wanted to make investments under a legal framework and was "taken aback" when India suspended all bilateral investment pacts with individual EU countries a few years ago.

Geopolitical relationships with countries such as China, Russia and the US will also be discussed by the two at the Summit as will the future and scope of bodies such as the World Trade Organisation and the UN Security Council.

The two partners will also discuss ways to strengthen cooperation to fight the pandemic and minimise the socio-economic fall-outs, the official said.

Source: thehindubusinessline.com– Jul 14, 2020

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Low Indian cotton prices, weak demand and increased sowing worry traders, industry

Domestic cotton prices are 16% below the international rates and traders are worried that prices may come under further pressure due to weak demand and increased sowing this season.

Industry and trade associations allege that "excessively high" estimates made by the United States Agriculture Department (USDA) have increased pressure on Indian cotton prices.

"USDA, in its report, has shown carryover stock of 19 million US size bales as on July 31, 2020, which is equivalent to about 244 lakh Indian size bales of 170 kg each.

If we reduce two months' consumption by Indian mills for August and September 2020 from the said USDA stock, the carryover stock of Indian cotton works out to about 200 lakh bales as on September 30, 2020, as against 50 lakh bales estimated by the Cotton Corporation of India (CCI)," the Cotton Association of India (CAI) said in a recent release. "Cotton Advisory Board has also estimated carryover stock of Indian cotton as on September 30, 2020 at 48.41 lakh bales."

According to CAI, cotton is selling at Rs 35,000 per candy (of 356 kg each) in the Indian market while imported cotton is available for Rs 42,000 per candy.

"We are finding it tough to export cotton and cotton yarn due to wrong projection by USDA about Indian cotton carry-forward stocks. Indian cotton exporters and Indian spinning mills and garment manufacturers have to bear huge losses," CAI president Atul Ganatra said.

"The difference is very big between the estimate by USDA and the Cotton Advisory Board. So Like China, we want the government to look into the matter and ask USDA to take cotton production and cotton consumption and stock figures estimates from CAB." Ganatra said, "If figures are not corrected then in the coming new season we will see huge losses to Indian cotton growing farmers also."

Industry body Southern India Mills Association (SIMA) too has objected to the USDA's higher estimates. However, it has said that the difference between the closing-stock estimate of Indian industry and that of the USDA is of about 90 lakh bales to 100 lakh bales, as on September 30.

Ashwin Chandran, chairman of SIMA, said, "There is tremendous pressure on yarn price. The area sown under cotton is set to increase this year as the government has increased the support price. This will further increase cotton availability in the country. Hence, we have asked the prime minister to extend a special package for boosting cotton consumption in the country."

Source: economictimes.com– Jul 14, 2020

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New MSME definition is skewed; favours the creamy layer of medium enterprises: FOCIA

When the Centre notified the changes in the MSME definition a fortnight ago industry associations by and large hailed the move. But as things start to unfold, the Federation of Coimbatore Industrial Association (FOCIA) — the apex body of 18 small and tiny engineering associations — has voiced concern as it felt that the basic principles of MSME definition are "shaken and diluted".

J James, Co-ordinator, FOCIA and President, Tamil Nadu Association of Cottage and Tiny Enterprises (TACT), said: "The classification of Micro, Small and Medium Enterprises (MSME) is just the beginning... the first step in the long journey. But this should be in the right direction.

The changes announced vide the notification dated June 26, 2020 indicate that the tenets of the MSMED Act 2006 have been conveniently discarded, and focus shifted to prop up the creamy layer of medium enterprises."

Citing deficiencies in the notification, FOCIA Coordinators — S Surulivel and A Siva Shamughakumar — said : "Should such changes be implemented, micro units — with turnover of less than ₹1 crore — would be equated with medium enterprises (whose turnover would be upwards of ₹250 crore). Further, under the public sector procurement policy, units with an annual turnover of ₹1 crore would have to compete in the tender process with enterprises clocking a turnover of over ₹250 crore.

Statistics show that 95 per cent of the MSME units belong to the micro sector and 4.5 per cent in small sector; less than 0.5 per cent of the units are classified as medium-scale units.

Emphasis on manufacturing

The changes in the definition now allow any undertaking to be registered as micro or small. But the MSME notification dated January 2009 affirms that "only manufacturing units which use plant and machinery in the process of value addition would be eligible for registration under the Act.

