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IBTEX No. 107 of 2020 May 19, 2020

US 75.72| EUR 82.56 | GBP 92.27| JPY 0.71

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	**Topics**
1	Full economic recovery is unlikely in 2021, warns IMF chief
2	US April retail sales drop nearly twice as much as March
3	What's the direction for cotton yarn market after missing peak season?
4	Turkey and Egypt garment manufacturers squeezed by global brands
5	Factbox: Fashion brands cut orders with Asian garment makers
6	China: Exporters urged to adjust to global demands
7	After the outbreak, will China's Textile Industry play a leading role in the World?
8	Sri Lanka: Merchandise exports earning increases in Feb.
9	Egypt to return life to normal by mid-June, says Prime Minister
10	Renown, A Japanese Clothing Manufacturer, Filed $130 Million For Bankruptcy
11	Bangladesh: Garment exporters get fresh facility
12	Bangladesh seeks European cooperation for restoration of apparel orders
13	The future of the Bangladesh garment industry
14	Pakistan: Few trading activity seen on cotton market

	NATIONAL NEWS
1	India to see annualised contraction of 45% in April to June: Goldman Sachs
2	Japan concerned over fate of its companies in India
3	Covid-19: Tirupur expects $500 million additional revenue from mask exports
4	COVID-19 crisis: A threat to global value chains?
5	Economic package has nothing for industry: Retailers
6	Gurgaon apparel units make PPE kits for government agencies
7	Extend moratorium on term loan instalments: TEA
8	Govt withdraws order on compulsory wage payment by firms during lockdown
9	Footwear, textiles, pharma, electronics in Centre's list of sectors to push self reliance
10	Covid-19: Traders let down by exclusion, reconsider economic package, CAIT to Centre
11	NCGTC likely to offer credit guarantee for Rs 3 lakh cr loan scheme for MSMEs
12	CBIC amends rules to disallow transitional credit claims retrospectively
13	Explained: Gujarat's Aatmanirbhar small loans scheme for the self-employed

INTERNATIONAL NEWS

Full economic recovery is unlikely in 2021, warns IMF chief

The global economy will take much longer to recover fully from the shock caused by the new coronavirus than initially expected, the head of the International Monetary Fund said, and she stressed the danger of protectionism.

Managing Director Kristalina Georgieva said the Fund was likely to revise downward its forecast for a 3 per cent contraction in GDP in 2020, with only a partial recovery expected next year instead of the 5.8 per cent rebound initially expected.

In an interview with Reuters, she said that data from around the world was worse than expected. “Obviously that means it will take us much longer to have a full recovery from this crisis,” she said in an interview. She gave no specific target date for the rebound.

Deepest recession

In April, the global lender forecast that business closures and lockdowns to slow the spread of the virus would throw the world into the deepest recession since the 1930s Great Depression. But data reported since then points to “more bad news,” Georgieva said earlier this month.

The IMF is due to release new global projections in June.

Asked about renewed tensions between the United States and China — the world's two largest economies — Georgieva said she was urging member countries to maintain open communication and trade flows that had underpinned global growth for decades.

“We do need to keep trade flows open, especially for medical supplies, food, and longer-term to find a pathway to overcome what is happening now with this crisis,” Georgieva said. “We want to continue to build this more prosperous future for all by overcoming the scarring that may come from this crisis.”

Tensions between the United States and China have spiked in recent weeks, with officials on both sides suggesting a hard-won deal that defused a bitter 18-month trade war could be abandoned months after it was signed.

Georgieva warned against retreating into protectionism as a result of the crisis.

Emergency financing

"We should not turn away from what has worked for people everywhere: a division of labour and collaboration and trade, which allows the costs of goods and services to go down, allows incomes to go up, and allows poverty within countries and across countries to retreat," she told Reuters.

The IMF was created after the Second World War to foster financial stability, facilitate trade and reduce poverty around the world. It has provided emergency financing to 56 countries since the crisis began and will decide on 47 additional requests as quickly as possible, Georgieva said. An IMF spokesman said some $21 billion in emergency financing, which carries very low interest rates, had been disbursed thus far.

Georgieva said the Fund could also provide grants to help the poorest countries cover their debt service payments to the IMF through the end of the year, after raising new lending commitments from its members.

Source: thehindubusinessline.com- May 18, 2020

HOME

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US April retail sales drop nearly twice as much as March

In US, retail sales dropped almost twice as much during April as they did in March as its economy saw its first full month when most businesses were closed because of the coronavirus pandemic, National Retail Federation (NRF) said. NRF, the world's largest retail trade association, advocates for the people, brands, policies and ideas that help retail thrive.

"As predicted, retail sales were bad in April and lower than in March," NRF chief economist Jack Kleinhenz said. "This should come as no surprise since April was the first full month when most businesses not considered essential were closed, both in retail and across the economy. But month-to-month comparisons provide little insight other than indicating that most of the economy was on lockdown. Now that we're in mid-May, many businesses are already starting to reopen. Relief payments and pent-up demand should provide some degree of post-shutdown rebound, but spending will be far from normal and may be choppy going forward."

"I'm still of the opinion that we went into this with the economy on a sound footing and that we will hopefully come out of it the same," Kleinhenz said. "But we're going to need more data to tell us whether the underpinnings of the economy have been damaged and how badly. We need to carefully watch the data and learn to understand what it is telling us."

The US Census Bureau said overall retail sales during April were down 16.4 per cent seasonally adjusted from March and down 21.6 per cent unadjusted year-over-year. That follows a record-setting 8.3 per cent month-over-month drop in March.

Kleinhenz cautioned that the reliability of April's numbers could be questionable because many retailers whose businesses were closed were not in their offices to respond to the Census Bureau's monthly survey of sales data. In addition, the unprecedented economic situation makes it difficult to seasonally adjust the data for the fluctuations in sales that normally come in predictable cycles throughout the year.

NRF's calculation of retail sales – which excludes automobile dealers, gasoline stations and restaurants in order to focus on core retail – showed April was down 14.1 per cent seasonally adjusted from March and down 8.7 per cent unadjusted year-over-year. The NRF numbers show less of a decline than the Census Bureau because the categories excluded were among those most affected as fewer people were driving and most restaurants were limited to take-out orders if not closed entirely.

Every category of retail except online was down on a monthly basis in April, including grocery stores and others that had seen a surge in March as consumers stocked up. Online and other non-store sales were up 21.2 per cent unadjusted year-over-year and up 8.4 per cent month-over-month seasonally adjusted.

Clothing and clothing accessory stores were down 89.3 per cent unadjusted year-over-year and down 78.8 per cent month-over-month seasonally adjusted.

Source: fibre2fashion.com- May 18, 2020

HOME

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What's the direction for cotton yarn market after missing peak season?

Cotton yarn market's traditional peak season-Gold Mar and Silver Apr-has passed in depression. Entering May, cotton yarn market does not deteriorate. The stable orders from China local market and a few export orders bring it a little luster. However, the seriously-hit consumption confidence in overseas market needs a long time to restore. With traditional dull season coming, where will cotton yarn market go?

1. Cotton yarn trading quickens a little.

After May Day holiday, out of expectation, cotton yarn sales quickened, which gave cotton yarn mills an opportunity to catch a break, even though the trading volume was still small. It was heard that the buying was mainly from traders which stocked up at a small amount previously with stockpiles to be consumed up soon. At present, cotton yarn price stayed low and the lockdown in European and American countries eased gradually, increasingly the speculation sentiment. Relatively, weavers were cautious. They mostly purchased cotton yarn on a hand-to-mouth bases as the orders did not recover as expected.

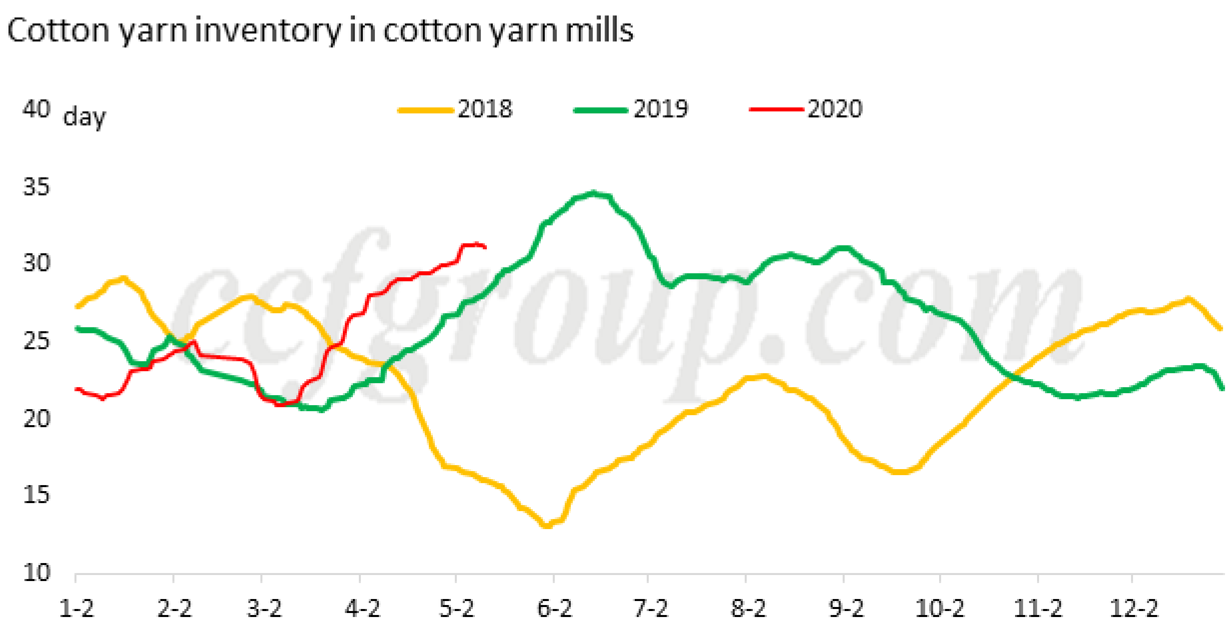
2. Cotton yarn price keeps soft.

Overall trading on cotton yarn market was tolerable but the price was still in weak territory. Downstream buyers made efforts to force prices down. Conventional cotton yarn seemed relatively stable with carded 32S for air-jet at 18,500-19,000yuan/mt and carded 40S for air-jet at 19,500-20,000yuan/mt.

Sales of open-end cotton yarn turned better slightly but the price stayed bearish with OEC21S for air-jet at 14,000yuan/mt, and the mills increasingly cut or suspended production. High-count cotton yarn trading remained slack due to the impacts of export orders. The transactions were scarce after the price declined. Compact-spun combed 60S for home textiles prevailed at 26,500yuan/mt.

3. Cotton yarn inventory inches down.

With sales quickening, cotton yarn inventory reduced, but still at high level on the whole. It is also likely to move up later. Currently it averaged at about 31 days, reaching years' high.



4. The profit of cotton yarn is poor in general.

Cotton textile market was still depressed now. Cotton yarn price was much weaker than cotton price, so cotton yarn mills witnessed poor profit. Take carded 32S as an example.

