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INTERNATIONAL NEWS

Coronavirus-hit Chinese economy shrinks 6.8 per cent in Q1, worst since 1976

China's GDP took the worst hit since the disastrous Cultural Revolution in 1976, plummeting by 6.8 per cent in the first quarter of 2020 as the country took unprecedented measures to fight the coronavirus pandemic that brought the world's second largest economy to a standstill.

China's gross domestic product stood at 20.65 trillion yuan ($2.91 trillion approx) in the first quarter of 2020 amid the COVID-19 impact, down 6.8 per cent year on year, China's National Bureau of Statistics (NBS) said on Friday.

The figure slightly rebounded from a drop of 20.5 per cent in the first two months, the NBS data said. On a slowdown mode, China's economy grew by 6.1 per cent in 2019, the lowest annual growth rate in 29 years amid the bruising trade war with the US but it remained above the psychologically important mark of six per cent.

The GDP in 2019 expanded to $14.38 trillion from $13.1 trillion in 2018.

But the coronavirus which devastated China and the world ever since it broke out in Wuhan in December last year has dealt a major blow to the Chinese economy which was already in slowdown mode in the last few years due to steady shrinking of its exports markets.

While China had shut down the 56 million-strong central Hubei province and its capital Wuhan for over two months since January 23 to contain the virus for over two months, the entire country came to a standstill to prevent the COVID-19 from spreading across the world's most populous nation.

The world's second-largest economy is now limping back to normal with factories resuming production all over.

Hong Kong-based South China Morning Post reported that the 6.8 per cent drop in the first quarter of 2020 is the first contraction since the end of Cultural Revolution spearheaded by the ruling Communist Party founder Chairman Mao Zedong in 1976 which had caused extensive damage to the fledgling Chinese economy then.

Its goal was to preserve Chinese Communism by purging remnants of capitalist and traditional elements from Chinese society, and to re-impose Mao as the dominant ideology in the Community Party of China.

New data released by the NBS confirmed the slump due to the COVID-19 which was worse than predictions of minus 6.0 per cent from a survey of analysts, the Post report said.

The NBS data also showed that over the single month of March, the economy remained under huge pressure, with the industrial sectors, retail and fixed asset investment all shrinking again, following a collapse over the first two months of the year.

Releasing the figures to the media here, NBS however said the country's economic and social development witnessed overall stability in Q1.

A breakdown of the data showed output of the service sector, which accounted for nearly 60 per cent of the total GDP, dropped by 5.2 per cent, while primary industry and the secondary industry saw a decline of 3.2 per cent and 9.6 per cent, respectively.

"The situation of epidemic control and prevention continued to improve with a basic interruption in epidemic transmission at home," the NBS said, adding that the resumption of work and production has accelerated and fundamental industries are growing steadily, state-run Xinhua news agency reported.

Friday's data showed China's job market improved slightly in March, with the surveyed unemployment rate in urban areas standing at 5.9 per cent, down 0.3 percentage points from the previous month, it said.

China's retail sales of consumer goods, a major indicator of consumption growth, declined 19 per cent year on year in the first quarter of this year hit by the coronavirus outbreak, the NBS report said.

In March, retail sales of consumer goods reached 2.645 trillion yuan ($374 billion approx) down 15.8 per cent year on year.

Retail sales in rural areas dropped 17.7 per cent year on year in Q1, while that in urban areas decreased 19.1 per cent, the Xinhua report said.

The decline came as efforts to curb the spread of COVID-19 have kept most people across China indoors, as well as shops and restaurants shut during the past three months.

Revenues of the catering sector, one of the worst-hit industries, fell 44.3 per cent compared with the same period last year, said the NBS.

Meanwhile, online sales stayed relatively stable as consumers turned to online services when staying indoors, falling 0.8 per cent year on year, it said.

Source: financialexpress.com - Apr 17, 2020

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USA: Reopening Retail: How to Shorten the Timeline to Get Stores Back in Business

The U.S. economy is at an unprecedented juncture as business leaders, health experts and government officials argue about the right time to reopen non-essential businesses in the wake of COVID-19. And as the retail industry supports 42 million jobs, it’s critically important to reopen retail stores as quickly and safely as possible.

Up to this point, the only topic being discussed is when to reopen non-essential businesses. However, the first question we need to answer is how to reopen them. We need a comprehensive strategy, and the retail industry can’t afford to get it wrong.

Reopening non-essential retail stores in a “big bang” model is a recipe for disaster. Instead, the process of reopening retail must be methodical, organized and gradual. One way to do this is “shopping by appointment.” It’s a familiar concept, and it could be the key to helping non-essential retailers manage customer traffic once they reopen their stores.
Scheduling an appointment: a familiar concept to consumers

Consumers make appointments all the time: restaurant reservations, doctor visits and hair appointments are just a few examples. It’s a universally accepted concept. Why can’t retailers start scheduling shopping appointments via their apps and websites? This would permit a limited number of customers to enter the store on a set schedule while preventing long lines and overcrowding at the store entrance.

This would be much safer and far more efficient than what we currently see at grocers and other essential retailers, where long lines of customers wait for up to an hour or more to enter a Walmart, Costco or local grocer. The principles of social distancing have been introduced at many locations, but it's extremely burdensome for shoppers.

Prescheduled shopping appointments would allow non-essential retailers to apply the same principles, while providing a much better customer experience that prioritizes customer safety and ensures a secure uncrowded shopping environment. Retailers could limit each shopper's experience to 30 minutes or so in order to make sure the appointment schedule remains on track.

In action: how shopping by appointment could work

It is not very difficult to roll out a robust reservation solution in a short period of time. Most retailers list their store locations on their website and within their mobile app. A simple enhancement would add a "Make Appointment" button next to each location that allows the customer to select the day, time and number of shoppers that plan to visit that location. The number of appointments would be limited to the safe occupancy level of each location as determined by the state or local government based on square feet of floor space or a percentage of maximum occupancy allowed under pre-COVID conditions.

Another option is to modify an existing reservation platform to allow retailers to enter their store locations, hours of operation and total customer capacity at each location. There are many such platforms for restaurant reservations and similar services. Why not make them available to all types of retailers?

The future: an increase in demand for in-person shopping

As stores begin to open again, we will likely see a surge of pent-up shopping demand, especially because fashion retailers and department stores will rely heavily on promotions and discounts to attract consumers and reduce inventory. On opening day, consumer demand could be similar to what stores typically experience on Black Friday. There's a caveat, though: shoppers will only show up if they know they'll be safe. There must be a mechanism in place to prevent large crowds from gathering outside the stores. “Shopping by appointment” might be a way to mitigate this risk.

There’s much to be done. We still need to determine the viability of rapid virus testing, expand aisles on the shopping floor so consumers can pass each other at an acceptable distance, wear masks in stores, perform daily deep cleans and utilize touchless checkout. A thorough, well-thought-out game plan is essential. The sooner we reopen non-essential businesses, the sooner we remove furloughed employees from the unemployment line.

Source: sourcingjournal.com - Apr 17, 2020

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Cotton’s Price Story Continues to Improve

Cotton’s price run continued all week, with the old crop July futures contract closing at 53.15 and the new crop December futures contract at 55.60.

Fundamental news was scarce on the week, but it was constructive in that the market held the gains that resulted after the so-called very bearish USDA April supply demand report.

This response continues to add fuel to the contention that the April report only confirmed what the market had already declared. The uncertainty surrounding 2020 plantings – specifically in the U.S. and coupled with the greater uncertainty about world cotton consumption – has yet to give good price direction, much less any detail about price highs and lows.

However, short term technical indicators did prove to be positive, as the 10-day moving average passed over the 20-day price curve.

Additionally, since the recent double bottom in Chinese cotton futures, New York futures have performed much better. The new crop December contact has all but reached 56 cents and is offering growers about a 64-65 price for lint produced in 2020.

Thus, despite the dreadfully low ICE futures prices, net prices to growers for the 2020 crop from all sources are now within the grasp of 70 cents.

Included in this calculation are the lint price with CCC loan differentials, the LDP and the seed cotton payment. Any gin or warehouse rebate would be a plus.

Old crop recap sales were active, with a major Memphis merchant capturing most of the business. Thus, the market is set to see the same merchant as a very strong taker of the certificated stocks delivered on the May futures contract (May futures first notice day is April 24, thus leaving four more trading days before the delivery period begins). Activity suggests the merchant in question has a good volume of solid guaranteed contracts for export delivery well into the future.

While U.S. export expectations were lowered 1.5 million bales in the USDA WASDE release, shipments continue very strong. Granted, new sales have become weak, and sales cancellations dwarfed new sales this past week.

Net sales of U.S. cotton for the week ending April 9 were a negative of 183,900 bales of upland and with no Pima sales. However, marketing year exports to date are 9.4 million bales – more than 21% percent higher than the same time a year ago.

Additionally, shipments continue at the best pace since the 2010-11 marketing year. In the last three weeks, China has cancelled cotton sales of just over 284,000 bales. U.S. export sales to date for the 2019-20 marketing season now total 15.1 million bales.

Some contract months have experienced higher highs and higher lows – the necessary ingredients for an upward trending market.