This notification is still in force," clarified Surulivel, adding "the emphasis on manufacturing has been completely withdrawn. Manufacturing units are equated with pure trading units."

FOCIA has urged Union MSME minister Nitin Gadkari to change the definition to include “enterprises engaged in manufacture or production of goods pertaining to any industry and employing plant and machinery in the process of value addition, insert another category – Cottage Enterprises (with turnover not exceeding ₹1 crore and investment in Plant and Machinery up to a maximum of ₹25 lakh) and enhance public sector procurement to 50 per cent (from the prevailing 25 per cent)”.

Separate Ministry urged

“The Government should consider formation of a separate ministry for Cottage, Micro and Small Enterprises (CMS) and focus on the development and upliftment of the deprived strata of society,” suggested James.

Industry insiders have sought withdrawal of registration on the Udyam Portal as the existing Udhyog Adhar Memorandum (UAM), with slight modification to include GST registration details, will help the units move forward without much hassle, they felt.

Source: thehindubusinessline.com – Jul 14, 2020

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Rs 21 lakh crore package not enough! Economists pitch for second round of stimulus to mitigate pandemic impact

The Centre should announce a second round of stimulus at the earliest, economists said on Tuesday with one of them emphasising that the government ought to err on the side of being liberal.

A greater focus should be given on small businesses in the designing of the package, they said, adding that even after the partial yet widespread lifting of the COVID-19 related lockdown, demand continues to be elusive.

It can be noted that the government and RBI had responded with a nearly Rs 21 lakh crore stimulus package to help mitigate the impact of the pandemic on the economy. Official data on factory production has not been released for two consecutive months, while consumer inflation has surged.

“What has happened to businesses? Lockdown is lifted, but the demand doesn’t exist. What you are going to see is a bloodbath among MSMEs (micro, small and medium enterprises). Do we need stimulus? Yes!" Pronab Sen, Programme Director for the International Growth Centre (IGC)-India Programme and former chief statistician said during a seminar organized by academic institution SPJIMR here.

He said if the government intends to introduce a package, it has to be done at the earliest because this is the time when the businesses need it the most, and warned that not doing so can stoke inflation by late 2020 or early 2021 as there will be no availability of goods.

Anantha Nageswaran, who is also a part-time member of the Economic Advisory Council to the Prime Minister, concurred, and termed the support to businesses in the first installment as 'parsimonious'.

"Sometimes, you have to have a leap of faith and have to take action. This is an action which you can roll back," he said, while pitching for a second round of stimulus.

He said the government ought to err on the side of being liberal and from a risk management perspective as well, the answer is obviously in favour of a stimulus.

Nageswaran acknowledged that the government may be holding on to some firepower given the events like the border standoff in Ladakh with China, which will push up spends on defence.

Rathin Roy, the director of the Finance Ministry-supported think tank NIPFP, said the government may have hesitated in providing monetary stimulus in the first package and instead promised long-pending reform measures, in a bid to signal that it wants to be hands-off and leave it to business.

If it was so, there is a need to deliver on the promised reforms which can help in the inflow of capital, Roy said, adding this would also mean not listening to bodies like the Swadeshi Jagran Manch (SJM).

Sen said the stimulus measures of up to Rs 1,000 per person per month extended through the direct benefit transfer are not sufficient and stressed that a transfer of over Rs 3,000 is essential if the final aim is to drive up demand as the current quantum of money is only enough for survival.

He also hinted that since a large part of the delivery of a stimulus has to be done by states, the Centre may be a bit hesitant to be very liberal with a package because state governments will stand to take credit for it.

Roy said doubts about the bureaucratic system's capabilities in ensuring that a package gets executed the way it is intended may have resulted in the smaller stimulus, to which Nageswaran also agreed.

Source: financialexpress.com– Jul 14, 2020

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Asia to remain dominant player in garment manufacturing in coming decade: Report

Asia is expected to remain a dominant player in garment production over the coming decade even as China looks to reduce its apparel manufacturing operations and move up the value chain, analytics firm Fitch Solutions said in a report on Tuesday. The outlook for the textile sector highlighted that India and Indonesia, which offer low-cost cheap labour and large domestic markets, may lose out due to the lack of conducive business conditions.