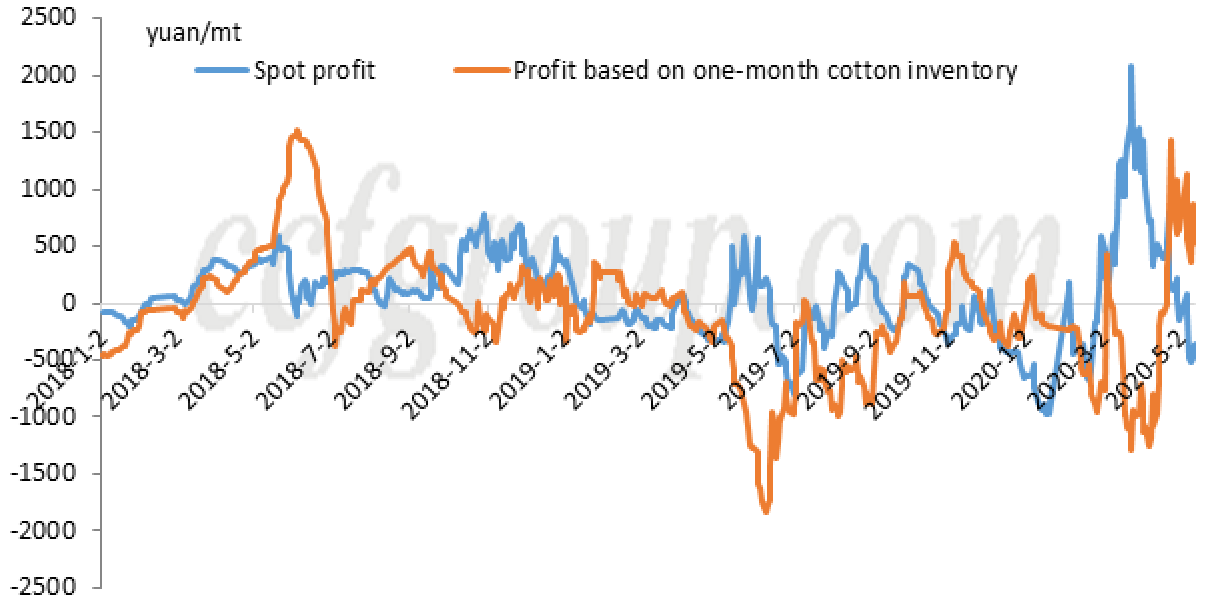
Cotton yarn mills currently suffered a loss of 400yuan/mt by purchasing for immediate production, while by using the cotton purchased one month ago, they could gain profit of 700yuan/mt. The profits turned worse obviously. (The mills gain different actual profits according to different cotton usage.)

5. The recovery of downstream orders still needs time.

Orders from China local market were heard to improve. In Lanxi and Guangzhou, some weavers received a bit more orders which can be scheduled to end-May. Export orders also showed a bit better appearance.

Some export weavers reported that the delivery dates of cargos delayed to be delivered or produced were confirmed. However, the coronavirus pandemic has severely hit the consumption and demand, and it may take a long time to restore. Therefore, it is still uncertain how the overall orders will resume.

Theoretical profit of Chinese carded 32S



In conclusion, cotton yarn price moved much weaker than cotton price and amid losses, most cotton yarn mills are reluctant to lower prices for underselling.

On the other hand, downstream demand stays bearish and it will be hard to improve obviously in short run. Inventory pressure on cotton yarn mills still exists, adding the large stocks of imported cotton yarn. As a consequence, cotton yarn price will be easy to fall instead of rising and remain weak.

Source: ccfgroup.com- May 18, 2020

HOME

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Turkey and Egypt garment manufacturers squeezed by global brands

The Turkish and Egyptian garment manufacturing sectors employ millions of people, but big brands have left them in the lurch with cancelled orders and millions of completed items not dispatched in the wake of the coronavirus pandemic. Towards the end of 2019, the Egyptian government and export associations hosted a sourcing event in Cairo, called Destination Africa, to bring together buyers from the West and manufacturers in Egypt and from around the continent.

Such trade events are held around the world at convention centres or high-end hotels, featuring gala dinners and spectacles to woo buyers, and seminars that discuss sustainability, modernising the supply chain and the future of the $2.7tn fashion industry. After several rough years in the wake of the 2011 uprising, Egyptian manufacturers were keen to drum up business, increase the $3bn in garment and textile exports in 2019 and double the number of employees in the industry to two million by 2025.

Over in Turkey, the world's fifth largest garment and textile exporter had hosted similar events throughout the year to tout its manufacturing prowess and increase its $26bn in exports. Such outlays were paying off, with solid order books for 2020 and exports on the rise in the first few months of the year. Turkey and Egypt were also riding high on buyers increasingly diversifying their sourcing from China due to the US-China trade war and wanting closer proximity to the European market.

Cancelled until further notice

Up until March, some one million Egyptian and 1.5 million Turkish workers were busy spinning, dying, cutting and sewing garments for the summer season, which accounts for around half of annual sales. Then Covid-19 started to sweep across Europe and North America which, along with Japan, account for around 80 percent of global fashion consumption.

Countries went into lockdown mode, and to the manufacturers' surprise, major brands and retailers went "incommunicado", said a Turkish manufacturer who wanted anonymity over concerns about future business relationships with leading brands. "At first there was no communication at all from corporate buyers," he told Middle East Eye by phone from Istanbul.

"They were not saying, we will pay you late, or we'll take the goods at some point. There was complete silence, even about goods delivered weeks or months before." While 80 percent of Turkish factories closed in the first several weeks of the lockdown - around 60 percent are open today - the sector was left with over $2.5bn in ordered inventory and a further $1bn in orders in production, or already produced, that were cancelled until further notice, said Hadi Karasu, President of the Turkish Clothing Manufacturers' Association (TGSD).

"Factories were forced to cover the fabric and accessories they bought from brand-designated raw material suppliers," Karasu told MEE. "These manufacturers operate at single-digit margins while they are being asked to keep the materials for an unforeseeable future. "Around 50 to 60 percent of a product's cost is raw material."

'It is very tough'

In Egypt, manufacturers were also left in the lurch by the buyers. "Everything that could be done has been done [by the buyers], from taking goods and not paying for them, to cancellations," said Samir Riad, general director of the Riad Group, a textile and garment manufacturer in Cairo.

"Some manufacturers have even had containers [of finished garments] not being accepted. There are all sorts of nightmarish stories," he told MEE. Around 60 percent of Egyptian exports are to the USA, the remainder to Europe. "The majority [of buyers] haven't taken responsibility for purchases they made, which is terrible," said Riad.

"It is very tough, you have overheads, wages to pay, and this isn't a cash-rich industry," he added. When the buyers did get in contact with manufacturers, they wanted to impose new terms and extend payment terms by 90 days to 180 days. "They ask for a 50 percent discount but settle for five to 10 percent, which means their financial situation allows them to bargain," said Karasu.

While some brands like Levi's, Adidas and H&M have honoured their contracts, many of the leading high street retailers and luxury brands have not. Manufacturers are hesitant to name names so as not sour future relations, but according to Sourcing Journal, labels that have not paid for orders include Topshop, Gap, Mothercare, Next and Walmart.

'Both sides need each other'

Manufacturers are aware that it is a difficult time for the retail sector. Worldwide, garment orders are down by 41 percent, according to the International Textile Manufacturers Federation (ITMF), while sales turnover is forecast to contract by 33 percent in 2020.

"The buyers' reaction has been catastrophic… and outright cancellations have been quite devastating, but we have to be pragmatic," said Navdeep Sodhi, partner at the Switzerland-based Gherzi Textile Organisation.

"You cannot just blame the buyers. There has to be cooperation and some sort of solidarity, as in the long-run both sides need each other," he told MEE.

Manufacturers and export associations have called for greater cooperation with buyers to hash out agreeable terms. But with European and North American governments providing stimuluses to keep their economies afloat, manufacturers want more assurances.

"Buyers are suffering from cashflow issues, but the factories are in a worse situation, as in Egypt you're not free to let workers go, so you are stuck," said Mohamed Kassem, chairman of the Egyptian Company for Textile Parks Development, in Cairo. "It is not a 'fire and hire situation' like in Europe or the USA. Things are not pretty at all, and we don't know how it will work out in the end," he told MEE.

'White gold'

Many of Egypt's 7,000 garment and textiles factories are expected to go under this year if the situation continues. "The only thing that will keep them from closing is if retailers don't drop manufacturers like flies," said Riad. Egyptian exports of "white gold", extra-long staple cotton acclaimed for being the best in the world, is also likely to be impacted.

"The cotton that goes into home textiles, like fine bed linen for export, is likely to be less affected by the pandemic but a lot of the Egyptian cotton used for fine shirting is likely to be affected," said Sodhi. "Overall, everything in the industry is affected." Turkey is in a better position than Egypt to weather the storm.

Egypt is considered a basic "cut and sew" sourcing hub, with salaries at around $100 a month, whereas Turkey has a far more modernised industry, which enables it to be globally competitive despite higher wages of around $600 a month.

The Turkish government has extended financial support to the sector. However, with a 50 percent drop in orders in the second quarter, forecasted drops of 30 percent in the third quarter and 20 percent in the last three months of 2020, an overall decline of 20 to 30 percent is expected compared to the $17.5bn in garment exports in 2019.

“We at least need to be provided with a business plan and a new shipment and payment plan that distributes current orders until the end of the year,” said Karasu. “If there is no plan and this situation continues for more than six months, manufacturers will have to change regulations and terms and find alternative methods to keep people working.”

'They couldn't care less'

Manufacturers are not only concerned about being left with inventory, cancelled orders and footing materials and wage bills.

Since the Rana Plaza garment factory tragedy in Bangladesh in 2013, in which at least 1,134 people died, and the subsequent increased scrutiny of malpractice in the fashion industry, there has been a push to improve working conditions and adopt environmentally sustainable policies and codes of conduct.

For instance, in 2018, 94 fashion brands, accounting for 12.5 percent of the global market, signed the 2020 Circular Fashion System Commitment to improve the collection of used garments and use pre- and post-consumer recycled textiles.

But with brands not honouring contracts for orders, such sustainability and corporate social responsibility (CSR) policies have “gone out of the window”, said Riad.

“They couldn’t care less whether employees are paid or they starve to death.”

Gayathri Banavara, a professor of marketing, management and finance at LIM College, a private business and fashion school in New York, said that the Covid-19 pandemic had “revealed that the majority of the fashion industry has not taken CSR or sustainability very seriously, mainly being used as a marketing tool”.

'The future is pretty bleak'

Such sustainability programmes were typically financed by manufacturers. Audits also had to be paid for, costing the manufacturer $3,000 to $10,000 a time, according to Karasu.

“Some brands are now asking to audit manufacturers to see how well-prepared they are for Covid-19 - the same companies that have seemingly forgotten social responsibilities and sustainability in their mode of operation,” said the Turkish manufacturer.