December continues to see higher lows but has not been able to establish higher lows on a daily basis. Thus, the market is still looking for more ammunition to move higher. Likely, the ammunition will not come until we get another month into the planting season.

Source: cottongrower.com - Apr 17, 2020

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UK online clothing sales down 23.1% YoY during March

UK online clothing sales were down 23.1 per cent year on year (YoY) during March as the COVID-19 lockdown was implemented, according to the IMRG Capgemini Online Retail Index.

Menswear was down by 42.9 per cent and footwear by 32.8 per cent. Multi-channel retailers, meanwhile, outperformed their online-only counterparts for the first time since April 2019.

Multi-channel retailers shifted more of their operations into the digital sphere.

As many Brits stockpiled, March started off with poor online sales for the first fortnight, but seemed to recover in weeks three and four following the government's announcement of official home isolation rules on March 17, according to British media reports.

"There is a bit of a myth going round at the moment that online sales are booming. It's more accurate to say some online retailers are experiencing huge demand, outstripping even that seen over Black Friday, because so many people are in the exact same situation – ie stuck at home. That has created very lopsided demand among product categories," said Andy Mulcahy, strategy and insight director, IMRG.

"People simply don't have much need for new clothes or shoes at the moment, which is why at the overall level sales growth is down. How and when a stronger balance in demand might be established is a pressing question for retailers currently on the wrong side of that divide," he was quoted as saying.

Source: fibre2fashion.com- Apr 17, 2020

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Europe's action plan: Striking a deal

The European Commission launched its Circular Economy Action Plan in March. It will be the new growth strategy and sooner than later it could be the global model to emulate.

Watch the daily world news and you'll see that Europe has evolved into a 'soft power' region. Don't expect impactful military actions or bold global economic and trade initiatives from Europe. You could rather bet on Asia and America for technological breakthroughs and new disruptive business models.

Still, Europe can devise and execute the best possible scenarios for a healthy future for 'people' and 'planet'. The EU and Euratex want to fit the European textiles and apparel sector in such scenario.

But then, can Europe succeed in rapidly transforming the existing highly unsustainable fibre, textiles and apparel value chain into a true green sector? Surely, if it would only depend on the support of the leading duo of European Commission President Ursula von der Leyen (Germany) and Vice-President Frans Timmermans (the Netherlands). For many progressive Europeans, von der Leyen, the first female president of the European Commission, is their "hope and pride" like evoked in the sweet Irish ballad 'I dreamt I dwelt in Marble Halls'.

Launching the European Green Deal on December 11, 2019, von der Leyen said: "I am convinced that the old growth-model that is based on fossil-fuels and pollution is out of date, and that it is out of touch with our planet. The European Green Deal is our new growth strategy. We want to really make things different. We want to be the frontrunners in climate friendly industries, in clean technologies, in green financing."

Frans Timmermans, whose principal responsibility is leading the Commission's work on the European Green Deal, has a strong reputation as a tireless fighter.

On March 11, 2020, the European Commission adopted a new Circular Economy Action Plan, one of the main blocks of the European Green Deal. The new plan announced initiatives along the entire lifecycle of products. It puts a focus on sectors that use the most resources and where the potential for circularity is high, such as textiles.

Fantastic opportunity

But how ambitious is the European textiles and apparel sector itself?

Mauro Scalia, director (Sustainable Businesses) of the umbrella association Euratex in Brussels, is aware that the needed transition of the sector to a circular economy can be seen in two ways: as a huge problem or as afantastic opportunity. After intense consultation with more than hundred enterprises and other stakeholders, Euratex produced a high-density document of 40 pages titled 'Circular Textiles—Prospering in the circular economy'. Scalia also refers to fourty influential CEOs across the value chain who have subscribed to a 'Voluntary Commitment', stressing the current green acting of their own companies and the exploring of solutions.

Lutz Walter, director (Innovation and Skills) at Euratex, has no doubts that Europe will lead the worldwide green revolution in textiles. He doesn't look very impressed by the great number of Chinese textile universities, the abundance of textile engineers and the hypermodern labs and equipment at their disposal.

He's aware of the enormous quantity of Chinese textile patents and the unbelievable "speed of development" Chinese manufacturers demonstrate when they race from concept to a new product. "Look. What is the end result?," Walter asks. "In spite of all their efforts, Chinese textile groups didn't succeed in getting reasonable profit margins in Western markets. Look at the very big price gap per kilogram between for instance Italian and Chinese clothing fabrics. No wonder that Chinese manufacturers are now more happy in their local markets and in other Asian growth markers than in the Western markets."

Advice from a Beautiful Mind

Applying a sector or company strategy is not a virtual game. The strategy has to prove its value in real world circumstances. And yet, it can be useful to examine a certain strategy from the point of view of game theorists. They can tell decision makers what to do in different game contexts.

Europe is not alone to bet on a competitive green textiles strategy. The European Union has to take into account the strategies of big players like China, India, US and other countries. On the level of textiles and apparel companies, people have to decide if they want to be green pioneers or, rather, followers. Such decisions can't be taken in a vacuum. They should be based on careful consideration of the company's own strengths and weaknesses and those of relevant competitors.

Fortunately, from a strategic point of view, the current situation in the global textiles and apparel industry, on its path to sustainability, looks less complicated than the situation in, for example, the energy industry or even the automobile industry. It actually looks as if in the textiles and apparel sector a so-called Nash Equilibrium has been attained.

Most of us know the Nash Equilibrium thanks to the biographical drama film A Beautiful Mind (2001) about the brilliant American mathematician and Nobel Prize winner John Nash. In terms of game theory, if each player has chosen a strategy, and no player can benefit by changing strategies while the other players keep theirs unchanged, then the current set of strategy choices and their corresponding payoffs constitutes a Nash Equilibrium.

Of course, it can't be excluded that some "wild card" players will try to change the game, like the American president Donald Trump (who in June 2017 announced that the US would cease all participation in the 2015 Paris Agreement on climate change mitigation, declaring this Accord would undermine the US economy).

Even green thinking textile leaders like the Belgian economist Fa Quix, general director of the association Fedustria, seem unhappy when they comment on the speed of transformation proposed by the Green Deal of the European Commission under von der Leyen. Quix explains: "What about the US, China and India? In terms of CO_2 emissions, Europe is responsible for less than 9 per cent of global emissions. If we further reduce our CO_2 emissions and the rest of the world does nothing, we don't make a difference."

But ultimately, the best choice for most, if not all, textiles and apparel manufacturers is to stick to the Nash Equilibrium. So, they better don't change their green strategy but diligently pursue their climb on the sustainability ladder.

Environmental Cost can Be Measured

Until recently, it was totally impossible for professional purchasers of textile products, let alone for consumers, to know how "green" a textile product was. However, this uneasy situation has dramatically changed. Peter

Haenebalcke, a Belgian manufacturer of uniform shirts and blouses (company Elanco), who's since 2011 has been the president of the association Creamoda, recalls with great pleasure the enthusiasm with which the innovative B-Awear project of Creamoda was met at the November 2019 G-STIC Conference in Brussels. G-STIC is the acronym of Global Sustainable Technology & Innovation Community.

Haenebalcke says: "We actually didn't expect much from the presentation of the B-Awear project at G-STIC. We were very wrong. Germans, Canadians, Italians, ... textile and clothing professionals from nearly the whole world inundated the booth of B-Awear. To their big surprise, they detected something they had not yet found in their own country: a reliable method to measure the total environmental cost of a textile product and the possibility to communicate about it in a simple way."

To their great frustration, until now, experienced buyers of textile products who were comparing two similar products, let's say two shirts, couldn't know which one of the two was the more sustainable. Maybe one of the products was made of bio-cotton and spun and woven in a French factory using mission-free nuclear power.

Maybe the other one was produced in a Polish factory using dirty coal energy. Nobody could know. But today, the participants of the innovating B-Awear project make use of an environmental cost indicator (ECI) which summarises all environmental costs in one single score, expressed in euros. To get that far, Creamoda has been collaborating with two specialised Dutch companies. Thanks to B-Awear, Haenebalcke now knows precisely what is the total environmental cost of a bio-cotton uniform shirt made by his company Elanco: it's €0.403, which is a lot less than that of a regular shirt, at €0.665.

The president of Creamoda doesn't agree with the American philosopher Ayn Rand on the role of governments. In her novel Atlas Shrugged (1957), according to some social scientists the most influential book in America after the Bible, Rand depicted a dystopian United States in which private businesses suffered under increasingly burdensome laws and regulations.

Her advice was that governments should only play a minimal role in society. However, Haenebalcke is convinced that authorities at national and European level should actively support the companies' march towards sustainability. Otherwise, efforts like those made by the participants of B-Awear can't result in profits.

Haenebalcke proposes that government tenders inviting bids for textile products should accept the ECI of these products as the most important criterion to define the winning bid. Alternatively, governments could put forward a maximum ECI under which a given textiles product even can't compete in the tender.

Source: fibre2fashion.com- Apr 17, 2020

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Canada RMG imports declines 13 per cent

Canada has registered a massive fall of 13.54 per cent in its apparel import values during January-February '20. The country imported apparels worth $1.40 billion during this period as against $1.62 billion in the corresponding period of the prior year.

