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INTERNATIONAL NEWS

US ends Hong Kong's special trade status, PRC to hit back

After the United States recently ended Hong Kong's preferential trade status and imposed sanctions on officials cracking down on human rights there, China condemned the decision and has vowed to hit back. While President Donald Trump said he was acting as China had taken away Hong Kong's freedom after imposing a new security law, Beijing said it would impose sanctions on relevant US people and entities.

China's foreign ministry described the decision as a 'gross interference' in its domestic affairs and said the country would impose retaliatory sanctions to 'safeguard China's legitimate interests', according to global newswires.

"The US attempt to obstruct the implementation of the national security law for Hong Kong will never succeed," the statement said.

"We urge the US side to correct its mistakes, refrain from implementing the act and stop interfering in China's internal affairs in any way. China will firmly respond if the US goes ahead," it added.

"No special privileges [for Hong Kong], no special economic treatment and no export of sensitive technologies," Trump had said.

Trump also criticised China over its handling of the coronavirus pandemic as well as its military build-up in the South China Sea, its treatment of Muslim minorities and massive trade surpluses.

Hong Kong's special trade status with the United States started in 1984 when the territory was still a British colony. Hong Kong now is expected to be treated the same as mainland China, meaning its goods could be subjected to additional tariffs.

Trump also said he had signed the Hong Kong Autonomy Act, which passed unanimously in Congress earlier this month and penalises banks doing business with Chinese officials who implement the security law.

The US government also directed officials to "revoke license exceptions for exports to Hong Kong," and includes revoking special treatment for Hong Kong passport holders.

Source: fibre2fashion.com– Jul 16, 2020

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USA: June furniture/home furnishings retail sales up over May

Furniture and home furnishings store sales are still on the climb month-over-month, with June's totals increasing 32.5% over May, but still lag behind year-over-year by 3.5%, according to the U.S. Department of Commerce report released today.

In total, furniture and home furnishings store sales ran to a projected $9.58 billion in the month of June. This increase in sales over May's adjusted $7.22 billion total, down from a previously reported $7.72 billion total for the month, can be attributed to several factors, including what many retailers are calling a "pent up consumer demand" for furniture and early July Fourth promotions.

Despite those factors, retailers are still facing problems with getting consumers back into stores because of safety concerns over COVID-19. Additionally, some stores are struggling with long lead times as manufacturers across the globe work to catch-up with the new demand following cancelled orders and weeks of factory shut downs in the face of COVID-19.

Regardless of furniture and home furnishings store sales lagging year-over-year, advance estimates of U.S. retail and food services sales came in to $524.3 billion in June, up 7.5% from the previous month's adjusted total of 487.7 billion, and 1.1% over June 2019. Retail trade sales were also up overall, sitting 6.4% higher than May's adjusted total at $476.9 billion and 5% higher than last June's totals. For both, this is the first time a year-over-year increase has been observed since March.

Many categories reported YOY drops alongside the furniture and home furnishings store sector, which actually saw the smallest year-over-over reduction of the group. Reporting the highest losses was food services and drinking places, which saw a 26.3% drop year-over-year. Following behind that was clothing and clothing accessories stores, which dropped 23.3%. Gasoline stations saw a similar drop, losing 19.1%, followed by electronics and appliance stores, which lost 12.7% year-over-year. Department stores, a subset of general merchandise stores, also saw a year-over-year loss of 10.6%. Rounding out the list of losses was miscellaneous store retailers with a 7.7% loss and health and personal care stores, which fell 5.75%.

Taking the lead on sales increases over June 2019 was non-store retailers, which includes e-commerce and catalog businesses, up 23.5% and sporting goods, hobby, musical instrument and book stores, which rose 20.6% from last year.

Month-over-month, clothing and clothing accessories saw the greatest increase, posting totals that were up 105.1% over May. Coming in second place above furniture retail sales' 32.5% increase was electronics and appliance stores at 37.4%.

Dropping the most from May's adjusted total was non-store retailers, which includes e-commerce and catalog businesses, down 2.4%. Following that was grocery stores, a subset of food a beverage stores, down 1.6%, and food and beverage stores, down 1.2%. June marks the first month-to-month drop experienced by non-store retailers in more than four months.