Some manufacturers are going to push back against such policies. “Whoever comes to audit us, my first question will be, 'what about yourselves? Did you pay for all your orders on time?'” said Karasu. “It’s our time to audit them!” The more responsible brands are expected to come out stronger from the current crisis.

“Programmes that were seen as ‘nice to haves’ will be cut, no doubt of that, but on the positive side, many have realised these are business imperatives and good for their long-term viability," said Avedis Seferian, president and chief executive of Worldwide Responsible Accredited Production (Wrap) in the USA.

"I expect more attention will be paid to sustainability once coffers fill up again,” he told MEE. When the global fashion sector would rebound was not clear, with the Turkish and Egyptian garment sectors bracing for whatever comes next.

“The future is pretty bleak because people are not shopping, unemployment figures are not promising and we’re not sure when this is going to end,” said Riad.

Source: middleeasteye.net - May 18, 2020

HOME

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Factbox: Fashion brands cut orders with Asian garment makers

As stores closed across Europe and the United States in March and April in response to the new coronavirus, many fashion brands and retailers cancelled orders for clothes, bags, and shoes worth billions of dollars from Asian garment factories, forcing them to close and lay off hundreds of thousands of workers.

After a public outcry, some Western companies agreed to pay for orders that have already been shipped or are in production. Others asked for discounts or have delayed payment, leaving suppliers struggling to stay afloat.

A few retailers are making new orders, but the long-term survival of Asia's garment factories and the welfare of its laid-off workers are uncertain.

Following is a list of companies, the status of their orders with Asian garment makers and the companies' comments on the situation.

- C&A (owned by COFRA Group)

Order status: Sent a letter to suppliers in March cancelling all orders through to June. Later backtracked, promising to pay for 93% of orders that are finished or in production and negotiate settlements for the remaining 7%. Has started to discuss new orders.

Comment: "We have been reaching out to our suppliers to identify ways to mitigate the devastating economic impact of this crisis on our business and our suppliers."

- Next Plc (NXT.L)

Order status: Cancelled some orders but will pay for orders that were due to leave supplier factories up to and including April 10. Selecting ranges and continues to order stock for later in the year.

Comment: "Our product teams have cancelled stock that we no longer need and identified stock that we can carry over to future seasons. We have made good progress and saved around 290 million pounds ($354 million) on stock purchases. We have endeavoured to be fair to our suppliers."

- Walmart Inc (WMT.N)

Order status: Will pay for orders, with a few exceptions. Has placed new orders in South and Southeast Asia.

Comment: “Based on our discussions, we estimate that such exceptions will amount to less than 2% of our estimated annual private brand apparel orders in Bangladesh.”

- Gap Inc (GPS.N)

Order status: Reuters could not determine status of orders.

Comment: “We are focused on reducing expenses while doing what is in the best interest of our employees, customers and partners, as well as the long-term health of our company. This work requires diligently managing our inventory, including identifying those products we can sell in the short-term, those we can store now to sell later, and those orders we need to cancel.”

- Bestseller A/S

Order status: Committed to paying for orders already made and in production, but has negotiated changes in terms with suppliers. Says it is placing reduced volume of orders for Autumn.

Comment: “Any changes in terms and volumes have been agreed with all our suppliers through these individual negotiations and all due invoices to suppliers have been paid enabling suppliers to cover their expense.”

- H&M

Order status: Will pay for orders and is placing new ones, though the crisis is impacting plans.

Comment: “We highly value the relationship with our suppliers – they are our partners – and now, in this difficult situation, it’s more important than ever to stand by commitments, being transparent and having responsible purchasing practices.”

- Inditex (owns Zara and other brands)

Order status: Will pay for orders, whether finished or in production.

Comment: “We are ensuring that all orders that are in production are completely paid according to the original payment schedule, making full payment even in the event that current circumstances mean that it’s not yet possible for the products to be shipped.”

- Marks and Spencer Group Plc (MKS.L)

Order status: Paying for orders shipped before March 24, paying for all made garments for almost every order not shipped before March 24.

Comment: “We have paid for all shipped products and for the vast majority of orders we will pre-pay for all garments and committed fabric - which is the most expensive cost for a supplier - and across all our partners we will aim to ensure that no fabric goes to waste and is used at a later date.”

- Tesco Plc (TSCO.L)

Order status: Committed to paying for orders, shipped or unshipped.

Comment: “We know how difficult this time is for our suppliers, so we are not changing our payment terms or asking for discounts, and will use most of the fabric suppliers have already bought on future orders.”

- J Sainsbury Plc (SBRY.L)

Order status: Has paid for everything manufactured for it. Comment: “We have honoured every contract with our clothing suppliers.”

- ASOS Plc (ASOS.L)

Order status: Delayed and canceled orders worth between 5 million pounds and 6 million pounds ($6 mln to $7.3 mln). Will pay for orders that were shipped by March 13. Negotiating settlements with suppliers individually.

Comment: “We have had to work with our suppliers to react to this change in demand, reviewing our stock intake, reducing our reliance on categories that have been affected such as dresses and tailoring, and shifting into higher-demand product, like loungewear and activewear. As a result, we have had to delay some orders and cancel others.”

- Mothercare Plc (MTC.L)

Order status: Reuters could not determine status of orders.

Comment: “We have been working very closely with our manufacturing and franchise partners since the beginning of the crisis to mitigate the impact on their businesses during these unprecedented times and will continue to do so.”

- Primark (part of Associated British Foods Plc (ABF.L))

Order status: Said it will pay for 370 million pounds in orders either finished or in production for handover by April 17. Primark did not say what percentage of its total commitments that represents.

Comment: “Following extensive one-to-one conversations with its own suppliers… Primark has committed to paying for some 370 million pounds ($450 mln) of additional orders for product over and above the 1.5 billion pounds of stock in stores, depots and in transit.”

- Mango

Order status: Will pay for orders already shipped but delaying payment for those in production. Has made new orders from factories in China and Bangladesh.

Comment: “We have committed to pay for products already shipped and for those that are still in production we have negotiated with the suppliers to extend the payment time by one month.”

- Debenhams

Order status: Reuters could not determine status of orders.

Comment: Did not respond to requests for comment.

- Fast Retailing Co Ltd (owns Uniqlo)

Order status: Has committed to paying for orders and is placing new orders.

Comment: “We believe that brands in our industry have an important role to play in mitigating the humanitarian and economic threats posed by the COVID-19 pandemic.”

- Arcadia Group (owns Topshop and other brands)

Order status: Reuters could not determine status of orders.

Comment: Declined to comment.

- Sports Direct (owned by Frasers Group Plc (FRAS.L))

Order status: Reuters could not determine status of orders.

Comment: Did not respond to requests for comment.

- New Look

Order status: Cancelled 20% of spring/summer orders from Bangladesh.

Comment: “We regrettably had to inform suppliers at the beginning of April that we could not place new orders until further notice and would be temporarily postponing outstanding supplier payments until the situation improves.” It said it has since started making some supplier payments.

- Edinburgh Woollen Mill

Order status: Reuters could not determine status of orders.

Comment: Did not respond to requests for comment.

- Urban Outfitters Inc (URBN.O) (owns Anthropologie, Free People, Terrain and other brands)

Order status: Reuters could not determine status of orders.

Comment: Did not respond to requests for comment.

- JC Penney Co (JCP.N)

Order status: Delaying payment for orders.

Comment: “As many retailers have done, JC Penney extended payment terms to 60 days as a result of the Coronavirus (COVID-19) pandemic.”

- Kohl’s Corp (KSS.N)

Order status: Reuters could not determine status of orders.

Source: in.reuters.com - May 19, 2020

HOME

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China: Exporters urged to adjust to global demands

Though China saw its exports recover in April, driven by the surging shipment of electromechanical, textile and plastic products, trade experts urged the country's export-oriented companies to analyze global market demand as early as possible during the post-pandemic period to stay competitive.

Global markets' demand for ventilators, face masks, protective clothing and testing kits was the main contributor to the boost in China's exports in the categories of electromechanical, textile and plastic goods last month, said Zhang Yongjun, a researcher at the Beijing-based China Center for International Economic Exchanges. Zhang noted that these are all closely related to other countries' COVID-19 fights.

Compared with these three categories, the export volumes of China's regular export items, including household appliances, steel and ceramic products, shoes, smartphones and liquid crystal displays panels, all notably dropped in April, showing the country's foreign trade was still under downward pressure.

Because the spread of the pandemic in Europe and the United States has begun to ease, and they have produced and purchased a large amount of anti-epidemic materials in the early stage, the rapid export growth of China's medical supplies will not continue in the long term, said Zhang.

Apart from many developed countries' efforts to prevent a recession, the weak goods demand across the globe and the appreciation of the renminbi will create obstacles for Chinese manufacturers in shipping their products in the second half of this year, he added.

As the impact of the epidemic has gradually declined and major economies have begun to resume work, exports of China's materials not related to the pandemic are expected to gradually recover.

Lu Ming, a researcher at the China Council for the Promotion of International Trade in Beijing, said Chinese companies must follow the actual demand of the international market and adjust their product structure in a timely manner to adapt to the new situation.

He added that although China has imported a large quantity of integrated circuit products, including microprocessor chips, chip capacitors and analog-to-digital converters in recent years, the nation, based on Customs data, saw its export value in this category grow by 12 percent year-on-year to 226.45 billion yuan ($31.9 billion) in the first four months of the year. He said this reflected strong growth in domestic production capacity.

Chen Bin, executive vice-president of the China Machinery Industry Federation in Beijing, said it is vital for China to boost exports in sectors such as passenger vehicles, electronic products, furniture, clothing and foodstuffs, since these involve large numbers of upstream and downstream industries with millions of industrial workers in the domestic and global markets.

For instance, healthy growth of the automobile industry can benefit rubber material providers, refinery companies and glass, tire, steel, sensor, gearbox, battery and lighting manufacturers, as well as road project contractors and insurance, digital map and car washing services, Chen said.

After shipping electrified buses and coaches to the United Kingdom, the Netherlands, Belgium, France and Sweden for almost nine years, China's new energy vehicle manufacturer BYD announced earlier this month that it will enter Europe's passenger vehicle market and launch its Tang EV600 electric SUV in Norway later this year.

BYD has selected Norway—the world's third-largest market for electric vehicles after China and the United States—as the first European country in which to sell the Tang because Norway has strong demand for such vehicles and has a large number of charging facilities.

In addition, eager to move closer to its customer bases in other parts of the world, Chinese home appliances maker Skyworth Group plans to ramp up its overseas expansion this year with a focus on India, Southeast Asia, Europe and Africa.

Liu Tangzhi, CEO of Shenzhen-based Skyworth, said the company will give top priority to the Indian market and Southeast Asia in its global push. The company will not only expand its sales channels abroad, but also prepare to set up manufacturing bases and supply chains in overseas markets.

Despite the unexpected public health crisis, China's foreign trade is likely to recover in the second quarter and pick up steadily in the third quarter, said Wei Jianguo, former vice-minister of commerce.

Source: global.chinadaily.com.cn - May 17, 2020

HOME

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After the outbreak, will China's Textile Industry play a leading role in the World?