Even as China moves up the value chain, many other countries in Asia benefit from favourable labour market dynamics for apparel production, sufficiently predictable logistical connections to serve external trade, free trade agreements that ensure preferential access to major consumer markets, and geographic proximity to raw material producers in China and India, the report said.

"Accordingly, we have already started to see Vietnam benefiting from these trends and expect to see more investments into the country. In addition, we expect Bangladesh, Cambodia and Myanmar to see greater gains in the coming years as costs in Vietnam also rise," Fitch Solutions said.

It identified India and Indonesia as potential recipients of manufacturing shifts and growth in terms of global apparel export share.

However, according to the report, the two countries' annual growth rates will look less impressive compared with the other four countries including Vietnam, Bangladesh, Cambodia and Myanmar.

"The countries' large populations, at 1.4 billion in India and 274 million in Indonesia, make them the second and fourth-most populous nations, respectively, in the world and suggest strong growth potential for domestic consumption," said the report.

However, a lack of preferential trade access to the US and EU markets, as well as higher labour costs, will act as obstacles for these markets, it observed.

"We at Fitch Solutions expect rising labour costs in China to continue pushing out low- to mid-range manufacturing to cheaper cost centres across Asia.

"However, we believe that it will be exacerbated by rising trade protectionism globally and geopolitical risks attached to operating in China, as relations between China and the West deteriorate. This trend has already taken place for at least half a decade," said the report.

It estimates high growth potential for textile manufacturing in neighbouring countries such as Cambodia, Myanmar, Bangladesh and Vietnam, supported by large and growing active populations and low labour costs.

Source: economictimes.com– Jul 13, 2020

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India attacks EU's unfair trade deals which are killing major industry

India has blasted the EU and Vietnam for ratifying a free trade agreement that would be "another blow" to Indian businesses.

Vietnam’s National Assembly approved an FTA deal between it and the EU on June 8 this year. According to reports, these agreements could come into force this month.

The agreement between Vietnam and the EU will see most tariffs and regulatory barriers between the two trading bodies cut, which analysts think will create opportunities particularly for EU investors.

The agreement is a long time coming. According to The Diplomat, it took more than eight years and 12 rounds of talks before an FTA could be negotiated between the EU and Vietnam.

Nicholas Audier, chairman of the European Chamber of Commerce in Singapore – also known as EuroCham – said because of trade wars and the global coronavirus pandemic, the agreement “is now more important than ever”.

He said: “Free, fair and rules-based trade is the best roadmap to economic growth, and Vietnam will now have privileged access to an EU consumer market of around 500 million people who will be keen to do business with and invest ina strong, secure and populous nation at the heart of Asia”.

But not everyone is set to benefit from the deal. Indian clothing companies have bemoaned the EU-Vietnam FTA because of the competitive disadvantage if would put them in.

Gautam Nair, Managing Director at Indian clothing exporter Matrix Clothing, said: “The clear tariff differential in the EU market will add to our already-stark disadvantages in other areas – logistics, costs, etc. – and further erode out competitiveness vis-à-vis Vietnam.”

Meanwhile, Raja M Shanmughan, President of the Tirupur Exporters’ Association, said the deal “will be another blow to Indian garment exporters,” according to Textile Today.

They called for a “long-term vision” rather than “quick-fixes” as a result.

According to the Financial Express, garments exports to the EU market are taxed at 9.6 percent, while Vietnam will now get duty-free access.

Analysts note the timing of the deal coincides with the coronavirus pandemic which has also hit Indian garment exporters.

The Financial Express adds the EU generally accounts of around 30 percent of India’s exported clothing, and that Vietnam now joins a list exporters including Pakistan and Sri Lanka for receiving ‘zero duty’ export treatment to the EU.

Meanwhile, the UK has announced a £705 million package to secure its borders ahead of the nation's official departure from the EU customs union on January 1 2021.

According to reports, most of this funding will go towards port and inland development, while £235 million will be used for computer systems and staffing.

There will also be £10 million set aside to hire 500 extra UK Border Force staff.

Cabinet Office Minister Michael Gove said the border package would go ahead whether or not there is a formal agreement between the UK and the EU.