India, China, Bangladesh and Vietnam dwindled significantly and that's one of the rarest occasions when all top four apparel exporting destinations fell in value-wise RMG exports to Canada. Shipment from China to Canada was worth $440 million, marking 26.79 per cent downfall on Y-o-Y basis.

Bangladesh shipments fell 13.10 per cent to. On the other hand, Vietnam's shipment value of $148.43 million. India's shipment to Canada valued at $48.38 million, reduced by 17.45 per cent on a yearly basis.

Exports to Canada did not pick even in March as India and Bangladesh were facing industry closures to stop COVID-19 spread.

While China recovered in early March, there are no buyers from any part of the world coming forward to place orders for now.

Source: fashionatingworld.com - Apr 17, 2020

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Italy fashion giants urge for gradual reopening of manufacturing activities

Responsible for 5 per cent of the country's gross domestic product and employing more than 500,000 individuals, Italian luxury goods might face irreparable damage due to the prolonged lockdown.

Carlo Capasa, Chairman of Italy's National Fashion Chamber, stated in an online interview that Italy has been among the hardest countries hit by COVID-19, with death toll surpassing 20,000.

He suggested, April 20 as a date to gradually reopen manufacturing activities in order to deliver fall/winter collections on time to shops around the world, and start production of spring/summer collections.

His sentiment was echoed by Claudio Marenzi, head of the fashion division at Rome-headquartered lobbying firm Confindustria, who feels while fashion factories have closed throughout Italy as a result of their status as non-essential businesses, "countries like France, Spain, Portugal, and Turkey" are gradually reopening manufacturing facilities.

Meanwhile, fashion giants like Gucci's parent company Kering have put forth slashed outlooks for the year.

Paris-based conglomerate Kering, whose brand Gucci sales consist of the bulk of annual revenues said last month it expects consolidated revenue for the first quarter of 2020, ending March 31, will be down by between 13 to 14 per cent in reported terms compared to the first quarter of 2019.

The group expects sharp impacts for the second quarter, as well, as consumer opt out of luxury spending amidst the global health crisis.

Source: fashionatingworld.com - Apr 17, 2020

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Bangladesh: RMG factories not opening on April 26

The garment factories are not reopening on April 26, which was fixed by Bangladesh Garment Manufacturers and Exporters Association (BGMEA) earlier.

On Wednesday, in a letter to the Bangladesh Road Transport Corporation chairman, the garment sector's apex trade body sought an adequate number of buses for transportation of RMG workers as the factories were to reopen on April 26.

It added that most of the workers were now in their village homes.

They will start coming to their workplaces in the industry dense areas like Gazipur, Savar, Ashulia and some parts of the capital mostly from districts such as Mymensingh, Sirajganj, Pabna, Manikganj, Rangpur, and Bogura from April 20. So, the workers will need buses, the letter read.

However, BGMEA President Rubana Huq yesterday said the RMG factories would not be reopened as per the previous plan.

"It is being observed that there are some misleading information circulating in social media regarding opening of the BGMEA factories," she told The Daily Star in a WhatsApp message.

"The position of BGMEA is very clear on this. We need to be safe first before we operate. If the situation improves, Inshallah, we will when the time is right. But for now, the first and only priority is the health and safety of our workers.

"The BGMEA was planning to open factories subject to Covid-19 situation and after yesterday's official declaration, the BGMEA will wait and observe the situation and plan accordingly," Rubana said.

Earlier, BGMEA and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) in a joint statement urged the member factories to shut down the factories to prevent the spread of coronavirus.

However, the BGMEA and the BKMEA in the statement said if any factory wanted to stay open for paying salaries to its workers for the month of

March, they must seek permission from the associations and industrial police.

On the other hand, the government's Department of Inspection for Factories and Establishments (DIFE) in a statement on Tuesday said the factories can be kept open if they have work orders from the international retailers and brands, and the factories which are engaged in production of Personal Protective Equipment, masks and goods related to coronavirus prevention.

The DIFE also said the government would take legal actions like filing cases and suspend the renewal of factory licences if any factory owners failed to pay the workers by April 16. It will send a list of factories which failed to pay the workers within the deadline to the labour and employment ministry on April 20.

Meanwhile, garment workers in Gazipur's Sreepur yesterday took to the streets, demanding their last month's salaries. The workers of MHC Apparels Ltd blocked the Dhaka-Sreepur highway in the morning. Around its 3,000 workers withdrew the blockade following assurances of payment around noon.

KDM Global Apparels Ltd workers also demonstrated for the same demand, reports our Gazipur correspondent.

Source: thedailystar.net- Apr 18, 2020

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Pakistan: Textile exports contract 4.5pc in March

Pakistan’s textile and clothing exports declined 4.5 per cent year-on-year in March owing to order cancellations and delays amid coronavirus-led global lockdowns, showed Pakistan Bureau of Statis-tics data issued on Friday.

The Karachi Port, which handles around 76pc of the country’s total trade cargo, has seen a significant decline in trade shipments after March 15 — the date since coronavirus cases spiked in major export destinations especially in Europe and North America.

The primary reason for order cancellations is the demand contraction in major export destinations leading to lesser number of orders and unavailability of cargo ships.

Trade through the eastern border is almost zero as Pakistan had already suspended economic relations with India.

On the other side, the western borders including Chaman and Torkham with Afghanistan, central Asian states and Taftan border stations with Iran have all seen no movement of goods since the last three to four weeks.

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

Details showed exports of ready-made garments dipped by 2.43pc in value and drifted much lower in quantity by 34.83pc during March while those of knitwear dipped 2.63pc in value but posted 7.14pc growth in quantity, bed wear posted negative growth of 13.58pc in value and 10.78pc in quantity.

Towel exports fell 5.72pc in value and 26.23pc in quantity, whereas those of cotton cloth dipped by 8.84pc in value and 41.25pc in quantity.

Exporters are reportedly resuming production and are seeking permission from provincial and federal governments to allow workers to reach factories. With these developments, exports are likely to revive partially in April.

Among primary commodities, cotton yarn exports dipped by 10.36pc while yarn other than cotton by 20.95pc, made-up articles — excluding towels — by 6.77pc, and raw cotton 52.4pc. Exports of tents, canvas and tarpaulin increased by phenomenal 104pc during the month under review.

Between July-March FY20, textile and clothing exports grew 4.2pc to $10.4 billion, from $9.98bn over the corresponding period last year. In rupee terms, the proceeds of the sector jumped 23.03pc.

Source: dawn.com- Apr 18, 2020

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Pakistan: IMF funding: Walking the tightrope

With approval of $1.4 billion IMF funding and cut in interest rates, the government now has an opportunity to concentrate on the pandemic. Short time debt relief is an icing on the cake, but not enough. We still walk on a tightrope. Before these reliefs were announced, the government of Pakistan was under great stress. It had rightly directed most of the resources to fight the new coronavirus.

Its foreign exchange reserves were depleting because of complete lull in global trade. The demand for its textiles was waning because new clothing was the last thing on people's minds all over the world during a fight for their lives. The unemployment rate was climbing up and by some estimates poverty has already doubled in a span of 4 weeks only.

Pakistan is the only country to get such a massive funding from IMF, the next highest that went to Ghana is half the amount sanctioned for us. We badly needed it and more than that the IMF has released us from the shackles of its programme till the pandemic issue is settled.

It has raised no objections even to the steep decline in interest rates. If we consider the total relief that has come Pakistan's way because of these actions, it is in the range of Rs850 billion. The debt servicing other than that of Bretton Woods Institutions (who have not yet approved any relief) will be to the tune of at least $3 billion or Rs500 billion, $1.4 billion IMF funding is equivalent to Rs233 billion and the debt servicing of domestic loans would cost Rs1,000 less.

So the government can divert these resources to tackle the health and poverty related issues of the pandemic. The real issue would be the prudent use of these resources. The rulers should learn from their earlier misuse of relief efforts. They will have to enlist support across the political divide that had been missing in their earlier efforts.

We must operate cautiously as when the pandemic is over, the IMF would again start dictating its terms. We must play our cards carefully. If the tax amnesty on construction brings Rs250-Rs500 billion for whitening by December 2020, the government should further extend the amnesty. But if the response remains lukewarm like previous amnesty schemes it should then withdraw all other concessions after December.

The construction activities have to go in full gear at least to the peak they attained during Nawaz era to create job opportunities. After all we are putting lives of labourers at risk to the threats of coronavirus, and if it benefits nominally, then there is no point in facilitating it. The credit for suspension of debt should go to Imran Khan, who was the first global leader to ask for it. But the relief provided is for a very short duration.

Pakistan would not be able to service its foreign debt for at least two more years. Moreover, this is a temporary relief. Poor countries were expecting to get their loans written off some by the rich countries, which did not happen. We must plan in a way to tackle the debt issue one year later if the debt suspension period is not extended.

At the same time government should not get hoodwinked by the businessmen and dole out some of these additional resources to provide them relief. Reduction of 4.25 percent in policy rate is a reasonable relief that they have been provided in one month.

This will also substantially reduce their debt servicing burden (more than 36 percent debt servicing relief). The businessmen have been demanding the central bank for reducing the interest rate for a long time.