For the three-month period of April-June, furniture and home furnishings store sales decreased 29.7% from the same period last year. Overall retail and food services sales decreased 8.1%, while non-store retailer sales posted the biggest gain at 24.9%, well over the next largest gain of the 13.1% gain by food and beverage stores.

Source: hometextilestoday.com– Jul 16, 2020

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Amazon to open 33 new US fulfillment centres in 2020

Amazon will open 33 new US fulfillment centres this year that will raise peak fulfillment centre standard-sized product storage capacity by nearly 35 million cubic feet more than last year's. It is also investing in building capacity, tools, services and programmes for sellers as well as hiring more staff, and aims to deliver a great holiday season.

The e-commerce giant hired more than 175,000 employees and invested billions of dollars in COVID-related initiatives to help meet increased customer demand and protect the health and well-being of its employees.

As a result, selling partners have had record sales on Amazon and continue to account for more than half of units sold, the company said in a press release.

As part of its holiday season preparation, it has already reduced its own retail product ordering to accommodate more of sellers' products and help them continue to see sales growth.

It is adjusting its inventory performance to ensure all products have space available during peak season.

Source: fibre2fashion.com– Jul 17, 2020

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Myanmar's garment factories struggle on lack of orders: MGMA

Myanmar's CMP (cut, make and pack) garment factories are struggling due to the lack of orders from the European Union, says Myanmar Garment Manufacturers'Association (MGMA).

In January, the majority of clothing factories were forced to stop running overtime due to dwindling stocks. Around 90 percent of supplies came from China, which were blocked because of coronavirus, and the rest came from Indonesia, Vietnam, Thailand and South Korea.

Many factories have reduced working hours and cut jobs, while some have permanently or temporarily shut down. Some factories have not received orders or even price enquiries since March.

Many clothing shops across Europe have closed and the demand from Japan has declined by almost half, he said. Without new orders, many factories will be forced to reduce their workforce and working hours, and close either temporarily or permanently.

International closures have removed 50 percent of market demand for Myanmar's clothing, handbags and footwear, according to the MGMA. Garment exports are mainly shipped to the EU, Japan and South Korea and the country earned over $4.5 billion (6.2 trillion kyats) from the sector from Oct 1 to July, according to the Commerce Ministry.

Export revenues are down $65 million (90 billion kyats) compared to the same period a year earlier, mainly due to COVID-19.

Source: fashionatingworld.com– Jul 16, 2020

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Cambodia, Myanmar, Vietnam likely beneficiaries of apparel shifts: Fitch Report

A report by Fitch Solutions predicts Cambodia, Myanmar, and Vietnam to gain most from shifts in apparel manufacturing. The report says, China’s reduction of apparel manufacturing operations creates new opportunities for its neighboring countries to expand their presence as suppliers to China, and grow their market share in North America and Europe at China's expense.

Vietnam has already benefitted by signing free trade agreements during the trade war between the US and China. As a result, the country’s apparel exports jumped 30 per cent and raised its global apparel exports share to 8.7 per cent in 2019, up from 6.8 per cent in 2018.

Similarly Cambodia can also benefit as its apparel manufacturing sector has grown at a compound annual growth rate of 13 per cent over the last decade, with relatively low labor costs and favorable investment policies -- including allowing full foreign equity ownership in the textile sector -- expected to continue supporting this.

Being able to use Vietnamese shipping ports also helps Cambodia with transport and import of raw materials from China. Myanmar is also expected to continue seeing strong growth in low-value and lower-quality basic garments with numerous seaports that facilitate shipping at one of the cheapest rates in the region.

Source: fashionatingworld.com– Jul 16, 2020

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What is the outlook for Vietnam textile and garment industry?

According to the report analysis, 'Vietnam Textile And Garment Industry Q1/2020 Comprehensive' states that in the Vietnam textile and garment industry there are numerous corporates which presently functioning more significantly for leading the fastest market growth and registering the handsome value of market share around the globe in the near years while advancing the specifications of the production technologies, delivering the better consumer satisfaction, decreasing the linked price, spreading the awareness related to the textile and garment, adopting the effective strategies of profit making, studying the competitor's and government's strategies and employing the young workforce includes Viet Tien Garment Corporation, HoaTho Textile Garment JSC, Nha Be Garment Corporation, Garment Corporation 10-JSC, DucGiang Corporation, TNG Investment and Trade JSC, Sai Gon Garment Manufacturing Trading Corporation, Dong Nai Garment Corporation, PhongPhu Corporation, Viet Thang Corporation, Thanh Cong Textile Garment Investment Trading JSC, Century Synthetic Fiber Corporation, Hue Textile Garment JSC and several others.