According to relevant reports, the US government has shouted the manufacturing industry back to stabilize employment because of the soaring unemployment rate and the shortage of medical resources. At the worst of the epidemic, more than 16 million people in the United States applied for government assistance in three weeks. The governor of New York once picked up a N95 mask and said that the mask was not complicated enough to import from China. The epidemic has exposed the problem of manufacturing in the United States, which has hurt the heart of the Trump administration.

Can the US manufacturing industry return smoothly? Textile industry as an important representative of the manufacturing industry, will China's leading position in the world be shaken?

Can the US manufacturing industry backflow smoothly?

In fact, the US dominated the manufacturing industry in the Obama era, but few companies who returned to the United States laughed. As a benchmark enterprise for the manufacturing industry to return to the US, Foxconn launched the US factory plan in 2017. 3 years later, the factory was empty. General Motors is not optimistic, and decisively closed four US factories.

The US economy has been affected by the epidemic and has dropped significantly. Latest data, in April, the US Manufacturing Purchasing Managers Index fell to 36.1% European manufacturing PMI dropped to 33.6% In addition to China, PMI in most countries has dropped to below 40%. In April, China's Manufacturing Purchasing Managers Index was 50.8% It shows that the momentum of China's economic recovery is improving. There are many indications that as one of the most important consumer markets in the world, China's economy is most likely to take the lead in the rebound. Manufacturing in China is obviously more rational than that in Europe and America, where the epidemic is still serious and the economy is depressed.

In the past decades, the United States has been implementing the policy of de industrialization, vigorously developing the information industry and finance, many industries have been broken down, and it is very difficult to restore the manufacturing industry. The main reasons are: first, the lack of entrepreneurs, the lack of senior management and young workers. Second, the strength of the trade union system and the tension between the employers and employees in the US will be difficult to solve in the short term.

It is very pragmatic for enterprises to make decisions. Now, even if there are enterprises considering repatriation of the US, or foreign companies wishing to invest in the US, the lack of supply chain support is a major factor limiting the large-scale investment of manufacturing industry in the United States.

In addition, after the impact of the epidemic, the global economy has been hit hard. For most enterprises, cost reduction is the primary task. It is difficult to carry out such a major decision as relocation, and even in the past two years, the investment in manufacturing industry will be greatly reduced.

How to reshape the textile industry?

What are the new trends in the textile industry this year under the impact of the epidemic?

Under the epidemic, investing in an industry will pay more attention to the ability of a country to control its major events and its ability to restore its economy, and so does the textile industry. The epidemic is spreading all over the world. Flights in Europe and the United States are closed, the country is closed to the city and the economy is closed.

Globally, China is the most powerful country for epidemic prevention and control, while the number of infected countries in Europe and the United States has remained high. The epidemic situation once again shows China's institutional advantages, the high rate of resumption of work and the high rate of production, and the government's measures to promote consumption have achieved obvious results. The outbreak caused countries to stop production and stop production, while China took the lead in the world to successfully resume work on a large scale. As of April 25th, the recovery rate of large and medium-sized manufacturing enterprises was 99.7%.

The Chinese government has achieved remarkable results in promoting consumption. During the May 1 holiday, China's consumption situation exceeded expectations, and there was a wave of compensatory consumption growth. On -5 May 1st, the average daily sales of key retail enterprises were higher than that of the Qingming holidays. 32.1% The situation is accelerating. From May 1st to 5, the total amount of net transactions of UnionPay broke through. One point five seven Trillion yuan, the daily average transaction amount of 313 billion 100 million yuan, has reached last year's "May 1" holiday average daily transaction amount of 97%.

The impact of the epidemic may lead to more capital flows to China with stronger management capability.

What is the "killer weapon" of China's textile industry?

First of all, China's textile industry has the advantage of cost-effective. The rise of China's textile industry mainly depends on the low cost mode. However, with the decline of the demographic dividend advantage, high-quality management, technical personnel, complete industrial chain matching, and preferential policies for investment in the Midwest are becoming an irreplaceable advantage.

Secondly, the textile industry is a cost sensitive industry, especially the spinning industry. The global textile industry has also experienced the transfer from Europe to Asia, and the transfer process in Asia. In recent years, with the increase of production costs, there has been a shift to Southeast Asia and Africa. Among the Southeast Asian countries, Vietnam's epidemic prevention is brightest, plus Vietnam's tax related advantages, and we need to keep vigilant against Vietnam's competitors in the global migration of the textile industry.

Cao Dewang, chairman of Fuyao Group, said that if China wants to have a long-term prosperity of traditional industries, it is necessary to retain these manufacturing enterprises, otherwise China's economy can not achieve independence. In recent years, especially after the outbreak, the government has successively introduced support policies for small and medium-sized enterprises, such as delaying repayment of loans, reducing interest rates, returning social insurance, etc. these policies can reduce the cost of production and operation of enterprises and continue to enhance the competitiveness of the manufacturing industry.

Finally, it is more important to improve the investment and production environment of the textile industry and enhance the support for the textile industry. Especially under the epidemic situation, small and medium-sized enterprises have reduced orders, cut down production and shut down work, and even failed. These large and medium-sized enterprises actually created most of China's foreign exchange, and China's textile production accounted for more than half of the world's total.

In 2019, the total export volume of textiles and clothing in China was 2. Seven hundred and eighteen point three six At present, the most difficult part of the epidemic is export-oriented enterprises. They should give them some financial support to help enterprises tide over difficulties. Once an enterprise fails, it will be difficult to recover. We do not want to see the mess after the outbreak. We need more SMEs to create more foreign exchange for our country.

At present, the main advantages of China's textile industry in the international market are still in the middle and low end products. The proportion of high value-added products is not high. Most of the high-grade fabrics still rely on imports, and the key links such as weaving, dyeing and finishing are still dominated by developed countries such as Italy, Germany and Japan. In the high-end, high value-added products, there are still many places to upgrade and excavate in China's textile industry. We hope that in a special period, enterprises can sink down and study hard, create core competitiveness of products, and the future market will be more extensive.

Source: sjfzxm.com- May 18, 2020

HOME

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Sri Lanka: Merchandise exports earning increases in Feb.

The trade deficit widened in February 2020 compared to February 2019, as expenditure on imports increased at a faster pace than the increase in earnings from exports.

The tourism industry, which recovered faster than expected in the aftermath of the Easter Sunday attacks, was affected again with the outbreak of COVID-19 evolving as a pandemic from late February 2020.

Significant implications on the external sector performance are expected from the COVID-19 pandemic from March 2020 onwards, particularly in the areas of merchandise trade, tourism, workers' remittances and foreign investment.

The deficit in the trade account widened in February 2020 to US dollars 574 million, from US dollars 451 million in February 2019, as the increase in imports surpassed the increase in exports. However, on a month on month basis, the trade deficit in February 2020 recorded a contraction.

On a cumulative basis, the trade deficit widened to US dollars 1,304 million during the first two months of 2020 compared to US dollars 1,069 million in the corresponding period of 2019.

Meanwhile, terms of trade, i.e., the ratio of the price of exports to the price of imports, deteriorated by 3.5per cent (year on year) in February 2020, as export prices declined at a faster pace than the decline in import prices.

Earnings from merchandise exports increased in February 2020 for the first time since June 2019 by 0.7 per cent to US dollars 988 million, year-on-year, led by the increase in industrial exports though agricultural and mineral exports declined in comparison to February 2019.

Earnings from industrial exports increased in February 2020 in comparison to February 2019.

Despite the decline in earnings from garment exports from the USA, export earnings from textiles and garments increased, albeit marginally, due to increased exports of textiles and other made up textile articles.

Earnings from agricultural exports declined in February 2020, on a year on year basis.

Lower volumes exported led earnings from spices and coconut to decline in February 2020, while lower average export prices resulted in earnings from tea exports to decline.

Amidst lower demand from the USA and the EU, earnings from seafood exports also declined in February 2020.

In contrast, earnings from export of minor agricultural products and natural rubber increased notably during the month. Earnings from mineral exports recorded decline in February 2020, year on year, led by lower earnings from earths and stone exports.

The export volume index in February 2020 improved by 5.2per cent, while the export unit value index declined by 4.2 per cent, indicating that the increase in exports was driven entirely by higher volumes when compared to February 2019.

Click here for more details

Source: dailynews.lk- May 18, 2020

HOME

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Egypt to return life to normal by mid-June, says Prime Minister

Life in Egypt will begin to return back to normal by mid-June, Prime Minister Mostafa Madbouly announced Sunday, with restrictions currently in place to be lifted.

During a press conference the Prime Minister added that sports activities and youth centers are also expected to resume. The government will consider reopening restaurants with precautionary measures and returning religious rituals to places of worship.

The coronavirus will not disappear, he said, but the government will work to ensure the safety of its citizens alongside returning to normal life and productivity – with precautions in place.

Precautionary measures to coexist with the coronavirus will remain in place even after life returns to normal, he added, the most important of which is wearing facemasks in public.

Facemasks will become compulsory, with penalties for not wearing one to be announced in the future.

He said that putting on a facemask will also be applied within public mass transportation.

A committee formed by a ministerial medical group will review facemasks made from textiles and coordinate with the Industry Ministry to encourage Egyptian factories to manufacture cloth facemasks during the next stage.

The curfew is currently in effect from nine pm to six am, after having been shortened by one hour on April 23.

Egypt's government has shut down schools, suspended flights and imposed nationwide curfew in March to control the outspread of coronavirus. The government also suspended Friday prayers and congregational prayers in mosques nationwide on March 21 and churches were closed across the country as well.

Egypt announced on Sunday 491 new coronavirus cases and 20 additional deaths, bringing the total number of cases confirmed so far to 11,719 in the country, while 612 people have died from the virus in Egypt.

Source: egyptindependent.com- May 17, 2020

HOME

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Renown, A Japanese Clothing Manufacturer, Filed $130 Million For Bankruptcy

Japan's RenownInc company is a part of Shandong, a fashionable empire. It filed for bankruptcy on Friday with a debt of 13 billion 900 million yen ($130 million). This is the most notable business in the country after the outbreak of coronavirus. Renowned

The Centennial textile company sells clothing with brands such as Arnold Palmer, Hiroko Koshino and D'Uban. The company confirmed that after a month's closure of the department store, the struggling enterprise collapsed and filed for bankruptcy protection.

It has joined the list of global fashion companies, including retailers that have collapsed due to epidemics, such as J. Crew and Neiman Marcus. Renown, once owned by Aquascutum, a British clothing manufacturer, has been losing money for years. Shandong Ruyi became a major shareholder of well-known enterprises ten years ago and has become its major shareholder since then.

Earlier this year, Renown said it was trying to collect more than 5 billion yen ($45 million 200 thousand) of debt from its parent company. The parent company recently voted against its executives. After spending billions of dollars to buy a series of European luxury brands and Asian brands, including French fashion companies SMCP and Aquascutum, the group has been facing increasing refinancing pressure.

The company said in a statement that Renown sales dropped sharply after March, as the government encouraged consumers to stay at home.

Tokyo Shoko Research, a research firm, said that since February, more than 140 Japanese companies have gone bankrupt due to the outbreak of coronavirus.