Source: express.co.uk– Jul 14, 2020

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Rising inventory, falling prices spook PPEs, santizer makers who jumped into COVID-19 bandwagon

Many textile or garment companies had got into the business to make a quick buck and compensate for the losses in their core operations

Lucknow-based Karam Industries, which manufactures industrial personal safety products like helmets, goggles, face shields, and work boots, started making coveralls and masks, to take advantage of the huge demand for personal protection equipment (PPE), especially for healthcare workers.

Karam and many other firms which took advantage of COVID-19 are now facing a glut in supply and fall in prices.

Karam's two factories in Lucknow (Uttar Pradesh) and Sitarganj (Uttarakhand) have been on an overdrive, churning out PPEs in thousands per day. It is among top-10 PPE suppliers in India.

A PPE mainly includes non-reusable items like coverall that covers from head to toe, reusable face shields and goggles, and triple- layered medical masks and N95 respirator masks.

"We can scale up our coverall manufacturing to 10,000 units per day, but we are confining ourselves to 2000, as per the demand-supply situation," Sandeep Arora, national sales head, Karam Industries, said.

Everyone's busy making PPEs

Karam isn't alone. Around 500-600 manufacturers of all hues -- from cottage-sized garment makers to big textile companies, such as Arvind Mills and Welspun, have all started making PPEs.

Predictably, some of these manufacturers, which are seeing a huge slump in their textile or garment business, got into the PPE business to make a quick buck and compensate for the loss of their core business.

According to the Association of Indian Medical Device Industry (AiMeD), the pre-COVID-19 manufacturing capacity was 6.24 million units per annum. By the end of June, it has risen 43 times to 250.98 million pieces per annum.

In the same period, the manufacturing capacity of N95 masks increased from 13.82 million pieces per annum to 799.24 million -- an increase of 57 times.

The supply glut has led to the prices of PPEs falling almost by half, say manufacturers. "Earlier, they used to cost around Rs 1200- Rs 1500, but now a good quality, genuinely certified medical coverall cost about Rs 700-Rs 800," Arora said.

PPE prices have further fallen and are now quoting as low Rs 400 - Rs 500. Industry insiders say that the government has enough buffer stock that could last till October.

Under a lot of pressure from the textile lobby, the government, towards June-end, allowed the export of PPE medical coveralls with a monthly quota of 50 lakh. But manufacturers say this is too little, too late. The government had banned exports early this year.

"Manufacturers have to compete with zero duty imports flooding the market and restrictions on exports ... manufacturers are staring at non-remunerative prices, unsold inventories, and overburdened loans," said Rajiv Nath, Forum Coordinator of AiMeD.

Nath calls on the government to free up exports as well as increase custom duties on imports to 15 percent to save the industry.

Sanitizers too face oversupply

The story isn't any different for sanitizers. Hundreds of brands have flooded the market. For instance, Indus Health Plus, which is into preventive health check-up, launched its own hand sanitizer in May to meet "urgent consumer needs".

"The product ‘Indus’ is mainly aimed at organisations, and institutions to ensure safety and prevention from the virus," said Amol Naikawadi, Joint Managing Director, Indus Health Plus.

But he says there is tremendous pricing pressure due to competition. The prices of sanitizers, too, were hitting the roof, when the government capped the prices of pharmaceutical grade. Finally, with the glut in the market, the government removed the cap early on July. Now, a 100-ml sanitizer is available for Rs 50.

Indus Health says as the market is brimming with different brands, there will be a negligible impact on pricing.

Quality is still a problem

Even as the domestic industry is producing more than enough PPE kits and sanitizers, experts say quality remains a problem.

"For PPEs, there were no specifications or standards during the initial months. The Bureau of Indian Standards (BIS) was still working on specifications, and we were taking reference from US and European standards," Arora of Karam said.

Eight labs, including the South India Textile Research Association (SITRA), Defence Research & Development Establishment (DRDO), and Ordnance Factory Board and Textiles Committee, can validate samples of coveralls and issue certificates.

Still it remains a huge challenge to verify the quality of the products supplied in the market are the certified grades. Hospitals like Hinduja at Khar, Mumbai, do their own quality check before buying coveralls.

"During the first 15-20 days of COVID-19, we had problems of which one is good and bad, but now we have standardised our testing. We buy only whatever is good," said Joy Chakraborty, Chief Operating Officer, Hinduja Hospital.