However, this report focuses to deliver a detailed analysis of the worldwide textile and garment industry. It effectively aims on market dynamics, technological trends, and insights on the geographical sectors and the process, material, and application varieties. Also, it analyses the foremost players and the competitive scenario in the global textile and garment industry.

In addition, due to the significant development in the demand for apparels, specifically across the developed as well as underdeveloped regions of Vietnam. Not only has this, effective increase in the disposable income and speedy urbanization has led to an augment in the number of supermarkets and retail stores, thereby propelling the overall market growth.

The foremost growth in the birth rate and aging populace has underwritten to the growing requirement for the hygiene products, such as baby diapers, sanitary napkins, and adult incontinence products, which, in turn, is predicted to influence the requirement for the non-woven fabrics.

Textile corporates in the region aims on restructuring their businesses, advancing effective work processes, and underwriting in the niche products. Natural fibers are predicted to be the largest product sector in the region on account of the increasing requirement from the fashion and apparel industry. However, the smart textiles are utilized by the customers as a clothing entity as well as by military professionals for shield and safety resolutions.

Fashion and clothing is predicted to be the fastest-increasing application sector over the forecast period due to the rise in customer spending on apparel and clothing, coupled with the highly advanced fashion industry in the region. However, the consumer necessities for crease-free fabrics and great quality dyed and printed fabrics are predicted to requirement the demand for textiles and garments over the forecast duration. Therefore, in the near years, it is predicted that the market of textile and garment in Vietnam will increase more significantly over the upcoming duration.

Source: vietnaminsider.vn– Jul 16, 2020

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Dhaka targets apparel exports worth $33.78 bn for FY21

Bangladesh has set a target of $41 billion from merchandise exports with 21.75 per cent growth for fiscal 2020-21 as the country has witnessed a fall in exports due to the COVID-19 pandemic. For the apparel sector, the target is set at $33.78 billion with a 20.88 per cent growth, of which $16.70 billion will come from knitwear products and $17.09 billion from woven goods.

In the last fiscal, the government set a goods export target of $44.5 billion, but could earn only $33.67 billion, registering a 16.93 per cent fall.

Commerce minister Minister Tipu Munshi announced the export target recently in a virtual meeting with the stakeholders, according to Bangla media reports.

In the last fiscal, apparel exports plunged by 18.12 per cent to $27.95 billion, as compared to $34.13 billion in the previous fiscal. Knitwear products fetched $13.90 billion, 17.65 per cent less than the previous fiscal's figure. Woven items earned $14.04 billion, registering a 18.58 per cent negative growth.

Source: fibre2fashion.com– Jul 17, 2020

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Istanbul Predicts 40% Textile Trade Decline in 2020

In the midst of the normalization cycle following the coronavirus outbreak, Istanbul's Laleli, Osmanbey and Merter districts predict an overall trade volume decline of up to 40% over 2020.

According to a report published by the Turkish daily Dünya, after June 1, when the country began reopening its economy by gradually lifting most of the previously imposed restrictions, the number of closed companies in Laleli has even increased.

Gıyaseddin Eyyüpkoca, chairman of the Laleli Industrialists and Businessmen 's Association (LAS-AD), which represents some 2,500 traders in Laleli, said that in 2019 the district reported about $3 billion (TL 20 billion) in commerce. Eyyüpkoca told Dünya that a large portion of the trade was conducted through applications such as WhatsApp during the coronavirus restrictions.

Source: textilefocus.com– Jul 16, 2020

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Pre Procured Cotton to Export in Banagladesh from India

India's state-run Cotton Corp plans to export cotton stocks to Bangladesh that were procured in marketing years 2019-20 (Oct-Sep). Nonetheless, the quantity of exports will be agreed on according to mutual agreement. India has a logistical advantage in exporting to Bangladesh, as it takes the least time for shipments. Annual cotton consumption in Bangladesh is 8.5 million-9.0 million bales of which the country imports around 2.5 million bales from India each year.