The government has launched a package including personal cash payment and small business loans, but some economists say that the delivery of stimulus measures is not fast enough.

Source: sjfzxm.com- May 18, 2020

HOME

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Bangladesh: Garment exporters get fresh facility

The central bank has enhanced the loan ceiling for the members of textiles and clothing exporters under its export development fund or EDF scheme to help boost proceeds from overseas sales, officials say.

"It has now been decided to enhance the limit of US$ 25 million to $30 million for member of the BGMEA and BTMA," the Bangladesh Bank said in a notice on Sunday.

Earlier, an authorised dealer or AD bank could borrow a maximum of $25 million from the fund against its foreign currency financing of input procurement for member mills of the Bangladesh Garment Manufacturers and Exporters Association and the Bangladesh Textile Mills Association or BTMA.

The notice said, "The enhanced portion shall, effective for the disbursement until December 31, 2020, be considered by ADs on case to case basis, depending on the actual needs of the mills concerned."

Mohammad Ali Khokon, president of the BTMA, welcomed the central bank's initiative, saying it will help encourage exporters to strengthen their efforts to boost the country's overall export earnings.

Mr Khokon, managing director of the Metro Spinning Limited, urged the banking regulator to enhance such limit further to increase the inflow of foreign exchange in the local market.

Talking to the FE, a senior BB official said the central bank has increased the loan ceiling for the apparel and clothing exporters to meet their growing demand for the foreign currency.

"We expect it to help revamp the country's export sector in the near future," the central banker noted.

The BB's latest move came against the backdrop of falling trend in export earnings in recent months mainly due to the global economic slowdown caused by the coronavirus outbreak.

Bangladesh's export earnings dropped by nearly 83 per cent to US$520.01 million in April from $3.03 billion in the same month of 2019 due to the spread of coronavirus globally.

Meanwhile, the central bank has increased the allocation of EDF scheme by nearly 43 per cent or US$1.50 billion to $5.0 billion from $3.50 billion earlier to support the country's exporters.

The BB has already slashed interest rates on loans under the EDF scheme significantly to help exporters tide over pandemic-related disruptions.

Under the revised interest rates, exporters will be able to borrow from the low-cost scheme at an interest rate of 2.0 per cent instead of six-month US Dollar London Inter-bank Offered Rate (LIBOR) plus 1.50 per cent, which equated to nearly 3.0 per cent interest rate.

The EDF financing allows manufacturers to procure inputs or raw materials against back-to-back import letters of credit (LCs) or inland back-to-back LCs in foreign exchange to produce final output for direct export and local deliveries to the manufacturers of the final export.

Source: thefinancialexpress.com.bd- May 18, 2020

HOME

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Bangladesh seeks European cooperation for restoration of apparel orders

Bangladesh has sought cooperation from the European Parliament for the restoration of apparel work orders, suspended or cancelled by various European brands and retailers after the COVID-19 pandemic. Cancellation or suspension of work orders has unsettled the sector and forced many owners to lay off workers, says Dr Jafar Uddin, the Commerce Minister in a letter to Bernd Lange, member of the European Parliament and chair of the committee of international trade.

Several thousand poor workers lost their jobs in recent weeks, throwing their lives and livelihoods into dire uncertainty. He urged Lange to take the initiatives to save the lives and livelihood of RMG workers, most of whom are women

BGMEA noted that at present, some four million workers employed in Bangladeshi clothing factories are the most vulnerable as till April 29, some 1,150 apparel factories reported order cancellation or suspension of products worth $3.18 billion.

BKMEA also revealed that its 523 members, out of 833, reported order suspension or cancellation of $1.78 billion.

Source: fashionatingworld.com- May 18, 2020

HOME

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The future of the Bangladesh garment industry

Major changes are needed if the sector is to retain its competitive edge

The importance of the garment sector to the workers, the banking community, and the companies themselves is well understood to observers of the Bangladesh economy.

The recovery of this industry is critical for the revival of our economy. The Covid-19 pandemic has provided an enormous challenge to the RMG industry.

The threat to Bangladesh's future prosperity is real. In this article, I address, first the next two years when the industry will be recovering from the shock of the sudden drop of demand. Then we look at the longer term, say another few years ending in 2030.

I choose 2030 as the endpoint as by then the technology of the industry will have completely changed and the current comparative advantage of Bangladesh's low-cost labour force will be largely irrelevant. To prosper for the next decade will require major change starting immediately to maintain a competitive edge.

The central bank and the government seem to have a view that everything will come back quickly and we can expect full recovery by 2021. We all hope that turns out to be accurate, but most thinking about the way back is less optimistic.

For the garment sector, prosperity rests completely on the behaviour of the North American and European economies. The IMF forecasts for the advanced economies conclude that the GDP in 2022 will be the same as 2018. Clothing demand over the next two years is very uncertain.

The patterns of consumption expenditures are really unknown. Furthermore, the IMF forecasts assume there is no second wave of infections in the advanced economies. In May 2020, there is little support for this assumption among epidemiologists, most of whom take the public position that such a second wave is inevitable.

It is very likely that the lifting of restrictions will lead to the second wave of deaths and infections. This may bring partial lockdowns, lower than expected income recovery, and certainly greater caution in making consumption expenditures not immediately needed.

The garment industry faces slow recovery of demand and rising competition as Asian and African countries fight for a larger share of the market in the advanced economies.

Short-term challenges

What are the challenges of the next two years? First, rebuilding the supply capacity in the face of constraints operating within the factories. These constraints effectively reduce the production rate.

To maintain the level of production reached at the end of 2019, while maintaining the protection measures that BGMEA has mandated, it will be necessary to operate two shifts with wages structured to avoid increasing the labour cost per garment.

Demand is unlikely to return to 2019 levels until after 2022. Nor is it likely to be feasible to remove the constraints on wider spacing and other health safety measures until early 2022. The supply chains are partially broken.

Fabric from India cannot enter the country through Benapole and one cannot know when the Indian authorities will open the border. Supply chains from China are struggling to get started; some US buyers are skeptical about using Chinese fabrics and may insist on sourcing to other countries.

All of this points to time and difficulty in reshaping supply chains. Bangladesh's competitors are fighting for a greater share of the RMG markets. It is imperative that the supervision of the factories' safety rules against the virus be implemented according to the Ministry of Labour's instructions.

Bangladesh does not need the human loss or the bad publicity of a major outbreak of Covid-19 among workers. Inevitably there will be many workers who become ill; it is important for the industry to maintain the protection measures.

Competitiveness needs another look by the government. Competitor countries' currencies have depreciated against the dollar more than the taka has. The government is using subsidies to help the RMG factories. Exporters receive 1% of the value of the exports. This is equivalent to a 2% depreciation of the taka. Furthermore, there is a delay of almost a year before factories receive this support.

A depreciation of the taka of 10% or an increase of the subsidy to 5% would be an appropriate step to strengthen faltering competitiveness.

Actions with longer run implications

The world is likely to change with shorter supply chains, rising trade conflicts between China and the US, and uncertain demand patterns.

To shorten the supply chains and increase the domestic value-added to RMG exports there are two programs that if started in 2021 will produce significant changes by 2023. First and most important is to upgrade the textile sector to produce domestically the fabrics and yarns needed.

In FY2019 imports from China were more than $3bn for major items. The diversification of fabrics and yarns required is a consequence of making garments with higher domestic content. The development of the backward linkage textile mills almost doubled the impact of the sector in raising GDP after 1998; the domestic content can be raised again by a serious effort to produce the fabrics and yarns the industry needs.

The existing textile plants must be given the opportunity to undertake serious upgrading of their production methods to reach the quality and diversity needed. Bangladesh Bank and the government must have some program to achieve this. Technical experts are needed to prepare the upgrades.

The textile industry is not able to achieve the needed improvements without such technical assistance. To achieve the objective of improving the backward linkages the textile industry needs to begin as soon as feasible to investigate what is needed.

These are complicated issues and the major RMG factories that are now importing fabrics and specialized yarns need to be consulted. Ultimately it is the foreign buyer who is going to accept the local fabric, making consultation and cooperation an important part of the upgrading.

One has to be realistic, it is the foreign buyer who will decide if local fabrics are acceptable and one is better off by seeking their advice from the beginning. The second action that is needed is establishing a major training program to replace a large number of foreign workers in middle and high-level management.

My rough estimate is the compensation of such foreign workers in the RMG sector comes to about $560m per annum.

Training plus research and development

Upgrading many textile plants will call for more foreign workers unless there is a well-directed training program. These foreign experts are here as the owners of the RMG factories do not believe that there are Bangladesh-is available to do the work.

The nation should be very ambitious here; establishing a university-level program to train mechanical engineers, chemists, and material engineers. One way to achieve this is to seek association with one of the leading western universities with excellent textile credentials for the garment and textile sectors.

In addition to training, serious relevant research and development program is needed to raise Bangladesh to the frontier of garment and fabric production techniques. The industry has shown a remarkable lack of ambition largely content to follow along.

The government has made some effort to develop training facilities as has BGMEA. But these have not been successful in achieving an international reputation. Much of what they teach is dated and few teachers have recent international training.

Despite the efforts of these institutions for many years, there has been no reduction in the use of foreign managers and middle managers. I think there is no shortage of competent personnel to be trained, but there is a tremendous shortage of resources.

Both BGMEA and the government have limited understanding of what is needed here and do not really take this matter seriously. But for the long run good of the sector, training and research are essential.

Look at the contribution that the University of Dhaka's IDA has made to the economy and review the history of the resources, methods, and time that this took. The third area is the continuing set of issues surrounding logistical related to the garment sector. There are short-run aspects that I skip, turning to the long-run issues.

The issue is simple to state: The objective for the garment sector is to grow 10%-12% per annum for the next decade. That increases container outgoing shipments by a factor of two in seven years and at the high end by a factor of three by 2030.

Are we able to have port facilities that can double container export capacity in seven years? For 20 years plans and projects for a deep-sea port have been discussed, but progress for a port suitable for the container exports and imports is far away.

The Dhaka-Chittagong connection is also in desperate need of expansion. There is no time to waste in tackling these issues.

Source: dhakatribune.com- May 18, 2020

HOME

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Pakistan: Few trading activity seen on cotton market

Trading activity will fully resume in the cotton market after the Eid holidays. In the local cotton market some trading activity was witnessed after the easing of long lockdown. Market sources said that some mills started their operations partially. Ginners had the stock of 5 lac bales while delivery of imported cotton is continuously going on.

Cotton Analyst Naseem Usman told that in some areas there is an extreme threat of attack of locusts but it is difficult to say anything before time. He also said that there are contradictory reports regarding sowing. Most of the reports were not positive. He said that both federal and provincial governments should take steps to save the cotton crop from the locust attack.

The sowing has completed in lower areas of Sindh while sowing is going on in upper areas of Sindh and many areas of Punjab. In some sowing areas rain proved to be beneficial for the crop but in some areas, cotton has to be re-sown due to hail storm.

There is a collective complaint of farmers that this year quality of seeds is not good. The germination level of seed is 30 percent to 50 percent.