The export sector would not be operating at even half capacity till the world is in lockdown. Even after lockdown is lifted, we must remain prepared for lower orders in textiles because the economies of even the most developed countries will reach rock bottom by the time the pandemic is controlled.

The government will surely lose some foreign exchange earnings because of lower exports but at the same time it would save foreign exchange because of lower commodity rates.

From the reduction in import bill of crude oil alone the government would be saving more foreign exchange than it would lose on lower exports.

For the time being it will have no worries about depletion of foreign exchange reserves. The resources that have been generated through various reliefs would not even cover the revenue shortfall that we are expecting this fiscal.

It is therefore essential that no tax concessions should be considered for the businessmen at this stage.

Source: thenews.com.pk- Apr 18, 2020

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Bangladesh: Garment export plummets by 83.74 per cent, says BGMEA

Data from BGMEA indicates, garment export fell drastically, by 83.74 per cent to $194 million in the first 15 days of April compared to the same period last year.

In the first 15 days in 2019, the earning from garment shipment was $1.19 billion. The pandemic affected shipment of garments significantly as a majority of Western retailers and brands shut down their stores in Europe and the US.

Apart from the steep fall in shipment, international retailers and brands have already cancelled work orders from different local factories worth more than $3.11 billion as of this week due to the COVID-19 pandemic.

The receipts from garment shipment also declined significantly in March this year. Garment export declined by 26.70 per cent to $1.97 billion in March this year compared to the corresponding month in 2019, when export netted $2.69 billion.

Source: fashionatingworld.com- Apr 17, 2020

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NATIONAL NEWS

Exporters say RBI steps to help small units, but bigger revival package needed

'Unprecedented' challenge in the global market as China recovers, world trade plummets

Exporters said the RBI's decision to relax bad loan classification and provide refinance facility would help the sector to some extent, especially the smaller units, but a comprehensive economic package with enhanced sops was required to help them survive the "unprecedented" challenge posed by the worldwide Covid-19 lockdown.

"Under these circumstances (of global lockdown), the merchandise exporters face the gravest of threats and would need a special package from the RBI and the government. Exports, at this point of time, are strategic to our economic security," said Ravi Sehgal from the Engineering Exports Promotion Council of India.

Sehgal pointed out that as China was recovering from the impact of the pandemic, it would flood the desperate global markets with essential supplies. "India needs to have a specific strategy which should ride on empowering exporters to deal with this unprecedented challenge," he said.

According to World Trade Organisation estimates, world trade is likely to decline by 13-32 per cent in 2020 due to the Covid-19 crisis.

India's exports plummeted 34.57 per cent to $21.41 billion in March 2020 compared to the same month last year as the spread of Covid-19 across countries disrupted production and supply chains. It is expected to fall further in April with a large number of buyers cancelling orders when production stopped in the country due to the lockdown implemented on March 25.

Exporters' body FIEO stressed that exporters' interest should be given priority in the economic package being formulated by the government as they were the worst sufferers facing challenges both at the domestic turf and in the global market.

Extension of pre- and post-shipment credit tenure, interest equalisation scheme, interest-free loan to cover forward losses, automatic enhancement of limit by 25 per cent without further condition/collaterals, enhancement in MEIS rate by 2 per cent for all sectors and 4 per cent for employment intensive sectors and amnesty for the default under Advance/EPCG authorization/EOU are some of the benefits that should be offered, pointed out FIEO chief SK Saraf.

He said that refinancing of ₹15,000 crore to SIDBI and 90 days NPA norms to exclude moratorium or deferment period will give relief, particularly to MSME units, which were struggling to stay alive with no business but are saddled with fixed costs.

Source: thehindubusinessline.com- Apr 17, 2020

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Working with FinMin on renewal, hike in rates of interest equalisation scheme: DGFT

The commerce ministry is working with its finance counterpart on industry's demand for renewal and increase in the rates of interest equalisation scheme, and a solution in this regard is expected soon, a senior official said on Friday.

Under the scheme, exporters get 3-5 per cent subsidy on loans for specified items. It was announced in April 2015 for five years. The scheme has already expired this month and exporters are demanding extension of the plan.

Director General of Foreign Trade Amit Yadav said the government is currently working on the rates for the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme and urged the industries to come forward with their inputs so as to finalise the same in the next few months. He said this while speaking at a digital conference on exports organized by industry body Confederation of Indian Industry (CII).

"With respect to the renewal and increase in the rates of the interest equalisation scheme, he mentioned that the DGFT is working with the Ministry of Finance on this and will come up with a solution to this very soon," CII said in a statement quoting Yadav.

The DGFT said that the world and India is currently facing a challenging situation due to the Covid-19 pandemic. The industry has recommended several measures to boost exports for the consideration of the government The suggestions include extension of interest subsidy scheme to all exporters; additional export rebate of around 5 per cent; exemption of National Calamity Contingent Duty (NCCD) on import of inputs made under advance authorization; and more time to fulfil export obligations under Export Promotion Capital Goods (EPCG) license, it said.

CII also demanded expeditious formulation of RoDTEP scheme with priority for aluminum industry; waiver of application fees for EPCG authorisations; and import duty deferment by minimum 45 days. In the conference, industry representatives raised issues pertaining to exports.

Source: financialexpress.com- Apr 17, 2020

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CBIC processes GST refund of ₹5,575 crore in 15 days

The Central Board of Excise and Custom (CBIC) on Friday reported settling GST (Goods and Services Tax) refund claims worth ₹5,575 crore.

Since March 30, the board processed nearly 13,000 refund applications. “While in the last week itself, CBIC has processed 7,873 claims worth ₹3,854 crore,” it said. The effort is to help GST returns filers to facilitate early ITC (Input Tax Credit) refunds and to ensure that the wrong ITC claims are not processed in the absence of relevant information.

The board said that this measure was taken into effect with GST Council’s approval in its 39th Meeting held on March 14 to mitigate delays in ITC refunds faced by the taxpayers besides ensuring that fake ITC claims are not processed. It was noticed that lot of time is spent in verification of whether the credit was availed on services and/or Capital Goods in certain categories for the refund claims.

CBIC said that in order to address the difficulty faced by trade in providing this data at the time of processing of claim leading to delays and increase in compliance cost, it was decided in the GST Council to make declaration of classification codes a part of the application itself.

The GST Council in the same meeting also decided to allow bunching of tax periods across financial years to facilitate claim of refund by exporters. This would apply to applications filed after March 31. It may also be noted that the due date of all such applications which were due during March 20 and June 29 has been extended till June 30.

CBIC explained that the Circular No. 133 (dated March 31) is with regard to the requirement to give HSN (Harmonized System of Nomenclature)/SAC (Services Accounting Code) along with the refund application.

The GST law doesn't allow refund of credit availed on services and/or capital goods in certain categories. For example, capital goods ITC refund is not permissible for refund of ITC on account of exports and other zero-rated supplies. Further, ITC availed on services and capital goods are not allowed to be refunded in Inverted Structure Refund category.

I-T refunds

Meanwhile, the Central Board of Direct Taxes said that income tax refunds to nearly 8.2 lakh small businesses (proprietors, firms, corporate and trusts) worth ₹5,204 crore have been issued since April 8. These refunds would help MSMEs brace the impact of Covid-19 on their businesses.

Source: thehindubusinessline.com- Apr 17, 2020

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Forex reserves up nearly $2 billion to $476.5 billion: RBI Governor Shaktikanta Das

Reserve Bank Governor Shaktikanta Das on Friday said the country's foreign exchange reserves have risen by nearly USD 2 billion to USD 476.5 billion as of April 10. He said the forex cover will be enough for 11.8 months or nearly a year of the country's imports.

The reserves, which are being pointed out as one of the biggest assets in the fight against challenges posed by the COVID-19 pandemic, had stood at USD 474.66 billion for the week ended April 3, as per the last published data from RBI.

Governor Das said in February, net foreign direct investment was USD 2.9 billion as compared to USD 1.9 billion in the year ago period. Similarly, the net foreign portfolio investment in equities was also higher at USD 0.4 billion in the April 1-9 period as against an inflow of USD 0.2 billion in the year-ago period.

Portfolio debt investment recorded an outflow of USD 0.7 billion as against net outflow of USD 0.9 billion a year ago, he said. However, the 34.6 per cent contraction in exports in March has turned out to be "much more severe than during the global financial crisis", he said, adding that barring iron ore, all exporting sectors showed a decline in outbound shipments.

Merchandise imports also fell by 28.7 per cent in March across the board, barring transport equipment, he said. This resulted in the trade deficit declining to USD 9.8 billion in March 2020 from USD 11 billion a year ago, he said.

Source: financialexpress.com- Apr 17, 2020

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Textiles companies' topline likely to decline by 20-25% in FY21: India Ratings and Research

India Ratings and Research on Friday said textile companies are likely to see a 20-25 per cent decline in their topline this fiscal owing to muted domestic demand and sub-par exports in the April-June quarter due to COVID-19 related disruptions.

Ind-Ra in a report said coronavirus related disruptions weighed on the textitle sector which has been facing multiple headwinds in form of flattening demand from key exporting countries and increasing competition from neighbouring countries like Bangladesh, Pakistan and Vietnam.