Cotton Corp is the nodal Government procurement entity under the minimum support price scheme. So far in the 2019-20 (Oct-Sep) season, the agency has procured around 10.0 million bales. It managed to buy only 900,000 bales in the 2018-19 season as spot prices of the fiber were more than its support prices for most of the season.

Over the current season, which started on Oct 1, exports of around 3.8 million bales have already been shipped and another 1.2 million bales will be exported over the next three-four months.

Source: textilefocus.com– Jul 17, 2020

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Pakistan's textile exports drop 6pc to $12.5bn in FY20

Pakistan's textile and clothing exports posted a negative growth of over six per cent to $12.526 billion in the fiscal year 2019-20, as compared to $13.3 billion in the corresponding period of 2018-19.

According to data released by the Pakistan Bureau of Statistics (PBS), readymade garments exports dipped 3.81pc in value and 10.07pc in quantity during July-June FY20, while those of knitwear dropped 3.64pc in value and 10.11pc in quantity.

Bedwear exports posted a negative growth of 4.91pc in value and 2.31pc in quantity.

Meanwhile, towel exports fell 6.52pc in value and 6.39pc in quantity, while those of cotton cloth dipped by 12.94pc in value and 17.66pc in quantity.

However, exports are expected to revive in July as exporters have resumed production to honour international orders.

As per the PBS data, the fall in export proceeds from the sectors improved on a month-on-month basis owing to a recovery in the international order. Compared to the 36.5pc decline in May 2020, the exports in June declined by 5.43pc over the year last year.

The easing of lockdown in the North American and European countries — top export destinations for Pakistani textile goods — will help revive the sinking exports. The Covid-19 has collapsed the demand for the country's exports during the last five months.

Maximum piled up containers at ports since March 22 were mostly cleared in the month of June. Moreover, the government also opened up exports on the land route to Iran and Afghanistan in June.

It was only in February when the textile and clothing exports jumped nearly 17pc on a year-on-year basis. This growth was reported after a long time as the past few years had been marred by single-digit increases.

Among primary commodities, cotton yarn exports dipped by 12.49pc while yarn other than cotton by 23.81pc, made-up articles — excluding towels — by 13.16pc, and raw cotton 16.64pc. Exports of tents, canvas and tarpaulin increased by a massive 5.95pc during the months under review.

On a monthly basis, exports of textile and clothing posted a negative growth of 5.43pc to $959.130 million in June 2020 as against $1.014bn over the corresponding month of last year.

Source: profit.pakistantoday.com.pk– Jul 16, 2020

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Bangladesh: Fund for RMG sector likely for 3 more months' wages

The country's readymade garment exporters are likely to get more funds from the government to pay their workers the wages for three more months.

Prime minister's private industry and investment affairs adviser Salman F Rahman on Thursday assured the apparel makers that he would discuss the issue with the Bangladesh Bank governor.

The discussion will be aimed at having further allocation for the RMG exporters from the stimulus package of Tk 30,000 crore, announced to enhance the working capital of the industry, so that they can pay wages to their workers.

'So far I know Tk 8,000 crore has been disbursed from the package of Tk 30,000 crore and a portion of the fund from the package could be diverted for lending to the export sector to pay their workers the wages,' the adviser said.

He made the comment in a virtual meeting on the eve of the announcement of the export earnings target for the financial year 2020-21 after the RMG exporters pressed again their demand for more allocation from the government to pay their workers the wages for the month of July, August and September.

The prime minister in March announced a Tk 5,000-crore package for paying the export sector workers their wages for April, May and June amid the coronavirus pandemic.

The fund was disbursed at a 2 per cent service charge.

Although the government had initially earmarked Tk 5,000 crore for the apparel sector, the total disbursement eventually stood at Tk 7,500 crore for three months' wagess.

The additional Tk 2,500 crore was allocated from the Tk 30,000-crore package.

The prime minister had announced the Tk 30,000-crore stimulus package to supplement the working capital of industries to overcome the COVID-19 fallout.
The PM also announced that the Tk 30,000-crore loan would be extended at a 9 per cent interest rate, of which 4.5 per cent would be subsidised by the government while the rest paid by the borrowers.

The RMG exporters have recently sent a letter to the finance ministry seeking the allocation of a portion of the fund to pay their workers the wages for another three months.

Experts, however, opposed the diversion of funds from the package of working capital to the payment of RMG sector wages.