Arora of Karam says now there is more awareness among hospitals and doctors, and manufacturers who focus on quality and capacity, would survive, the rest would perish.

Source: moneycontrol.com– Jul 14, 2020

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India's exports to Latin America increased to 13.2 billion dollars in 2019-20, the highest in the last five years

India's exports reached 13182 million dollars in 2019-20 (April-March) from 10 billion in 2015-16, according to the figures just released by the Ministry of Commerce, India.

Brazil came back this year to claim its position as the # 1 destination of India's exports to the region, with 3.97 billion dollars, overtaking Mexico.

The other major destinations were:

Mexico USD 3.62 billion; Colombia USD1.04 billion; Chile USD 793 million; Peru USD 764 million; Argentina USD 763 million. Surprisingly, exports to Venezuela doubled to USD 340 million doubling from USD 165 million in 2018-19.

Exports to Mercosur was USD 5005 million, Pacific Alliance USD 6223 million, CAFTA (Central America + DR) USD 1200 million and others USD 754 million.

Major exports

Vehicles USD 3231 million; Chemicals USD 2576 mn; Machinery USD 1426 mn; Textiles USD 1058 mn; Diesel USD 1049 mn; Pharma USD 962 mn; Cotton USD 359 mn; Plastics USD 386 mn; Iron and steel USD 394 mn; Aluminium products USD 342 mn; Rubber products USD 264 mn.

Car exports

Latin America accounted for 28% of India's global car exports of USD6.7 bn. Mexico was the second largest global market for Indian cars after US.

Other major destinations: Chile USD 178 mn, Peru USD 139 mn, Paraguay USD 44mn, Bolivia USD 42 mn, Colombia USD 37 mn and Guatemala USD 31 mn.

Motorcycles

India was the second largest supplier of motorcycles to Latin America with USD 458 million. This is 22% of India's global exports of USD 2.1 billion.

Major destinations were Colombia USD 228 million, Mexico USD 69 mn, Guatemala USD 54 mn and Peru USD 20 mn. Colombia was the second largest global market for Indian motorcycles after Nigeria. Indian brands are market leaders in Colombia and Guatemala. Hero Motors has invested USD 80 million in a production plant in Cali, Colombia.

Pharmaceuticals

India is the fifth largest supplier of pharmaceuticals to Latin America. Major destination of India's pharma exports: Brazil 297 million dollars, Chile 93 m, Peru 69 m, Colombia 65 m, Mexico 64 m, Venezuela 39 m, Dominican Republic 39 mn and Ecuador 30 mn.

India's exports to Latin American countries in comparison to neighbours and traditional trading partners

India's exports to some of the distant Latin American countries were more than the exports to neighboring countries or traditional trade partners with same or more population.

We have exported more motorcycles to Colombia than to neighbouring markets such as Sri Lanka (176 m), Nepal (198 m) and Bangladesh (156 m).

India's car exports to Chile at 178 million dollars are more than the exports to Nepal (107 m), Bangladesh (72 m), Sri Lanka (40 m) and Myanmar (15 m).

Service Exports

TCS had an annual turnover of 800 million dollars in 2019 in Latin America. This includes services to local clients as well as to those in North America and Europe. TCS employs 17560 Latin American staff in the region. The annual turnover of all the two dozen Indian IT, BPO and KPO firms in Latin America should be around 1.5 billion dollars.

Indian manufacturing companies in Latin America

UPL has an annual turnover of 1.3 billion dollars with its plants making agrochemicals and development of new seed varieties in Brazil, Argentina and Colombia. UPL, the largest Indian agrochemical firm, has a larger business turnover in Brazil (1.2 billion dollars) than its business in India.

Aditya Birla's group company Novellis has Aluminium and carbon black plants in Brazil with an annual turnover of 2 billion dollars.

Mothersons Group, the autoparts major with a worldwide revenue of 11 billion dollars has over a dozen plants in Mexico and Brazil generating 9.2 % of its global revenue, which amounts to about a billion dollars. There are a number of other Indian companies operating in the region in energy, pharma, tyres and other sectors. The annual revenue of the Indian manufacturing companies in Latin America should be around 4 billion dollars.

Imports

As in the past two decades, Venezuela continued to be the main sources of imports in the region with 6.06 billion dollars. Other main sources: Mexico USD 4.3 billion, Brazil 3.07 bn, Argentina 2.33 bn, Peru 1.58 bn, Chile 1.18 bn, Bolivia 846 m and Colombia 811 m.