Textile companies across the value chain could witness a topline contraction of 20-25 per cent on a year-on-year basis in FY21, on back of a muted domestic demand and sub-par exports during 1QFY21 due to COVID-19 related disruptions, Ind-Ra said in a report.

The COVID-19 related demand disruptions could substantially impact companies with weaker balance sheets and limited scale, should the recovery stretch beyond one quarter, the report said adding that in such a situation there might be consolidation within sub-segments such as yarn producers, spinning and dyeing.

The report said China's position as the largest exporter to the US may be challenged in the long-run, but will remain intact in the short run, given its strengths of scale, product integrity, price points and turnaround time.

India exported USD 28.36 billion worth of textiles from April 2019 till January 2020. Majority of domestic companies are facing massive order cancellations from the US and Europe, along with factory shutdowns and raw material shortage.

Furthermore, full-fledged resumptions of exports would mainly depend on the containment of pandemic in key export geographies, the report said.

The US and Europe while being the worst hit geographies are also India's major export markets for textile products, hence export recovery could take longer, especially given the discretionary nature of these products.

Meanwhile, Ind-Ra said the liquidity score for FY21 for most issuers remains resilient to demand shocks, backed by the availability of cash reserves and unutilised bank limits.

A weak rupee is a silver lining in the current situation, it added.

Further, Ind-Ra expects the aggregate working capital requirement to remain limited, as a decline in commodity prices is likely to counter the incremental requirements of an elongated receivable cycle and higher inventory volumes.

However, the material relief especially to the MSME units in the sectors would depend on the domestic as well as export recovery, complemented with a focused government aid, Ind-Ra added.

Source: economictimes.com- Apr 17, 2020

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Government to extend interest subvention scheme for MSMEs, says Nitin Gadkari

The government has decided to extend the interest subvention scheme for micro, small and medium enterprises, union minister Nitin Gadkari said on Friday. The "Interest Subvention Scheme for Incremental credit to MSMEs 2018", which offers 2 per cent interest subvention for all GST registered MSMEs on fresh or incremental loans, was in effect till March 31, 2020.

"We have decided to extend the interest subvention scheme for MSMEs," Gadkari said in response to a question, without divulging further details. He also said the government was changing the definition of MSMEs and an order to this effect should be out shortly.

The Union Cabinet had in 2018 approved changes in the basis of classifying micro, small and medium enterprises from 'investment in plant & machinery/equipment' to 'annual turnover'. Under the new definition, a micro enterprise was defined as a unit where the annual turnover does not exceed Rs 5 crore; a small enterprise would have turnover of more than Rs 5 crore but not exceeding Rs 75 crore; and a medium enterprise was defined as a unit where the annual turnover is more than Rs 75 crore but not exceeding Rs 250 crore.

Interacting with members of the Young Presidents' Organization via video conferencing, the minister for MSMEs and road transport said top economies like Japan and the US are moving their investments away from China, which is a "blessing in disguise" for India.

He called upon the industry to boost exports by lowering the cost of capital, power and logistics, and undertake bulk production without compromising on the quality. Gadkari also exhorted manufacturers to adopt import substitution on a large scale while focusing on cost effectiveness, environment and indigenous alternatives. The interest subvention scheme aims at encouraging both manufacturing and service enterprises to increase productivity and provides incentives to MSMEs for onboarding on GST platform which helps in formalization of economy, while reducing the cost of credit.

Source: financialexpress.com- Apr 17, 2020

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Adani Ports suspends direct port delivery of containers

Adani Ports and Special Economic Zone Ltd (APSEZ), India's biggest private port operator, has suspended direct port delivery (DPD) of containers and will shut the export gate at its container terminal in Hazira port from Friday evening as the storage yard was clogged due to non-clearance of boxes in the wake of the lockdown restrictions.

Adani Hazira Port Pvt Ltd, the entity that runs the port at Hazira, informed customers on Thursday that "yard inventories have significantly increased at Hazira Terminal due to non-movement of cargo from the terminal".

"Despite current facilitations by the government and local authorities, we do not see any significant clearance or movement of the cargo. We are suspending our service of export gate at both terminal and export-import (EXIM) yard with effect from 17.04.2020, 1800 Hrs. This will be in effect till such time the yards are decongested," Adani Hazira Port said in a trade notice.

The port operator also told customers that "DPD inventories have significantly increased at Hazira terminal due to non-evacuation by importers despite government guidance stipulating inter-state and intra-state movements are allowed irrespective of the nature of goods. As a result, Hazira terminal is facing severe congestion inside the yard".

As port operations come under "essential services" and since cargo movements to and from port are also authorised during the lockdown period, there is no reason for DPD cargo not being evacuated from the port, it said.

"With immediate effect, we are suspending our service of DPD and request you to nominate containers to respective container freight stations (CFSs)/ inland container depots (ICDs) for all upcoming vessels to Hazira," Adani Hazira Port told its customers, while urging them to "clear and move their import containers on top priority basis".

This will be in effect till such time DPD inventories are evacuated by importers and yards are de-congested, it added.

DPD implies that import containers are delivered directly to pre-approved clients at the port itself instead of waiting in a CFS located outside for clearance, which reduces cargo dwell times and cost for shippers.

En-block movement of boxes

Since Hazira is not linked by rail, it cannot enlist the support of Customs to remove the boxes that have been lying at the yard for too long through en-bloc movement by CONCOR to CFS/ICDs, a trade source said. This happened in Jawaharlal Nehru Port Trust and Chennai Port Trust where CONCOR railed out DPD boxes en-bloc with the support of Customs, he added.

“If the importers don't come forward to clear the containers, like Hazira, all other Indian ports will be full and the trade cycle may come to a full stop. But, for existence of CFSs, container terminals would have got choked long back,” said the CEO of a CFS near JNPT.

“Containers are piling up at various ports and not enough deliveries are happening. CFSs are operating to the brim and further movement is hampered. There are containers lying in ports accruing ground rent, which ultimately will be passed on to the CFS by shipping lines.

It's a double whammy for CFS. On the one hand, we are being pressurised to waive ground rent and on the other hand, we will be debited with port ground rent. This burden has to be shared by the entire chain and cannot be loaded onto the CFS operators,” he added.

Source: thehindubusinessline.com- Apr 17, 2020

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Retailers, e-commerce platforms turn to private label brands to plug gaps in supply chains

As the country grapples with the lockdown and FMCG companies face supply disruptions, retailers and e-commerce platforms have either fast-tracked introduction of new private label branded products or ramped up distribution of existing private label portfolio.

The companies believe this will help plug in gaps that arise due to the supply chain disruptions as well as improve access to products in categories such as staples, hygiene products and packaged food.

Devendra Chawla, MD & CEO, Spencer's Retail, said, "The lockdown period will be a major milestone in the evolution of private brands, where private brand products of retailers had a chance to fight on an even footing with national brands and could capture customers' mind and wallet share on the strength of great availability and great quality."

Take for instance, Walmart India, which runs Best Price cash & carry stores. It relied on its MSME suppliers to launch its private label brand called Great Value Hand Rub Aqua swiftly to meet the growing demand for hygiene products. A spokesperson for Walmart India said: "In order to ensure that our members can seamlessly procure essential items across categories, we have ramped up new product development in our private brands segment and fast-tracked commercialisation of products such as sanitisers, liquid washes and bulk packs of staples.

We believe this exercise will fill any gaps in supplies during this crisis and will help our members provide essential items to the community."

Encouraging growth

Metro Cash & Carry India said its private label brands have witnessed "encouraging growth" in the past few weeks and enabled the company to cater to its consumer needs through its "own brands" portfolio. Arvind Mediratta, MD & CEO, Metro Cash & Carry India, said, "In the current situation, we are supporting our vendor partners (for Own Brands) in getting permissions to move goods, open up their facilities to manufacture and move goods to the stores across 11 States. In cases where vendors are unable to organise transportation, Metro supported them with moving stocks from their warehouses."

"We work with multiple vendors across locations and these vendors are based in and around Tier-1 cities or metros which has been advantageous, unlike most big FMCG companies who have manufacturing units in locations like Baddi, Goa, Guwahati which have had huge concerns due to transportation restrictions, labour issues etc," Mediratta added.

E-tailers are not far behind. Players such as Flipkart have introduced medical supplies range with the launch hand-sanitisers and masks under the Flipkart SmartBuy brand. Saurabh Kumar, Founder, Grofers, said, "We are taking every step to ensure the availability of products to our customers in this time of need. With this in mind, while we are ramping up capabilities and hiring more warehouses and delivery staff, we are also ensuring a seamless supply of essentials through our private labels."

Currently, private labels or "owned brands" constitute 40 per cent of Grofer's business and it plans to increase this to 60 per cent in the next six months.

Source: thehindubusinessline.com- Apr 17, 2020

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Bt technology has made cotton farming more sustainable

When it comes to the contribution of Bt technology towards yield increase in cotton vis-à-vis other agri-inputs, the field evidences squarely differ from the findings of Keshav R Kranthi and Glenn Davis Stone, published in Nature Plants, March 2020, and their contentions as published in the article 'Bt cotton only increased cost of cultivation: Study', in BusinessLine dated March 18, 2020.

In the latter, Kranthi articulated three 'misconceptions': i) Bt cotton alone increased yields, ii) Cotton hybrids are superior to the other varieties in providing yields, and iii) No increase in yield is possible without new Bt/GM technology.