Naseem told that there are two conflicting opinions regarding the cotton support price. Ginners and farmers are of the view that government should announce the support price of cotton before the ending of sowing season which is May 31 after that any announcement will not be beneficial for increasing the production of cotton. On the other hand All Pakistan Textile Mills Association is not in favour of announcement of cotton support price.

He also said that cotton production can only be enhanced if cultivation area of cotton will be increased as well as good quality seeds will be provided to the farmers.

Naseem Usman said that spot rate remained unchanged at Rs 8600 per maund. The rate of cotton in Sindh and Punjab is in between Rs 7000 to Rs 8600 per maund. The polyester fiber was available at Rs 157 per kg.

Source: brecorder.com- May 19, 2020

HOME

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NATIONAL NEWS

India to see annualised contraction of 45% in April to June: Goldman Sachs

Goldman Sachs expects India's economy to shrink 45% on an annualised basis in the quarter to the end of June, and by 5% in the whole of the 2021 fiscal year running till next March, showing the economy contracting far more than previously expected.

“The deeper trough in our second quarter forecasts reflects the extremely poor economic data we have received so far for March and April, and the continued lockdown measures, which are among the most stringent across the world,” the investment bank said in a note dated May 17.

Goldman had earlier projected the country's GDP to contract 20% in the second quarter and 0.4% for the financial year ended 2021.

Prime Minister Narendra Modi announced a nationwide lockdown from March 25 to contain the spread of the coronavirus, but Asia's third-largest economy has taken a huge hit as a result, with almost all economic activity coming to a grinding halt.

On Sunday, India extended the lockdown to May 31, allowing for some relaxations.

Finance Minister Nirmala Sitharaman outlined measures aimed at kickstarting the economy in a series of media briefings last week, but Goldman analysts said the reforms were more medium-term in nature, and they “do not expect these to have an immediate impact on reviving growth”.

The investment bank said it expects an annualised rebound of 20% in the third quarter, but gradual recovery of 14% and 6.5% respectively for the fourth quarter and first quarter of the next financial year.

Restarting the country's economy has continued to pose challenges, Goldman said, especially in containment “red zones”, which account for about 45% of GDP.

Supply chains are improving, but are still operating at low levels, along with missing logistics and weak end-demand, according to the note.

Earlier this month, analysts at Moody's said they expected India to see 0% expansion in the current fiscal year.

Source: thehindubusinessline.com– May 18, 2020

HOME

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Japan concerned over fate of its companies in India

Asks New Delhi to ease labour laws, lower import duties

The Japanese government has expressed concern over the fate of its companies in India, especially in the automobile sector, due to disruptions caused by the lockdown. It has asked New Delhi to make labour laws "less stringent", improve logistics and lower customs duties on specific products.

Representatives from Japan's Ministry of Economy, Trade and Investment (METI) met representatives from the Department for Promotion of Investments and Internal Trade (DPIIT) and the Ministry of External Affairs in a video conference recently to discuss problems being faced by Japanese companies in India and how it could be mitigated.

"The Japanese government is not only concerned about the restrictions in place due to the on-going lockdown, but is also worried about the falling demand, especially for automobiles, and wanted to discuss measures for supporting its companies," a person familiar with the meeting told BusinessLine.

One big problem, according to Japanese companies in India, is the strict labour law that makes it difficult to lay off workers, even when production is low.

"The Japanese pointed out that the difficulty in reducing workforce when the COVID-19 situation had hit business and also the necessity to maintain wages was making operations unsustainable," the official said.

As several States such as Maharashtra, Gujarat, Uttar Pradesh and Madhya Pradesh, have decided to offer some concessions in existing labour laws, and some others are working on it, DPIIT assured the Japanese delegation that it would continue engaging with it on the matter.

The restrictions in movement of workers, especially the inter-State movement of employees, were posing another challenge, the delegation pointed out. With companies such as Maruti-Suzuki starting operations in more than one plant, such movements are essential. "The Japanese officials were assured that with the easing in movement of people and goods in the latest phase of opening-up of the economy, things would get smoother," the official said.

Lowering of customs duties on products of interest to Japan, including inputs for its plants in India, is another demand made by the country.

"India has to be very careful in its decision to lower customs duties as the domestic producers also need to be protected with their profits in doldrums due to the lockdown," the official said.

Japanese investments

In the last two decades, cumulative Japanese investments in India have been at $30.746 billion making it the third major investor in the country.

Japanese FDI into India has mainly been in automobile, electrical equipment, telecommunications, chemical, financial (insurance) and pharmaceutical sectors. There are as many as 1,441 Japanese companies registered here.

As India tries to totter back to normalcy with the gradual opening of restrictions, Japan was assured that the government will continue to hold meetings and ensure that most problems are sorted out, the official said.

Japan is India's 12th largest trade partner accounting for $12.77 billion of imports and $4.86 billion of exports in 2018-19.

Source: thehindubusinessline.com– May 18, 2020

HOME

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Covid-19: Tirupur expects $500 million additional revenue from mask exports

Tirupur garment\knitwear cluster is upbeat on the directorate general of foreign trade's (DGFT's) Saturday decision to allow export of non-medical, non-surgical masks. India's largest garment hub expects an additional revenue generation of anywhere between $500 million and $1 billion annually going forward as wearing mask is set to become a universal norm globally, following the Covid-19 pandemic attack.

Infusing cheer into the industry, the government has allowed the exports of non-medical and non-surgical masks of cotton, silk, wool and knitted while continuing to prohibit all other types such as N-95 and surgical masks. The Tirupur Exporters' Association (TEA) has been pressing the Union textile and commerce ministries to allow mask exports for a few months.

TEA president Raja M Shanmugham said: "We are happy to have been allowed to export the non-surgial and non-medical masks, which came at a time when the garment industry is under stress with the exports due to Covid-19 across the world. We have been getting enquiries for masks for some time now but could not do so as the government prohibited export of such masks till Saturday. The decision to allow not only brought immense prospects to the textile industry but also will help generate additional revenue for the 1,500-odd export units."

"We (the cluster) are expecting an additional revenue generation to the tune of $500 million in the immediate future, and has the potential to generate $1 billion over the next few years as the world, particularly the US and the European Union will witness `new normal' going forward. Even countries across the world have started demanding masks for their regular usage.

Even big retail customers of Tirupur have already made enquiries for sampling masks and all the units here will start sending samples soon and then comes the order for exports," Shanmugham said.

He said: "Interestingly, majority of the buyers are expected to source masks in design and fabrics to match that of readymade garments. It's going to be a colourful and a permanent export opportunity for Tirupur cluster, at least for next few years."

According to TEA president, hundreds of MSME units, engaged in garment exports, are set to benefit immensely, which, in turn, will help the adjacencies (ancillary units). All these units have been making masks and PPEs in lakhs for domestic purposes over the last two months and with the export opportunity, they look forward to a great future, he said adding, "A new prospect has come to the cluster in the form of exports."

Source: financialexpress.com – May 19, 2020

HOME

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COVID-19 crisis: A threat to global value chains?

A backlash to Global Value Chains (GVCs) seems imminent in the aftermath of Covid-19. There is an emerging view that global integration and dependence on GVCs have made countries more vulnerable to the spread of the disease and to the supply shocks arising from curbs on trade and travel. There are statements that had countries been more self-reliant, they would have been more resilient.v

The Covid-19 crisis has certainly exposed the risks of overdependence on a particular country for procurement of raw materials. Even when the virus was limited only to Wuhan, the supply of Active Pharmaceutical Ingredient (API) had become a cause of concern for the Indian pharmaceuticals industry. When the virus started spreading to other countries, including India, heavy dependence on China for personal protective equipment and testing kits affected their ability to test their populations to contain the spread of virus.

It is ironical that the very country where this crisis originated has also become the main source country for the essential supplies needed to control the pandemic. It, thus, seems justified to question the unbridled enthusiasm with GVCs and globalisation that prevailed till recently.

But would this be the right response? Would countries have fared better in terms of growth, employment and poverty alleviation had they taken the path of self-reliance instead of allowing the principles of competitive advantage to play out through trade and investment? India's experience before 1991 with a more insulated economy certainly does not suggest so. On the contrary, the World Development Report 2019 has noted that regions having active participation in GVCs have seen faster reduction in poverty.

It would not be correct to fault GVCs and dependence on trade for the failure of nations to provide for their health sectors or for the economic impact of this pandemic. A country's ability to withstand this crisis due to a lower degree of integration should also not be seen as an endorsement of insulation. In this context, there are three important lessons from this crisis.

First, excessive dependence on any particular country in a GVC is not desirable. China's current dominance in global manufacturing value chains and the constraints this poses for other countries during this pandemic highlights the problem. Even large countries like the US and India, which have domestic manufacturing capabilities, are prone to disruptions in the supply chain as they rely on getting parts and intermediates from other countries.

But this does not mean that countries should create entire forward and backward linkages domestically as it would not be feasible or cost-effective. Instead, the need is to distribute activities across more countries in GVCs. The scope of activities should also be widened where possible at different nodes in these GVCs, as a risk-mitigation strategy. This means trading-off scale economies by involving more players in the value chain with economies of scope, or 'glocalisation', i.e. mixing dispersion and local integration strategically.

The second lesson is the importance of domestic preparedness and capacity. Any dispersion strategy is contingent on countries having the capacity to act as additional nodes and engaging in more parts of the value chain. This, in turn, is dependent on their policy and regulatory environment. Countries that invest in infrastructure, skills, standards, ease of doing business and social protection will not only have the capacity to benefit from GVCs, but will also be better placed in times of crisis like the current pandemic.

Third, international coordination, strong multilateral institutions and collective leadership will be even more important in the future. Instead of withdrawing from institutions, the need of the hour is to improve their capacity and to give them more teeth in obliging member nations to abide by existing rules.

There is also a need to address unfair and non-transparent trade and investment practices and hidden barriers that distort the outcomes of integration and create an uneven playing field. International platforms such as the G20 summits, international development agencies and institutions such as the WHO and the WTO must put greater thrust on playing by the rules of the game.

The current crisis, in part, reflects the failure to address these issues. Unfortunately, when such enlightened leadership and coordination is most needed, the world seems to be moving in the other direction.

In short, the Covid-19 pandemic is a wake-up call for governments, the private sector and international institutions to shape the future course of global trade and GVCs. The policy question at this juncture is not about whether countries should integrate or not into GVCs, but rather about the kind of global integration they should pursue.

How can they calibrate their liberalisation strategies and GVC participation to ensure the desired benefits? How should they support external sector policies with appropriate domestic policies and preparedness to reduce the adverse impact of an external shock such as the current crisis?

The pandemic also poses questions to transnational firms about how much dependence on GVCs as opposed to localisation is desirable and what kinds of GVCs they should build or be a part of in the future.

This crisis should not result in thoughtless reaction. If it was thoughtless globalisation in the past, it shouldn't be thoughtless localisation now. The risk, however, is that in a post Covid-19 world the discourse on globalisation and GVCs might just get shaped in a black and white manner.