Main import items

Crude oil 11009 million dollars; Gold USD 3743 mn; Veg oil USD 2188 mn; Copper USD 1079 mn; Machinery 612mn; Chemicals 426 mn; Wood 349mn; Iron & steel 332mn; Raw Sugar 249mn; Plastics 162mn; Fruits& Veg 158 mn; Pharma 86 mn.

Sources of crude oil imports: Venezuela 6.03 billion dollars, Mexico 3.3 bn, Brazil 1.1 bn, Colombia 290 m and Ecuador 254 m.

Gold import sourcing: Peru 1424 million dollars, Bolivia 843 m, Colombia 420 m, Brazil 369 m, Dom Republic 339 m and Argentina 190 m.

Argentina was the second largest (overtaking Malaysia) source of edible oil in the world with 1.95 billion dollars after Indonesia.

Country	exports	imports	Total trade
Mexico	3623	4297	7920
Brazil	3967	3072	7039
Venezuela	340	6057	6397
Argentina	763	2327	3090
Peru	764	1575	2339
Chile	793	1176	1969
Colombia	1043	811	1854
Bolivia	113	846	959
Ecuador	253	362	615
Dom Republic	213	361	574
Panama	239	76	315
Guatemala	291	23	314
Uruguay	148	57	205
Honduras	185	19	204
Costa Rica	127	49	176
Paraguay	127	25	152
El Salvador	79	3	82
Nicaragua	66	4	70
Cuba	48	4	52
Total	13182	20669	33851

Decade of trade from 2010-11 to 2019-20

India’s exports had increased from 10.04billion dollars in the beginning of the decade to 13.7 bn in 2014-15. But the Latin American recession and economic difficulties caused a dip in India’s exports in 2015-16. Since then the exports have increased steadily to 13.18 bn in 2019-20.

India’s exports reached a peak of 31.38 billion dollars in 2012-13 due to the high crude oil prices and large volume of India’s imports from Venezuela. But since then, the oil prices have come down and due to US sanctions, the volume of imports from Venezuela has also reduced. Reliance, the main importer of Venezuelan oil had suspended Venezuelan oil imports in the second quarter of 2020. But it has resumed imports in July 2020.

The annual India-Latin America trade had reached a peak of 44.08 billion dollars in 2013-14 due to the high oil prices and large crude imports from Venezuela.

Year	exports	imports	Total trade
2019-20	13.18	20.67	33.85
2018-19	13.16	25.7	38.89
2017-18	12.1	24.4	36.45
2016-17	10.4	19.6	30
2015-16	10	19.7	29.7
2014-15	13.7	29.3	43
2013-14	12.77	31.31	44.08
2012-13	12.48	31.38	43.86
2011-12	11.33	18.42	29.75
2010-11	10.04	14.01	24.05

Market

Latin America, the region of 19 countries, has a total population of 600 million and GDP of 5.6 Trilion dollars. The region's imports were 1.07 trillion dollars and exports 1.06 tn in 2019.

Mexico was the top trader with imports of 467 bn and exports of 472 bn.
Brazil's imports were 177 bn and exports 223 bn. Surprisingly, Chile is the third largest trader with imports of 65 bn and exports of 64 bn. Argentina's imports were 65 bn and exports 49 bn; Peru imports 42 bn and exports 45 bn;

Colombia imports 40 bn and exports 42 bn.

There is potential for India to increase its exports to about 20 billion dollars in the next five years if the Indian exporters and government intensify their export promotion seriously and systematically. Although the region's imports will decrease by over 10% due to the 9.1% GDP contraction forecast for 2020, India can certainly increase its share in the region's imports.

For example, India can double its pharma exports to 2 billion to Latin America whose annual global imports are around 25 billion dollars. Motorcycle demand is going up in the region, consequent to the need for social distancing after the corona pandemic. This provides an opportunity to take India's exports to a billion soon.

At this time of austerity, Latin Americans look for affordable products from less expensive sources. Although China fits this expectation, the Latin Americans seek to reduce their overdependence on China with which there is growing trust deficit especially after the Corona virus which originated from Wuhan.