'If necessary the government can provide separate funds to the RMG makers, but why should the working capital be used for paying workers?' South Asian Network on Economic Modelling executive director Selim Raihan posed the question while talking to New Age on Thursday.

He said that if the fund was not disbursed as working capital, the government would have to find out why the fund was not disbursed.

The stimulus package announced should be implemented properly to achieve the targeted results, Selim Raihan said.

He also remarked that the RMG sector was getting attention from the government for their clout but that the other sectors were not getting proper benefits from the stimulus packages should also be addressed.

Federation of Bangladesh Chambers of Commerce and Industry vice-president Md Siddiqur Rahman in the virtual meeting requested Salman F Rahman to bring about changes in the Bangladesh Bank circular which was issued on the disbursement of the Tk 30,000-crore package.

'The fund is available, please request the BB governor to bring about changes in the circular so that the RMG exporters can get money from the fund to pay their workers the wages for three more months amid the pandemic,' Siddiq made the urge.

He said that the RMG exporters had been facing tremendous pressure due to the pandemic and it would be very helpful for the sector if the government allocated fund from the package shortly as the exporters would have to pay the wages and bonus this month.

Bangladesh Garment Manufacturers and Exporters Association president Rubana Huq and Bangladesh Knitwear Manufacturers and Exporters Association vice-president Mohammad Hatem also made the same demand in the meeting.

Salman F Rahman said that he would discuss the matter with the central bank but the factory owners would have to pay the festival allowances on their own as no fund would be provided for this purpose.

Source: newagebd.net– Jul 16, 2020

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NATIONAL NEWS

India-US FTA on the cards preceded by limited trade deal, informs Commerce Ministry

India and the US are close to concluding an initial limited trade package followed by a possible bilateral free trade agreement (FTA), New Delhi said on Thursday.

“There was a desire expressed to conclude this initial limited trade package and recognising the complementarities of the India-USA bilateral trade, discussed the possibility of an FTA,” the commerce and industry ministry said in a release on Thursday, after an informal discussion between commerce and industry minister Piyush Goyal and US secretary of commerce Wilbur Ross.

“The principals also conversed on the ongoing India-USA trade discussions and appreciated the substantial progress made by both sides on most of the outstanding issues,” the ministry said.

The informal tele-conversation took place on July 16.

The two sides have been trying to thrash out a trade package with limited scope with the long term aim of an FTA since last year amid a plethora of unresolved trade issues.

Business leaders from both sides also pitched for an FTA at the India-US CEO Forum on Tuesday. The forum coincided with the India-US Commercial Dialogue which is co-chaired by Goyal and Ross.

Goyal had told Parliament in February that at that point, India was not negotiating a comprehensive FTA with the US.

“No, Sir. Presently, India is not negotiating a comprehensive FTA with the US,” he had said in a written reply to the Rajya Sabha in February.

The US is keen on a deal ahead of its presidential elections in November and had indicated that an initial deal could include restoration of the Generalised System of Preferences (GSP) benefits to India and market access for each other’s agricultural products with a long-term view of a broader trade agreement.

New Delhi has demanded exemption from high duties imposed by the US on certain steel and aluminium products and market access for its farm products, while the US has sought market access for its farm and manufacturing and products, medical devices, and lower duties for certain ICT products.

It had also sought data-related relaxations, including in the ecommerce policy that India is working on. The latest draft of the policy says companies that store or mirror Indian users' data overseas will be subject to periodic audits and also make available any data the government seeks within 72 hours or pay a penalty.

Source: economictimes.com– Jul 16, 2020

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Revenue of Indian cotton spinners to contract by 25-30 pc in FY21: Icra Ratings

Revenue of Indian cotton spinners is likely to decline by 25-30 per cent year-on-year in 2020-21 due to COVID-19 pandemic-led disruptions in manufacturing activities and weakness in demand in global as well as domestic markets, Icra Ratings said in a report.

This will further add to the woes of the sector which saw an estimated 5-7 per cent decline in revenue and 200-250 basis points (bps) correction in operating margins in FY20, it said.

The Indian cotton spinning sector is expected to log a 25-30 per cent y-o-y decline in revenue and a 300-400 bps contraction in operating margins in FY21 amid COVID-19-led disruptions in manufacturing activities, and an all-encompassing weakness in demand from the downstream segments, within as well as outside the country, Icra Ratings said.