Source: financialexpress.com – May 18, 2020

HOME

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Economic package has nothing for industry: Retailers

More money should have been put in the hands of consumers to keep demand intact, especially as job losses are imminent, said retailers of apparel, phones, footwear and accessories

The Centre's economic package to cushion the impact of the pandemic has done little to bail out the retail sector that employs millions, said retailers.

More money should have been put in the hands of consumers to keep demand intact, especially as job losses are imminent, said retailers of apparel, phones, footwear and accessories.

Retailers, except those selling essential products, have seen their businesses suffer as a prolonged lockdown has led to countrywide store closures. The retail sector employs 40-50 million people directly, according to estimates by the Retailers Association of India (RAI).

"The simple answer is no, what they announced had nothing to do with our industry. For the stimulus to have any impact, it will take at least 1 to 2 years for all these policies to pave the way for any demand creation.

Apart from reduction in EPF contribution and other small measures there has been no direct support to our industry," said Sanjay Vakharia, chief executive officer, Spykar Lifestyles, which sells apparel.

"We are very disappointed with the government. ..We were hoping that they will allow at least 50% area of the malls to reopen," said Amitabh Taneja, chairman, Shopping Centres Association of India (SCAI).

Source: hindustantimes.com – May 18, 2020

HOME

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Gurgaon apparel units make PPE kits for government agencies

City-based apparel manufacturers and exporters have turned to producing protective equipment (PPE) kits for government agencies due to the lack of fresh garment orders from offshore clients. Around 25,000 kits are being manufactured daily in Gurgaon, most of which are supplied to municipal corporations in the state, as well as other agencies.

Lalit Gulati, chairman of Modelama Export Pvt Ltd, which is manufacturing around 8,000 PPE kits daily at its Udyog Vihar and Manesar units, said the Centre organised a programme last month to educate them about the technology required and opportunities in manufacturing PPE kits through the Apparel Export Promotion Council (AEPC). “We had the required infrastructure and only needed machines for sealing of kits,” Gulati said, adding that they ordered machines from abroad and started producing protective gear.

“After carrying out tests, government agencies notified the particular type of textile to be used for manufacturing one-time and re-usable PPE kits. It was already available for use,” Modelama director Arvind Rai said.

Rai said they are not getting any orders from abroad and are completing pending orders for now along with manufacturing PPE kits, which they believe are going to be in demand for a long time. “We can manufacture a large number of PPE kits. Though the government has banned their export at present, we hope the ban will be lifted in the coming months. PPE kits manufactured in India are much cheaper in the global market,” he said.

Vedanta Limited, a leading oil, gas and metals company, has imported 23 sealing machines in collaboration with the Union ministry of textiles. It has teamed up with authorised apparel units from Gurgaon to roll out over 5,000 PPE kits per day.

AEPC chairman Dr A Sakthivel said they conducted their first webinar on the technology and machinery used for manufacturing PPE kits during Lockdown 2.0, for which around 2,000 people registered. Soon, companies airlifted sealing machines from South Korea, Italy and China. Now, nearly 200 manufacturing units across the country are making PPE kits and another 500-600 units are producing masks, he said.

At present, PPE kits are manufactured on orders by government agencies. They are expected to be available in the domestic market for the public in coming days. “Marketing of PPE kits was not allowed. After approval from the government three days ago, we have come up with guidelines for domestic marketing of PPE kits, and they will be available in the coming days,” said Sakthivel.

“In another three months, India is expected to get orders for PPE kits and masks worth US$ 1billion,” he added.

Source: timesofindia.com – May 19, 2020

HOME

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Extend moratorium on term loan instalments: TEA

The Tiruppur Exorters’ Association (TEA) today requested Prime Minister Narendra Modi to extend the Reserve Bank of India’s three-month moratorium on payment of instalments on term loans as no industrial activity occurred till May 6. The moratorium was announced by finance minister Nirmala Sitharaman in on March 24 and will expire on May 31.

TEA president Raja M Shanmugham, in a letter to the prime minister, requested for extension of moratorium for another nine months for micro, small and medium enterprises (MSMEs) and another three to six months for non-MSMEs (not big corporations).

TEA’s is concerned that the moratorium will expire on May 31 and repayment will commence by June 1, including the compounded interest calculated for the moratorium period.

Leading global retail stores would reopen only from June and place orders gradually, that too in an incremental manner, he wrote. Without any activity, the MSMEs cannot repay the interest and principal, and TEA feels the revival of MSMEs will occur only after six months.

A one-time ‘restructuring of debt’ option should also be made available to those in need, TEA said. This restructuring should not result in an asset downgrade, resulting in the units classified as non-performing assets; rather this should be announced as a ‘hand holding’ opportunity to the otherwise performing units stressed due to the COVID19 crisis, the TEA letter added.

Source: fibre2fashion.com – May 18, 2020

HOME

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Govt withdraws order on compulsory wage payment by firms during lockdown

In what may come as a major relief to businesses, the Union government has withdrawn its order directing employers to pay wages to workers, even with units remaining shut during lockdown.

On Sunday, the Ministry of Home Affairs (MHA) had issued a fresh set of guidelines which will be applicable from Monday. It has repealed the order dated March 29, 2020 which had talked about compulsory wage payment to workers during lockdown.

"Save as otherwise provided in the guidelines annexed to this order, all order issued by the NEC [national executive committee] under Section 10(2)(I) of the Disaster Management (DM) Act, 2005, shall cease to have effect from 18.05.2020."

The annexure attached to the order mentions six sets of standard operating procedures – mostly related to movement of persons – that will continue to remain in force. But it does not include the March 29 order.

The MHA had on March 29 issued an order under Section 10(2)(I) of the DM Act asking all employers to pay wages to workers on due date without any deduction even if the establishment was closed during the lockdown period.

"All employers, be it in the industry or in the shops and commercial establishments, shall make payment of wages of their workers, at their workplaces, on the due date, without any deduction, for the period their establishments are under closure during the lockdown," the March 29 order had said.

Over the past few days, the industry had petitioned the government to withdraw its order on compulsory wage payment as they were themselves facing cash crunch issues. Some industrial bodies had also asked the government to foot the wage bills of companies through payment of grants but it was not agreed to due to fiscal constraints.

The constitutional validity of the government's order on wages was challenged by several companies who had moved the Supreme Court. On Friday, the apex court asked the government not to take any coercive action against private companies who were unable to pay wages to workers. The SC was to hear the petition this week. The court, terming it as an "omnibus order", had asked the government to re-examine it.

The trade union leaders have criticised the government's step to withdraw the order. "The order for lockdown 4.0, by a slight of hand, allows employers to get away without paying wages during the lockdown. So no payment of wages and no wage subsidy just where do workers go? Who is responsible for a worker in a containment or red zone or for that matter even in an orange or green zone where full public transport has not been resumed?" Gautam Mody, General Secretary, New Trade Union Initiative said.

But employers have welcome the step, saying it was absolutely necessary especially in absence of grants from the government to the industry towards wage payment. "We have to work on the principles of 'no work no pay'. Our opinion is that organisations should be considerate towards employees and in a difficult situation like this, minimum sustenance pay should be given but where will they get the income to pay? In many countries, the government have shared the wage bill but it didn't happen in India," M.S. Unnikrishnan, chairman of Confederation of Indian Industry's committee for industrial relations said.

In its petition to the SC, Nagareeka Exports Limited had said that the payment of full salary to workers during the lockdown period when production was zero or "very minimal" would lead to closure of many micro, small and medium scale enterprises and "permanent unemployment of many people, directly affecting the economy."

Before the MHA's March 29 directive, the labour and employment ministry had issued multiple advisories to the industry to not lay-off or retrench workers during the lockdown and asking them to deter from deducting wages. Notably, the MHA order, which was issued under the DM Act, had said the state governments have to issue their separate orders to implement the diktat. Any contravention of the order was punishable under the DM Act.

Source: business-standard.com– May 18, 2020

HOME

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Footwear, textiles, pharma, electronics in Centre's list of sectors to push self reliance

Prime Minister Narendra Modi's push for self-reliance last week has brought back the government's focus on improving quality and increasing production in sectors like footwear, capital goods, textiles, pharmaceuticals and electronics. The government, which identified these industries and several others as having "unnecessary" imports, plans to improve the quality of domestically made products and discourage these imports "as fast as possible".

"There are areas where India can get that strength (of self reliance) because of a lot of natural factors. There are certain sectors which have been identified by various ministries where there are a lot of unnecessary imports, where India can manufacture itself," said Department for Promotion of Industry and Internal Trade (DPIIT) Secretary Guruprasad Mohapatra.

"We have to emphasise Indian production of a certain scale, certain quality and certain standards. Then only can your product match up to the best in the world," he said. Footwear and non footwear leather, furniture, gems and jewellery, capital goods and machinery, mobile and electronics, pharmaceuticals, textiles, garments and manmade fibres are some of the sectors where India has a natural advantage and potential to be a strength for the country, said Mohapatra. "Those are the areas we will be focussing on," he said. This can be done through discouraging activities like imports and providing more incentives, focus and handholding for these sectors.

As per data by the Commerce Ministry, India imported $467.2 billion worth of commodities between April and March 2019-2020. India also imported electronic goods worth $54.5 billion and medicinal or pharmaceutical products worth $6.7 billion.

In crucial sectors like pharmaceuticals, industry executives previously told The Indian Express that India used to be self-sufficient in producing the key bulk drug ingredients used to make important medicines in the country around 30 years ago. However, the ability of Chinese manufacturers to provide these bulk drugs at a cheaper rate to drug makers led to several units here shutting shop.

"In the last two years, there have been incentive policies for sectors like medical devices, for APIs and for electronics. We want leadership status in sectors where we have an advantage," said Mohapatra.

"The bottom line is that you have to create conditions for domestic producers to manufacture efficiently so that they can be competitive. This is possible only through a well articulated industrial policy framework that provides at least a medium-term perspective for the manufacturing sector. The government has been promising an industrial policy for the past three years, but it has still to see the light of the day," said Biswajit Dhar, professor at JNU's Centre for Economic Studies and Planning.

Source: indianexpress.com – May 18, 2020

HOME

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Covid-19: Traders let down by exclusion, reconsider economic package, CAIT to Centre

Covid-19 stimulus package: Industry body CAIT has urged the government to reconsider the economic package and announce measures to support traders, saying the community feels let down for exclusion from the Rs 20 lakh crore stimulus to aid the economy reeling from the COVID-19 crisis.

However, the Confederation of All India Traders (CAIT), which has 40,000 trade associations and seven crore members across India, said the trading community will continue to fulfil its obligations towards the nation during the coronavirus pandemic.

The traders' body "resented with deep regret" that one of the largest and most committed segments of the trading community has not found a place in the wide-reaching announcements of the economic package, according to a statement.

CAIT has shot off a communication to Finance Minister Nirmala Sitharaman, requesting her to reconsider the economic package. It has sent similar communication to Union Home Minister Amit Shah, Defence

Minister Rajnath Singh, Commerce Minister Piyush Goyal and Textile Minister Smriti Irani.