The latter two points do not find mention in the controversial work of Kranthi and Stone. Even the first 'misconception' is prised from between the lines, if not rejected outright. Kranthi contended that cotton yield had started rising even before Bt cotton was introduced, due to other agri-inputs such as novel insecticides that could control the American bollworm.

Comparing yield growth

In fact, the yield growth rate was just half in the pre-BT cotton period (from 1993-94 to 2001-02), compared to the Bt cotton period of 2002-03 to 2010-11, per studies of A Narala and AR Reddy of the Central Institute of Cotton Research (CICR), Nagpur, in 2011, published when Kranthi was the Director of CICR. It is not expected that any one technology will contribute wholesomely to yield increase, and this is true of Bt technology.

India does not grow Bt cotton varieties, and hence, there is no area-wide data available to estimate the importance of Bt cotton without the hybrid vigour component. But its neighbour Pakistan grows only Bt cotton varieties, over about 30 lakh hectares, and has similar agro-climatic conditions as found in India.

S Mansoor and his colleagues, in a recent review, spoke of 2020's reported net yield gain of Bt cotton of 33-37.5 per cent over non-Bt cotton and a significant reduction in pesticide applications in Bt cotton. Furthermore, the net profit in Bt cotton was higher than that in non-Bt cotton, despite higher expenditure on the former.

Cotton hybrids are superior to cotton varieties and have captured the imagination of farmers since 1970, when the first cotton hybrid (H-4) was commercialised in India. H Dong and his colleagues at the Shandong Academy of Agricultural Sciences, in 2004, showed a significant increase in yield in both non-Bt cotton hybrids and Bt cotton hybrids over their respective counterparts. Further, our perusal of All India Coordinated Cotton Improvement Project data for 2001 to 2011 showed higher yield potential of Bt cotton hybrids over the non-Bt control in all the three cotton growing regions.

Other parameters

India's obsession with Bt cotton hybrids is blamed for its lower yields as compared to other nations, notably the US, Australia, Brazil and China. These expectations cannot be considered fair, as soil fertility and productivity differ, and so do weather, agri-technologies and production practices.

Even these countries have reported declines in yields, and up to a three-fold variation amongst them due to inclement weather, while some of our States showed as much productivity as these countries at times.

The third misconception is that “the growth in yields has been affected because the introduction of even more advanced GM traits was stopped in the country from 2005”. This is contentious point, as farmers have time and again shown their willingness to proactively take up new technologies.

Belief in technology

The recent spurt in growing illegal Bt herbicide tolerant (HT) cotton in India, reported for the first time by SABC in September 2017, shows that farmers believe in technologies that help them reduce costs and increase productivity. And nearly 20 per cent of the cotton area — mostly of Bt cotton — was sown with illegal Bt HT cotton in Maharashtra and Telangana despite the heightened crackdown on suppliers.

The commercialisation of Bollgard-III (in Australia) with three insect protective traits and Bollgard-II (in the US and Brazil) with two insect protective traits along with HT, shows farmers’ eagerness to use technology to sustain yields.

It is contended that Bt cotton’s primary impact on agriculture will be its role in making farming more capital intensive — rather than any enduring agronomic benefits. This conclusion does not compare with the capital intensiveness of non-Bt cotton that prevailed during the 1970-90s due to the bollworm attack which had led many farmers to commit suicide.

The era of Bt cotton over 2002-2018 is biphasic, the first phase of eight years up to 2010 showing significant increase in yield and the second, from 2011, showing yield stagnation, despite the sustained use of fertilisers, insecticides and other agri-inputs. The latter phase is an indication of fatigue of existing technologies.

The failure to bring in quantitatively proportionate yield increases to various farm inputs will often lead to contentious arguments of their importance. We must move on with the next phase of technology to improve cotton yields. As of now, correcting imbalances in the current agronomic practices and widespread application of micro-irrigation technologies will help to sustain and even increase yields.

Merely stating alternative sustainable strategies for cotton farmers will only confuse them. As more than 72 per cent of the cotton area belongs to Bt cotton, producing about 75 per cent of the total global output, biotechnology has a definite role to play in the future, too.

Increasing the area under Bt cotton and its adoption to the extent of 90-95 per cent, with agronomic benefits, making India the largest producer of cotton in the world, can be best considered as the Bt technology led cotton sustainability that farmers have faith in.

Source: thehindubusinessline.com- Apr 17, 2020

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Retailers seek wage support subsidy to retain workforce

The retailer associations have urged the government to announce a wage support subsidy that will help them save millions of jobs in the retail space reeling under Covid-19 stress.

While lauding all government efforts while dealing with the pandemic, the Retailers Association of India (RAI) said this extension will have a disproportionate impact on the sector that directly employs 40-50 million people and they would like to retain this talent.

The Reserve Bank has announced a slew of liquidity-boosting measures for NBFCs and other segments including further easing of bad-loan rules, freezing dividend payment by lenders and pushing banks to lend more by cutting the reverse repo rate by 25 basis points, which has helped in lifting sentiments amid the COVID-19 gloom.

"We appreciate the government's efforts to safeguard the nation as it grapples with the pandemic. Interventions in the form of relief measures by the RBI or more recently, renewed MHA guidelines in the wake of lockdown 2.0, have offered some relief to the mounting stress on the economy," RAI CEO Kumar Rajagopalan said in a statement here.

"However, we fear this extension will have a disproportionate impact on the retail sector that directly employs 40-50 million Indians and we would like to retain this talent," he said. Without an urgent economic stimulus and policy support, retail sector stands to lose about 25 per cent of these jobs, he said.

"We, therefore, request the government for a job support subsidy at 50 per cent of the minimum wages as cash support to encourage retailers to continue employment of staff during the extended lockdown and recovery period after the lockdown," he added.

Apart from this since retailers have several credit lines, RAI requested for a moratorium of 270 days for all principal and interest payments of Cash Credit Lines for more than six months - up to December 2020, with non-fund sources such as bill discounting, letters of credit included in the moratorium, Rajagopalan added.

Clothing Manufacturers Association of India (CMAI) president Rahul Mehta said almost 80 per cent of the garments industry falls under MSME business category - more on the micro-business side than any other - and would, therefore, be impacted much harder.

"We hope that the government would help with a wage subsidy to retain workers, providing working capital and an incentive package to restart the industry," he added.

Source: economictimes.com- Apr 17, 2020

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MSMEs ask for bigger support package

While welcoming the lockdown, industry stakeholders voiced apprehension over what is in store for them after May 3.

Urging the government to address the concerns of the MSMEs in a more humane manner, representatives of 19 engineering industry associations jointly appealed for a change in the Debt-Service-Coverage Ratio for the MSMEs.

The drawing power of the units should not be assessed based on lower sales, receivables or lower stock, as sales has generally been depressed across segments; and neither should funds sanction be based on internal rating, as Covid-19 has brought almost all economic activity to a standstill, the statement said.

The Joint Council of Associations has appealed for fixing of working capital at 40 per cent of the turnover to infuse liquidity in the first place, at 6 per cent and with a holiday period of one year and for extending ad hoc additional credit (for Covid-19) of 25 per cent on existing working capital limits by all public and private banks.

The Council further pointed out that deferment of loan repayment by three months would not be sufficient. It has sought a one year moratorium for all bank loans, repayable over 10 years.

It has appealed for waiver of interest on all loans and cash credit for six months starting April 20, and nil interest on working capital and cash credit during the lockdown period and till the units resume operation.

Coimbatore has the largest concentration of MSMEs, said Codissia President Ramamurthy. The government should therefore consider to give ₹10-lakh crore to the MSMEs to tide over the present crisis, he said.

“Banks will need to trust the MSMEs, relax the rules to suit the present situation. We are seeking handholding support, but bankers’do not seem to understand our plight, the crux. They only go by the rule book, which is not realistic orpractical,” said Codissia President.

He further pointed out that there were quite a number of micro units that were not online. “Policy announcements should therefore be made after understanding the crux.”

The Council has sought a stimulus package for the MSMEs for loss of business during the lockdown period.

Reverting to payment of salary for April, 2020, Council representatives categorically stated that the MSMEs would not have the capacity or viability to pay the entire month’s salary without running their business.

“There is lots of unclaimed money lying with ESI and PF. What better time than now to utilise this insurance (ESI) money for payment of April salary?” the members asked, urging the government to consider making the payment out of such idle accounts.

Source: thehindubusinessline.com- Apr 17, 2020

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Lockdown 2.0: E-tailers can sell non-essentials on state nod from April 20

E-commerce firms such as Amazon, Flipkart, and Snapdeal on Thursday clinched permission from the Central government to sell non-essential items apart from the essentials they were already selling, bringing respite to consumers, too.

The rider is that state governments will decide what items will be allowed to be sold. If the states permit, electronics such as phones, laptops, and televisions as well as garments would be allowed to be sold on the online platforms, starting April 20.

Rajasthan and Maharashtra have already allowed e-commerce firms to sell non-essentials products. Karnataka, Telangana, and Uttar Pradesh are also expected to give permissions soon.