According to the report, the business outlook appears adverse owing to an inventory pile-up being witnessed across the value chain, which is likely to keep demand from downstream segments subdued over the next few quarters, while keeping working capital requirements high.

"The main reason for the slow recovery has been the sluggishness in demand in the downstream segments of fabrics and apparels. The trend has been weaker in the domestic market, where consumer-discretionary spending and consumer footfalls in markets remains abysmal, particularly in metros and tier-I markets," Icra Ratings Senior VP and Group Head Jayanta Roy said.

"Yarn, being an intermediate product, is resultantly facing a ripple effect of the contraction in demand in the downstream segments," he added.

The nationwide lockdown, implemented from March 25 onwards to contain the spread of the virus, was officially lifted from the second week of June 2020 with certain guidelines and restrictions.

However, even after a month, the operations of spinners have not yet fully ramped up, it said, adding that this is despite the fact that several companies outside containment zones had already commenced operations in April and May after taking requisite approvals from the concerned authorities.

Capacity utilisation for most players across the sector is estimated to have averaged at 30-40 per cent in the first quarter of FY21, the report said.

With slower than initially envisaged recovery in sales of apparels and home textiles, domestic retailers are deferring new season launches to October-November 2020, which is trickling down to lower offtake for fabrics and yarn.

In contrast, better demand for downstream products in some of the international markets, together with competitive prices for Indian cotton and cotton yarn, are resulting in a relatively better export demand for yarn, Icra said.

However, the export demand is not adequate to compensate the sector for the loss in demand in the domestic market, which consumes nearly 70 per cent of the yarn produced in the country, it added.

Apart from COVID-19 related concerns, another cause for worry for the Indian spinning sector has been the flare-up witnessed in geo-political tensions between India and China in recent months.

While the tensions have since de-escalated to an extent, it remains a key monitorable for the sector, as China has been one of the major export destinations for Indian cotton yarn over the past one decade, accounting for as much as 45 per cent of India's exports at its peak level (in FY16), the report said.

India's cotton yarn exports to China have declined in the recent years owing to factors like increased competition from countries such as Vietnam and Pakistan, which have a duty advantage over India, and improved local availability of cotton at competitive prices within China, supported by liquidation of state's cotton reserves.

Despite the decline, China continued to account for 25 per cent of India's cotton yarn exports in FY20.

"Based on the prevailing scenario, our estimates of revenues and profitability decline may undergo a further downward revision going forward, depending on the timing and shape of recovery from the pandemic, as the situation remains evolving," Roy said.

"Nevertheless, decline in revenues as well as profitability is expected to translate into weaker coverage metrics for the domestic spinners in FY21," he added.

This is, despite the fact that in the past few years, capital expenditure towards capacity expansion by standalone spinning mills has remained low, which has resulted in a steady decline in leverage and repayment obligations for most players across the sector in the recent years, he noted.

"Pressure on coverage metrics is likely to be more severe for leveraged companies, having sizable repayment obligations and limited liquidity cushions. We maintain a negative outlook on the cotton spinning sector, given that the pandemic has been a demand-supply disruptor across the textile value chain," he added.

Source: financialexpress.com– Jul 16, 2020

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Don't jinx credit for MSME with conditions

The government reportedly wants to provide micro, small and medium enterprises (MSMEs) additionally Rs 1 lakh crore to help them meet their wage bill. This is welcome.

However, it should not be saddled with cumbersome conditions that whittle eligibility down as happened in the case of the Emergency Credit Line Guarantee Scheme, under which MSMEs were offered Rs 3 lakh crore of government-guaranteed credit.

Two conditions constrain MSMEs' ability to draw on this facility. One, MSMEs with an annual turnover of only up to Rs 100 crore in FY 2019-20 are eligible for the loan, disqualifying firms with a higher turnover.

Two, credit under the scheme is up to 20% of the borrower's total outstanding credit capped at Rs 25 crore, excluding off-balance sheet and non-fund-based exposures, as on February 29, 2020 (that is additional credit is up to Rs 5 crore).

Absurdly, MSMEs that have repaid their loans on the stipulated date and have no outstanding credit are ineligible. It is possible to justify the Rs 100 crore turnover limit on the ground that the government wants its help to be channelled to smaller firms. However, after lending about a third of the Rs 3 lakh crore, banks are finding no takers under the scheme.