The Latin Americans appreciate the fact that India was the seventh largest destination for Latin America's global exports in 2019 and the third largest in 2018. India is the #1 market for their exports of vegetable oil, #3 for crude oil and #4 for gold.

Source: financialexpress.com– Jul 14, 2020

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Weekend shopping sales lose shine for Indian consumers; evening sales also impacted

MUMBAI: Weekend shopping that accounted for over half of retail sales during pre-Covid period has now shrunk to a third, as Indian consumers venture out more during weekdays and office hours.

Companies across groceries, apparel and electronics segments said this change in shopping habit was mainly due to closure of multiplexes, the fear of enjoying the weekend in malls unlike in pre-Covid amid a surge in the infection and weekend curfew in several states. Many of those who are working from home are utilising the time saved on commuting for shopping during weekdays. A surge in online purchases too is contributing to this trend.

“Most of the shopping that is happening is necessity purchases, while weekend shopping earlier used to be a mix of necessity and discretionary purchases,” said Vijay Babu, vice president (home appliances) at LG Electronics, India's largest appliance company.

"Weekends used to be a reserve for family time which would include visits to malls, movies and shopping, a routine which has got completely disrupted by the pandemic," said Devendra Chawla, the managing director at Spencer's Retail and Nature's Basket. Shopping is now largely done by a single member of the family whereby the weekend skew has come down, he added.

The worst hit is Sunday, which for years has been the highest selling day in a week. States like Uttar Pradesh, Karnataka, Tamil Nadu, Madhya Pradesh, Uttarakhand, Punjab, Haryana, Odisha and Assam are following the weekend curfew.

“Sundays, which earlier generated the highest sales, is now even lower than weekdays," said J Suresh, the chief executive at Arvind Fashions which sells brands such as Calvin Klein, Gap and US Polo Assn.

“With consumers having enough flexibility due to work from home during weekdays, we have seen Saturday sales go down by a third but are still the strongest followed by demand spread uniformly across other days,” he said.

Similar shopping trends are seen for products like appliances, laptops and smartphones which are currently in high demand as consumers automate daily chores or to aid work and study from home.

Tata-owned electronics retail chain Croma’s chief marketing officer, Ritesh Ghosal, said while sales in the evening used to be the highest during the pre-Covid period, now it was spread more evenly over the entire day.

Consumers are now coming even during the lean hours like early morning or afternoon to avoid crowds, queues outside stores and since there is night curfew in several places, Ghosal said. Sunday now has the lowest sale of the week for Croma as a large number of stores in Bengaluru and Mumbai are closed that day.

Neville Noronha, the managing director at Avenue Supermarts that runs DMart, said to offset the weekend lockdowns, authorities must consider longer shopping hours on week days for essential retailers. “It helps manage social distancing significantly better. Having restricted hours has the reverse effect,” he said.

The Retailers Association of India has urged states to allow shops to remain open on weekends since closures were affecting the recovery of the retail business.

“Closure of stores is business loss, impacts consumer confidence and leads to the loss for the economy,” association CEO Kumar Rajagopalan said.

Source: economictimes.com– Jul 14, 2020

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MSMEs may get up to Rs 1 lakh crore salary support

The government is discussing ways to boost consumer demand in the economy, with one option being the possibility of providing salary support of up to Rs 1 lakh crore over the next three years to MSMEs which employ a certain minimum number of employees, as a way to boost demand in the economy.

“This is one way to boost the demand in the economy which has been suffering,” a senior government official told ET. At present there are close to 6 crore MSME’s in the country and they form the backbone of the economy, the official said.

The official added that a minimum number of employees hired by the unit could serve as selection criteria and the support could be extended for up-to three years.

MSME’s have been at the core of financial package of the Modi government, which in May announced a Rs 3 lakh crore emergency credit line guarantee scheme (ECLGS) under which 100% guarantee coverage will be provided by the National Credit Guarantee Trustee Company for additional funding of up to Rs 3 lakh crore to eligible MSMEs and interested Micro Units Development and Refinance Agency (MUDRA) borrowers in the form of a guaranteed emergency credit line (GECL) facility.

Last week, the finance ministry said banks had sanctioned loans of about Rs 1.2 lakh crore under ECLGS. However, disbursements against this stood at a little over 61,000 crore till then.

Source: economictimes.com– Jul 15, 2020

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