“We might get the permissions by late Thursday, that is the indication we are getting from the governments in Karnataka, Telangana, and Uttar Pradesh,” a senior official working with an e-commerce company said. “Odisha and Goa had given permission for sale non-essentials before the fresh guidelines by the Ministry of Home Affairs, so they may need to come up with a new notification.”

E-tailers had reached out to the government on Wednesday, seeking clarity on whether they would be allowed to sell non-essential items under the fresh guidelines.

The new norms allowed them to operate without any restriction on their working hours from April 20, provided they ensured strict social distancing. While inter-state transportation of non-essentials was allowed, it was not clear whether e-commerce companies would be allowed to sell such products.

Even with permissions, however, the e-tailers face an unhill task in making non-essential items available to its customers, with absenteeism of its delivery staff, delays in getting various permissions from local authorities and with the Confederation of All India Traders (CAIT) raising its voice against the “leeway” given to the online platforms.

CAIT, in a communication sent to Commerce Minister Piyush Goyal on Thursday, objected and said such a move will create an uneven field and will give rise to unnecessary conflicts. CAIT has demanded that the government immediately advise Maharashtra and Odisha to withdraw notification allowing the online firms to sell non-essentials. It has sent similar notes to Home Minister Amit Shah and Civil Aviation Minister Hardeep Singh Puri.

Meanwhile, a person working with an online platform said “giving e-commerce companies the permission to deliver non-essential products without unlocking the labour puzzle is not actually going to help”.

Analysts said though curfew passes can be procured online from states, they have to wait for long and, sometimes, their systems break down.

The other challenge is that there is a cap on the number of passes that can be issued and they are individual-specific, which means many would get wasted if some workers decide not to come to work.

“We won’t take more than what social distancing norms allow but there should not be any restriction on number of passes,” the person said.

According to an internal communication, Flipkart will open up fully from April 20. The communication says the supply chain will start working at 50 per cent outbound capacity initially, which will be ramped up to 100 per cent in 15 days.

Source: business-standard.com- Apr 17, 2020

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Medium, heavy trucks to face the brunt of Covid in 2020

India's medium and heavy commercial vehicle (M&HCV) segment could be the biggest casualty of Covid-19, which has led to a complete paralysis of the economy.

Vehicles in this category typically carry loads ranging from 15 to over 50 tonnes. Used extensively in the infrastructure space across sectors like roads/highways/bridges, construction, mining etc, it is the M&HCV segment that is often touted as the best reference point for the health of an economy like India.

Facing headwinds

Clearly, things are quite dismal on that front right now, as Covid-19 has pretty much derailed all growth prospects across sectors for a good part of this year and even the next. The M&HCV space was, in any case, facing severe headwinds even before this crisis broke out and things will only get worse from now.

For one thing, a lion's share of fleet operators will hardly be in any position to resume business once the lockdown is lifted, even in the most optimistic scenario, early next month. There is no telling if another extension will be implemented beyond May 3 since this will depend on the spread and severity of the pandemic.

Drivers of M&HCVs have borne the brunt of the lockdown from the time it began, in late-March. Trucks were stopped at all State borders and drivers were left in the lurch with no access to food, water and basic hygiene. The loads they were carrying in their vehicles were left to rot since access was denied to their final destinations.

Many of the drivers, who were hopelessly marooned in this situation, have now headed back to their villages, leaving their trucks behind.

"The big problem now lies in finding these drivers once the lockdown is lifted. Many of them will be in no mood to return to cities and risk their health," said a top executive of a truck company.

User segments hit hard

Beyond this are the realities of a battered economy where all segments, right from farming to mining, will have taken a severe beating. "In this backdrop, where is the business for heavy trucks?" he wondered. M&HCV sales had already fallen 30 per cent between calendar years 2018 and 2019 (from 3.5 lakh units to 2.4 lakh units) even while there was some degree of optimism that this calendar would be a lot better. Companies had worked round the clock to ready their new Bharat Stage VI-compliant trucks till Covid-19 struck and tore the economy apart.

Clearly, no fleet operator would be in any mood to buy these expensive BS-VI offerings. In the process, there will be rapid sale of relatively new BS-IV trucks (registered before March 31) whose owners will be more than willing to dispose of them, even if this means incurring huge losses in the process.

These are early days yet but truck makers will already be staring at the prospect of large, unused capacities across their plants. In a worst-case scenario, if sales fall below 1.5 lakh units in calendar 2020, it will mark a 60 per cent fall from 2018 levels.

The results could be disastrous in terms of a large number of fleet owners shutting down operations since it would be practically impossible for them to sustain their businesses.

Finding labour

While drivers represent one part of the void in human capital, the other will arise from the thousands of migrants who have left big cities to the safety net of their towns and villages.

They are part of the country's unorganised sector which are employed on company shop floors among other vocations. Truck makers will be hard pressed to quickly find this category of workers who form a key part of their contract labour once operations resume post-Covid.

The silver lining is that the going may not be as bad for smaller load carriers which will be more gainfully employed for intracity movement. However, till their larger siblings come back into the mainstream, there is little hope for an economic revival happening soon. "It's these large wheels of M&HCVs that move a country like India. Till they are back in motion, the going will be tough," said a company official.

Source: thehindubusinessline.com- Apr 17, 2020

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RBI measures to boost liquidity, incentivise banks to lend more to boost economy: FM Sitharaman

Finance Minister Nirmala Sitharaman on Friday said the RBI has taken a slew of steps to maintain adequate liquidity in the system, incentivise bank credit flows, ease financial stress and enable normal functioning of markets, following difficulties being faced due to COVID-19.

Announcing a second stimulus in less than a month, the RBI eased bad-loan rules, froze dividend payment by lenders and pushed banks to lend more by cutting the reverse repo rate by 25 basis points to help mitigate risk to the economy posed by the pandemic.

“In view of the difficulties being faced due to #COVID19, the @RBI has taken a slew of steps aimed at maintaining adequate liquidity in the system, incentivising bank credit flows, easing financial stress, and enabling the normal functioning of markets,” Sitharaman said in a tweet.

In order to increase credit to farmers, MSMEs and housing sector, RBI announced a special refinance facility totalling Rs 50,000 crore for NABARD, SIDBI and the National Housing Bank, she said.

Of this, Rs 25,000 crore goes to NABARD, Rs 15,000 crore to SIDBI, and Rs 10,000 crore to NHB for improving long-term funding requirements of agriculture and the rural sector, small industries, housing finance companies, NBFCs and MFIs, the minister said.

“To increase MSME liquidity, @RBI announced a targeted long-term repo operation totalling Rs 50,000 crore aimed at mid and small NBFCs and MFIs. This amount can be revised upwards if needed in the future. RBI also cut the reverse repo rate by 25 bps to 3.75%,” Sitharaman said.

The reverse repo rate is the rate banks earn by parking deposits with the Reserve Bank of India. “In order to encourage banks to deploy these surplus funds in nvestments and loans in productive sectors of the economy, it has been decided to reduce the fixed rate reverse repo rate under the liquidity adjustment facility (LAF) by 25 basis points from 4 per cent to 3.75 per cent with immediate effect," the RBI said.

However, the RBI retained the policy repo rate at 4.40 per cent, and the marginal standing facility rate and the Bank Rate at 4.65 per cent. She further said that to ease the worries of MSMEs that are in danger of becoming NPA accounts, it has now been decided that the NPA classification norms will exclude the 3-month moratorium window that banks are allowed to give on loan repayments.

This effectively means that bad loans or non-performing asset (NPA) classification will now happen after 180 days instead of the current policy of 90 days of payment default. This would cover the borrowers of both banks and NBFCs but lenders will have to make an additional provision of 10 per cent for those exposures under moratorium.

"The @RBI has increased the ways and means advance limit for states to 60 per cent over and above the level as on March 31 to help state governments tide over cash flow problems due to a temporary dip in revenue collections," she said.

The RBI earlier this month had announced an increase in the ways and means advances (WMA) limit of states by 30 per cent. It has now been decided to increase the WMA limit of states by 60 per cent over and above the level as on March 31, 2020 to provide greater comfort to the states for undertaking COVID-19 containment and mitigation efforts, and to plan their market borrowing programmes better. The increased limit will be available till September 30, 2020.

The RBI had announced its first stimulus on March 27 to help the economy deal with the impact of COVID-19 pandemic.

Source: financialexpress.com- Apr 17, 2020

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RBI slashes reverse repo to 3.75 per cent, hints at further rate cut

Plans to conduct ₹50,000-crore TLTRO

The Reserve Bank of India on Friday unveiled the second tranche of liquidity and regulatory measures that are aimed at defusing the Covid-19-induced crisis.

Announcing a slew of measures on Friday, the RBI also cut the reverse repo rate by 25 bps from 4 per cent to 3.75 per cent to discourage banks from deploying surplus funds with it. The quantum of surplus funds with banks can be gauged from the fact that on April 15, the RBI absorbed ₹6.9-lakh crore through reverse repo operations. The lower rate will help banks channelise liquidity in investments and loans to productive sectors of the economy. The reverse repo rate was last cut on March 27 from 4.9 per cent to 4 per cent.

The central bank said policy space would be available (read: repo rate cut) to address the intensification of risks to growth and financial stability brought on by Covid-19, with the possibility of retail inflation settling well below the target of 4 per cent by the second half of 2020-21.