Additional credit should be given based on the working capital limit of an MSME instead of the present criterion of 20% of the loan outstanding. Let the government guarantee a fifth or a fourth of the working capital limit worked out by banks for the relatively small proportion of MSMEs with which they have a relationship.

If that still leaves money on the table, the government can relax the turnover limit to Rs 250 crore, in line with the new medium-sized enterprise definition. The sector can do with fresh lines of formal credit.

Source: economictimes.com– Jul 15, 2020

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Goyal assures industry of resolving issues related to local taxes

Commerce and Industry Minister Piyush Goyal on Thursday assured industry about finding a solution for issues related to local taxes, such as electricity duty, as they make domestic manufacturers uncompetitive.

The Ministry is taking up the matter at all levels, he said at a CII webinar on renewable energy.

Goyal made these comments while replying to a question about Indian industry becoming uncompetitive while competing with global players because of various non-credible taxes, like electricity duty and taxes on fuel, and how the government is looking to adjust these under 'Aatmanirbhar Bharat'.

"We are conscious of this problem particularly because other countries may not be having a coal cess or mandi tax or electricity duty, and therefore our manufacturers do get uncompetitive because of it.

"We have taken it up within the government and we are trying to assess what could be the mechanism…Our Indian manufacturers compete with let's say FTA (free trade agreement) imports or other imports coming from other parts of the world, face this problem. I assure you that my Ministry is taking it up at all levels and we will find a solution to this," the Minister said.

On increasing local content requirement in product manufacturing, he said India is "not crazy about it", but the country will have to become self sufficient by strengthening domestic manufacturing.

"Let's say there is a particular component not available in India, it does not mean you import the whole equipment. So we will take up a practical and balanced view. We will have to strengthen domestic manufacturing in newer and newer items so that we can progressively move towards more domestic content, but we will have to do it sensibly without compromising quality and modern technology," Goyal said.

He said all countries are looking at balancing trade, adding that it should be a two-way process and all countries should get fair opportunities and reciprocity in terms of access for goods and services.

"Whichever country gives reciprocal access to their markets in a fair and balanced and transparent way, India wants to expand that engagement. So we are not against imports, what we are against is unfair treatment of India in certain parts of the world....We want the world to engage with us on fair terms," he added.

He said 'Aatmanirbhar Bharat' campaign is not different from programmes like 'SelectUSA' or from the European Union bringing in high quality standards, which is a "non-tariff barrier" as it is a way of making sure that other countries can not produce and supply to them.

Any foreign company which tries to suggest that India is being unfair will have to first look at themselves and see what is wrong that India is doing and "you will find nothing," Goyal said.

On renewable energy, he said its demand is increasing, and promoting domestic manufacturing in the sector and enhanced involvement of States will help.

Source: thehindubusinessline.com – Jul 16, 2020

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Spinning mills stare at another tough fiscal

The cotton spinning sector is in for a tough year ahead with an expected 25-30 per cent fall in revenue and 3-4 per cent drop in operating margins this fiscal amid Covid-led disruptions in manufacturing activities.

This apart, weak demand in downstream segments such as fabrics and apparels will take a further toll on the sector.

The concerning trend in the sector follows an estimated 5-7 per cent slide in revenue and 2.50 per cent dip in operating margins last fiscal.

Inventory pile-up

Per an ICRA note, the business outlook appears adverse due to an inventory pile-up across the value chain, which is likely to keep demand from the downstream segments subdued and working capital requirements high over the next few quarters.

Jayanta Roy, Senior Vice-President, ICRA Ratings, said the trend has been weak in the domestic market, where consumer discretionary spending and consumer footfalls in markets remain abysmal.

A month after the national lockdown was lifted, spinning mills' operations have not yet fully ramped up. This is despite the fact that several companies outside the containment zones had already commenced operations in April and May. Capacity utilisation for most players across the sector was at 30-40 per cent in June quarter.

Export market

In contrast, better demand for cotton yarn in the international markets, together with competitive prices of cotton in India are resulting in better export. However, the export demand is not adequate to compensate for the loss in demand in the domestic market, which consumes nearly 70 per cent of the yarn produced in the country.

Apart from Covid, the geopolitical tensions between India and China is a major concern for the industry. Despite duty advantage given to Vietnam and Pakistan, export of cotton yarn to China accounted for 25 per cent of India's overall exports last fiscal.

Based on the prevailing scenario, Roy said revenues and profitability decline may undergo a further downward revision, depending on the timing and shape of recovery from the pandemic.

Source: thehindubusinessline.com– Jul 16, 2020

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States can fix minimum freight rates for trucks, says Road Ministry

Following a demand from transport associations, the Road Transport and Highways Ministry has reminded various States that it is possible for them to fix a minimum floor price for cargo movement. This is provided for in the Motor Vehicle Act.

Simply put, freight rate is the amount charged by truck drivers for moving goods between two different places.

States are free to fix a range of minimum and maximum rate for freight and several forms of passenger transport, the Road Transport Ministry has reiterated in a letter to States on July 10.

The Road transport Ministry issued this guidance citing representation from transport associations that asked the Ministry to fix the minimum freight rates in view of "economic turbulence, weak demand and other factors", according to an advisory.

Even though a section of transporters had sought government intervention to fix a minimum freight rate limit, the move will create a rift in other sections of transporters, say transport experts.

SP Singh, Senior Fellow, Indian Foundation of Transport Research and Training (IFTRT), told BusinessLine that this is difficult to implement as it interferes in the concept of letting the market forces operate in a free and fair manner. Government intervention in fixing freight (for goods movement) is totally unwarranted, he said adding that some States like West Bengal had tried to implement this but could not.

Also, the method of defining freight rate is difficult in the present context when the contract between large and small truck players, large and small customers vary based on duration of contract, volume of goods, size of trucks, and several other factors.

Source: thehindubusinessline.com– Jul 16, 2020

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Govt should spend on profitable firms to boost economy: Raghuram Rajan

Former RBI Governor Raghuram Rajan on Wednesday said the government should focus on spending on profitable firms, which have been incurring costs but have not earned revenues in the last four months.

Speaking at NCAER's India Policy Forum 2020, Rajan said in the pandemic, unlike normal recession, there is enormous amount of destruction, which has happened to households and also to firms, and that's where relief and repair has to come in along with stimulus.

When asked by Expenditure Secretary T V Somanathan on what Rajan thinks would be safe level for expenses on repair and what is the appropriate level of fiscal deficit up to which one can finance repair, Rajan said it is necessary to spend money on the profitable firms to boost economy in the longer run.

"The reality right now is not to say open the flood gates and spend on anything. The reality is we need to spend on those firms which will benefit the economy going forward. So, we need to spend on profitable firms which are now in danger ... because they haven't produced revenues for 4 months, but have been incurring costs along the way.

"That's the kind of judgement that has to be made ... that is required for longer run health of economy," he said.

Stating that repair is important to recover from the impact of pandemic, Rajan said if a firm is unable to function, that's a loss to GDP going forward. "If it can benefit from additional funding, writing down of debt it may contribute significantly more than the normal Keynesian stimulus," he added.

To contain the spread of Covid-19 pandemic, the government had imposed the lockdown from March 25. The gradual opening up of economy started since June. In May, the government had already announced a nearly Rs 21 lakh crore package to support the economy.

Source: business-standard.com– Jul 15, 2020

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GST collection in Bengal drops marginally in June

Collection of revenue under Goods and Services Tax (GST) from centrally administered assessees in West Bengal dropped marginally in June 2020, an official of the Central Goods and Service Tax (CGST) of Kolkata zone said.

The collection of GST in West Bengal, which was ₹1416.38 crore in June 2019, slightly declined to ₹1,367.50 crore in the same month this year, he said.

According to him, the small assessees who have been given time extension for filing GST returns due in March have made their payments in the month of June. The actual June collection figure will be ascertained in August, he said.

However, for the Kolkata zone, which also comprises Sikkim and Andaman and Nicobar Islands, June collections have increased marginally at ₹1,598.59 crore as compared to ₹1,536.38 crore in 2019.

According to data available with the CGST Kolkata zone office, GST collections in April and May this year was ₹345 crore and ₹745 crore respectively. Collections in the same two months in 2019 was ₹1,887.70 crore and ₹1,618 crore respectively.

The official said that collections were low in these months in 2020 due to lack of economic activity during the lockdown.

Source: livemint.com– Jul 16, 2020

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