In an online address, RBI Governor Shaktikanta Das, said: "Since March 27, 2020 when I spoke to you last, the macroeconomic and financial landscape has deteriorated, precipitously in some areas; but light still shines though bravely in some others."

"The RBI will monitor the evolving situation continuously and use all its instruments to address the daunting challenges posed by the pandemic...Although social distancing separates us, we stand united and resolute. Eventually, we shall cure; and we shall endure," he added.

Long-term repo operations

With the disruptions caused by Covid-19 severely impacting small and mid-sized corporates, including NBFCs and MFIs, the central bank said it will conduct targeted long-term repo operations ("TLTRO 2.0") for an aggregate amount of ₹50,000 crore, to begin with, in tranches of appropriate sizes to address their liquidity requirements.

₹50,000-crore refinance

To strengthen the refinancing capacity of AIFIs, the RBI will provide special refinance facilities for ₹50,000 crore to the National Bank for Agriculture and Rural Development (₹25,000 crore for refinancing regional rural banks, cooperative banks and MFIs); the Small Industries Development Bank of India (₹15,000 crore for on-lending/refinancing); and the National Housing Bank (₹10,000 crore to support housing finance companies). The RBI also upped the ways and means advances (WMA) limit of States by 60 per cent over and above the level as on March 31 to provide them greater comfort for undertaking Covid-19 mitigation efforts, and to plan their market borrowing programmes better. The increased limit is available till September 30, 2020.

Breather on asset classification

The RBI said in respect of all accounts for which lending institutions grant moratorium or deferment, and which were standard as on March 1, 2020, the 90-day NPA (non-performing asset) norm will exclude the moratorium period — there would be an asset classification standstill for all such accounts from March 1 to May 31.

Source: thehindubusinessline.com- Apr 17, 2020

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Shipments worth $3bn at stake for Indian apparel exporters

The findings are from the RBC survey titled 'Measuring Impact of Corona Pandemic on Indian apparel export industry'.

The impact of the COVID-19 pandemic on business is unfathomable as of now, but the total business impacted so far can be estimated at $3 billion, according to the findings of a survey released Friday.

The key results of the survey, the first for Indian apparel sector, conducted by the Rajesh Bheda Consulting (RBC) are:

• The combined value of orders cancelled and on hold is $1.49 million per respondent factory;

• For 56% respondents, payments were delayed, whereas in 19% cases, customers refused to pay for the orders;
• Out of the cancelled orders in 22% cases, the buyer had paid for the material, in 35% cases partial payment for the material was received, and in remaining 43% cases no payments were received.

Outlining the context, RBC said that in the case of Bangladesh, the data on order cancellations and orders on hold was collected and publicised with promptness by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), which helped stakeholders to communicate with international buyers on the numbers.
As of April 13, orders worth $3.15 billion were cancelled or put on hold in that country, affecting the lives of 2.26 million workers.

In absence of similar data in India, RBC decided to undertake a quick survey to understand the gravity of the situation. The survey was announced on April 2. In all, 77 apparel exporting organisations from different manufacturing hubs of the country responded.

Of these, 60 responses were usable. Though the results are based on a relatively small sample, these do provide some much-needed data reflecting the scale of the challenge, as experienced by the respondents and its potential impact on the industry, RBC said in a statement. RBC is a management consultancy organisation focussed on improving the competitiveness of fashion industry entities.

Extrapolating the results of the survey at the apparel export industry level, this could result in export orders worth $4.17 billion being cancelled or put on hold. This amounts to almost 25% of the annual apparel exports from the country. Since the Indian industry mainly executes spring-summer orders, January-March months are the peak production months, and hence the impact is severe.

"Even if one considers the fact that participant factories are likely to be larger; the results need to be moderated. The total business impacted can be estimated at $3 billion.

As a result, the apparel exporter community of India is likely to face unprecedented liquidity challenges and the livelihood of millions of workers is at stake," the organisation said.

RBC has been partnering with leading apparel manufacturers, retailers, industry associations, government departments and UN/ global development agencies with special focus on livelihood programmes, skill development, performance enhancement and poverty reduction.

Source: fibre2fashion.com- Apr 17, 2020

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Textile sector unable to pay workers in April: FIASWI

The man-made textile (MMF) sector on Thursday urged the central government not to initiate legal action under the Disaster Management Act, 2005 against the cash-starved textile entrepreneurs, who are unable to pay the wages to the workers for the month of April.

KEY DEMANDS

- Soft loans, financial stimulus package
- Release 75% of Rs 360 cr subsidy under TUFS
- Increase ad hoc loans by 30% with 5% interest subvention
- Contribute 50% of wage payment of workers
- Waive off EPF, ESI, GST dues, electricity bills for three months

The businessmen are reeling under non-realisation of payments following the extended lockdown.

In a letter to Prime Minister Narendra Modi, the Federation of Indian Art Silk Weaving Industry (FIASWI), apex body of textile sector, stated that the industry has come to a standstill since the lockdown was imposed on March 24 and there is a huge loss of business.

The entrepreneurs were not able to recover payments in the first week of April due to the lockdown. As a result, they are unable to pay the labourers in April.

FIASWI has sought soft loans and financial stimulus package for the textile sector to increase liquidity and meet the working capital requirements so that the workers can be paid their wages. It has also sought that the central and state Government contribution of 50% towards the wage payment of the labourers in the textile industry.

Chairman of FIASWI, Bharat Gandhi, said, “Due to the extended lockdown, there is a major impact on the domestic demand”

“The textile sector is bearing huge losses, but the businessmen managed to pay the labourers in March. At a time when textile units are shut due to lockdown till May 3, it is extremely difficult to pay to the workers in April. We request the government not to initiate legal action under Disaster Management Act” added Gandhi.

FIASWI requested increase in working capital ad hoc loans by 30% and providing 5% interest subvention, without asking for collateral security. The contribution of the EPF and ESI of both employers and employees, payments of GST dues, electricity bills etc. should be waived off for three months.

Gandhi said, “About 1,360 applications under Technology Upgradation Fund (TUF) scheme are pending for the subsidy of Rs 360 crore. The government should release 75% subsidy amount to infuse liquidity in the industry.”

Source: timesofindia.com- Apr 17, 2020

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Banks need to pass on the benefits quickly: ITF

Exclusion of moratorium period for classifying non-performing asset (NPA), providing special refinance of ₹50,000 crore to meet sectoral credit needs, and other measures announced by the Reserve Bank of India (RBI) today would have a direct positive impact in boosting the industry, according to the Coimbatore-based Indian Texpreneurs Federation (ITF).

"We would like to thank RBI and the Union ministry of finance for the various steps taken to provide adequate liquidity in the banking system, facilitation of bank credit and regulatory measures to reduce the financial stress for the corporate segment," ITF convenor Prabhu Dhamodharan said in a statement.

ITF had undertaken a survey of 205 of its member companies representing the entire value chain of textile manufacturing covering bank exposure in excess of ₹3,500 crore. The survey indicates that while the steps taken by the government and RBI are very proactive, the last mile implementation of the same could be hastened.

"As per our survey, while 19 per cent of the applications for additional working capital limits have been approved by the bankers, 48 per cent are under process and 31 per cent have not been given a reply for their applications. We well understand the difficulties faced by banks in the current situation with less working hours. However, we request and await the banks' response at the earliest," Dhamodharan said.

Post the lockdown period, availability of additional working capital limit will be critical for liquidity management of textile companies to restart the operations. Dhamodharan requested the finance ministry and RBI to "please advise banks to expedite the process to ensure quick recovery of business post renewal."

Source: fibre2fashion.com- Apr 17, 2020

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Zoom responds to Govt of India's advisory, says it takes user security extremely seriously

In response to the Government of India deeming it 'unsafe' for public use, US-based video conferencing platform Zoom has come up and assured users that it takes their security extremely seriously.

The Government of India, while calling it not safe for use, had issued a detailed advisory on how to secure Zoom calls amid the ongoing Coronavirus crisis on Thursday.

A Zoom spokesperson said, in an email statement given out to the Financial Express Online that, "a large number of global institutions ranging from the world's largest financial services companies and telecommunications providers, to non-governmental organisations and government agencies, have done exhaustive security reviews of our user, network and datacenter layers," and that "they continue to use Zoom for most or all of their unified communications needs."

"Zoom takes user security extremely seriously," the spokesperson said.

Note that the Government of India hasn't banned Zoom in the country, though Government officials as well as those who may use it for work purposes, have been barred from video calling/conferencing through Zoom largely.

The general public can still continue to use Zoom, like before, though the Government doesn't necessarily advise them to do that. In case they still want to use Zoom, here's everything they can do to secure their Zoom calls, as per the Government's advisory.

The Government's advisory came just days after the country's nodal cyber security agency, CERT-In, raised an alarm about how Zoom was prone to cyberattacks. It is yet to be seen if Zoom's response to the MHA's advisory will be enough to curtail the damage.

India is not the only country that has raised red flags about using Zoom. Zoom's security woes have led to several other countries taking up its case — that in addition to multiple organizations, companies, and schools outright banning or limiting its use globally.

Source: financialexpress.com- Apr 17, 2020

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