CAIT's Delhi NCR unit convenor Sushil Kumar Jain lamented that while announcing the economic package, the government has "ignored" the traders."The trading community is deeply agitated and having gross resentment for its exclusion from the economic package at a time when it was direly needed since traders of the country will be forced to face serious challenges of financial crisis," Jain said.

"The traders of India have stood firmly with the government and the people of India in these troubled times to ensure continuous supply of essential commodities so that every citizen had substantial supplies during lockdown," he said.

"The traders feel that the government has let them down, by non- inclusion in the much awaited economic package," he added.CAIT said seven crore traders in the country are carrying out business activities in urban, rural and semi rural areas, and many of them with very limited resources and fear being hit by the lockdown further.

"It is reiterated that at the time of lifting of lockdown, the traders will have to meet various financial obligations like payment of salary to employees, payment of GST, income tax and other government payment, EMIs, bank interest on loans taken by the traders and various other incidental expenses," the traders' body said.

"On the other hand, normal credit extended by traders in B2B transactions will likely accrue back not before 60-75 days from the day of opening the markets. All such circumstances will land the traders in turbulent time of financial crisis," according to CAIT.

It is expected that in absence of any hand-holding of the traders, about 20 per cent marginal traders will have no other option but to close down their business establishments and rest of the traders will have to do great struggle for reviving their businesses, it said.

Source: financialexpress.com – May 18, 2020

HOME

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NCGTC likely to offer credit guarantee for Rs 3 lakh cr loan scheme for MSMEs

State-owned National Credit Guarantee Trustee Company Ltd (NCGTC) may provide credit guarantee to the proposed Rs 3-lakh crore loan scheme for MSMEs, announced as part of Rs 21 lakh crore economic package to perk up the economy reeling under COVID-19 crisis.

The announcement of Rs 3 lakh crore collateral-free loans for small businesses is the biggest component of the comprehensive economic package after Rs 8 lakh crore liquidity infusion measures put together since February.

NCGTC is likely to provide 100 per cent guarantee to loans to be given to more than 45 lakh micro, small and medium enterprises (MSMEs), a senior official of a public sector bank told PTI.

The Mumbai-based company was incorporated under the Indian Companies Act, 1956 on March 28, 2014 with a paid-up capital of Rs 10 crore.
Currently, the company provides credit guarantee to six schemes of the government, including Standup India. The scheme will be offered by banks at an attractive rate of 9.25 per cent, the official said.

Currently, the rate of interest on loans given by banks to the MSME sector varies from Rs 9.5 per cent to 17 per cent, depending on the risk perception.

At the same time, the official said, interest rate will be capped at 14 per cent for the loans provided by non-banking finance companies (NBFCs).

After approval from the government, the scheme is expected to be launched later during the week.

To provide relief to the small business, Finance Minister Nirmala Sitharaman on May 13 as part of first tranche of Rs 20 lakh crore comprehensive economic package announced an additional working capital finance of 20 per cent of the outstanding credit as on February 29, 2020, in the form of a term loan at a concessional rate of interest will be provided.

This will be available to units with up to Rs 25 crore outstanding and turnover of up to Rs 100 crore whose accounts are standard.

Under the scheme, loans will have a 4 year tenor with moratorium of 12 months on the principal repayment.
The last date for availing the scheme has been fixed as October 31, 2020.

MSME sector is considered as the backbone of the country's economy as the sector contributes over 28 per cent of the GDP and more than 40 per cent of exports, while creating employment for about 11 crore people, second highest after agriculture.

Other schemes to help the stressed MSME sector also included Rs 20,000 crore subordinate debt for stressed or loan defaulting MSMEs, which could benefit 2 lakh such businesses.

A fund of funds for MSME is also being created, which will infuse Rs 50,000 crore equity in MSMEs with growth potential.

The government also changed the definition of MSMEs to allow units with higher investment as well as introduced turnover criteria to allow more companies to remain small businesses to get fiscal and other benefits.
Also, to help them get more business, global tenders for government procurement for up to Rs 200 crore will be barred.

Source: financialexpress.com – May 18, 2020

HOME

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CBIC amends rules to disallow transitional credit claims retrospectively

"The Central Government hereby appoints the 18th day of May, 2020, as the date on which the provisions of Section 128 of the Finance Act, 2020, shall come into force," the notification issued on Saturday said.

The Central Board of Indirect Taxes and Customs (CBIC) notified retrospective amendments to section 140 of CGST Act, granting it power to prescribe a time limit for availing transitioning credit – the credit from pre-goods and services tax (GST) regime which was moved to the GST regime as input tax credit from July 1, 2017.

"The Central Government hereby appoints the 18th day of May, 2020, as the date on which the provisions of Section 128 of the Finance Act, 2020, shall come into force," the notification issued on Saturday said.

The notification could well negate the benefit granted by the Delhi High Court to all assessees of availing pending input tax credit till June 30, 2020, through an order passed on May 5. The High Court had ruled that time limit for transitional credit was only 'directory' in nature and not 'mandatory', allowed a three year time limit from July 1, 2017 to claim the credits.

"Tax benefit given by Delhi High Court to all the taxpayers in the landmark case would now have a restricted application, post retroactive amendment of transitional provisions," said Rajat Mohan, senior partner at AMRG Associates.

Aggrieved taxpayers who were unable to claim the transitional credit would have to approach the judiciary once again for a fresh interpretation of new law, he added. The revenue department is likely to appeal against the Delhi HC order.

"Litigation on other grounds of credit being substantive right and procedural timelines or lapses cannot restrict a company to claim the credit and as well overall Limitation Act being applicable to such cases will continue to be played," said Jigar Doshi, founding partner at tax technology firm TMSL.

Source: economictimes.com – May 17, 2020

HOME

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Explained: Gujarat's Aatmanirbhar small loans scheme for the self-employed

Gujarat Chief Minister Vijay Rupani has announced a "Aatmanirbhar Gujarat Sahay Yojana" that offers a loan of up to Rs 1 lakh for a period of three years to small entrepreneurs and self-employed workers such as electricians, plumbers, and carpenters.

The scheme also aims to cover domestic helps, vegetable vendors, construction workers, and others who have lost their incomes in the Covid-19 lockdown.

Applicants to the scheme will need guarantors to help push their case before credit societies and urban and district cooperative banks that will hand out Rs 5,000 crore worth of collateral-free loans. They will also need to be aware of the penalties in case of a default.

How will the Aatmanirbhar Gujarat Sahay Yojana work?

A total 260 urban cooperative banks, 18 district cooperative banks, and 6,500 credit cooperative societies registered under the Gujarat Cooperative Act will provide collateral-free loans at an interest rate of 2 per cent to successful applicants.

The state government will bear the cost of an additional 6 per cent interest on the "unsecured loans", which will have a moratorium of six months during which the applicant will not have to pay either the interest or the principal amount.

The loans will, however, need to be paid back in equal instalments over the following 30 months.

Any self employed person or entrepreneur can apply.

"The scheme is applicable to any conceivable business, provided the person falls under the category of a small trader, shopkeeper or self employed workmen. It is meant to arm them with working capital after their business was stalled for two or three months," Manish Bhardwaj, Secretary, Animal Husbandry, Fisheries and Cooperation, said.
According to an illustrative list, rickshaw drivers, tractor repairers, plumbers, electricians, masons, fabricators, housemaids, dhobis, handcart owners, pastiwalas, painters, tea kiosk owners, sweetshop owners, cooks, tailors, cobblers, etc. can apply for a loan.
When will the scheme be rolled out?

The scheme will begin on May 21, and the lending agencies will accept applications until August 31. The banks and credit societies have been asked to finish all disbursements by November 15, 2020.

The disbursements of the loans have been left to the banks, which can accept or reject an application depending on the repayment capabilities of the applicant.

"The banks have been given full freedom to decide on the applications. Suppose two barbers apply. One has a small shop and the other has a bigger one. The banks can give a loan of Rs 25,000 to one and Rs 1 lakh to the other, depending on their assessment of each person's capacity to repay," Bharadwaj said. The scheme also applies to those who have branded franchises.

What details and documents must an applicant supply?

The application form asks for the "purpose of loan", apart from family income and monthly expenses, and details of existing loans. Applicants have to also provide "two guarantors" along with the details of their incomes.

Along with the application form, an affidavit, an acceptance letter of having taken a loan, a demand promissory note, and a loan agreement needs to be submitted.

Other documents needed include a letter from the concerned association regarding self-employment (for instance, if a barber seeks a loan, then a letter from the local association of barbers will be considered valid), documents to prove that the applicant was self-employed as on January 1, 2020, copy of the Aadhaar of the applicant and all members of his/her family, copy of PAN or Form-60, and copy of ration card.

No property needs to be mortgaged to avail the loan. However, the banks will make their assessment, and fill in the applicant's KYC (Know Your Customer) details.

According to officials, housemaids or cleaners can attach a letter of reference from their employers. A carpenter or a barber can get a letter from the local association, which will help the banks make an assessment of the applicant.

What if an applicant has a pending loan in the same/any other bank?

Officials say the existence of a continuing loan will not be a disqualification as long as the applicant is not a defaulter. The conditions listed for the loan state the applicant should "not have an overdue loan in this bank or any other banks".

What happens if the applicant fails to repay the loan under this scheme?

The loan becomes an NPA in case of default in repayment. The applicant must submit an affidavit agreeing to pay 8 per cent interest on the outstanding balance immediately if any detail in the application is found to be incorrect. The bank will have the right to take legal action against the applicant, at the cost of the applicant or the guarantor.

The applicant has to submit five cheques as “loan security”. The applicant will enjoy the discounted interest rate (of 6 per cent) only if regular EMIs are paid.

A “penalty interest” of 3 per cent will be charged if the applicant is unable to return the loan amount. This interest will be charged from the date of default. In such a case, the bank will continue to own any instrument or equipment bought with the loaned sum.

How will the government keep a tab on repayments?

A state-level monitoring committee headed by Additional Chief Secretary, Finance, will conduct a periodic review of the scheme, and will keep a watch on the performance of each bank which is part of the scheme. It will also keep a tab on NPAs.

Does the applicant need to be a member of a credit society? Is there a cap on lending beyond Rs 5,000 crore?

Currently, cooperative banks have been mandated to extend loans up to 10 per cent of their total assets. “The state government is in the process of sending a proposal to the Reserve Bank of India (RBI) through the Union Finance Ministry to allow banks the freedom to lend up to 20 per cent of their total assets. That will increase the kitty available with banks,” Bhardwaj said.

“Also, cooperative banks and societies can lend money only to their members. All applicants will not be members, so we are asking them to be made nominal members. Applicants will be made nominal members (who do not have voting rights) free of cost. But the urban and cooperative banks cannot have more than 20 per cent nominal members. So we are writing to the Government of India to extend this cap of nominal members to 40 per cent for this year, so that more number of people get benefitted," the official said.

How much will the Gujarat government pay to the lending agencies during the three-year period?

Apart from the 2 per cent interest that an applicant pays on the loan, the Gujarat government will reimburse the 6 per cent interest on a quarterly basis (generally it is done annually) to the lending agencies. The government estimates the payout to the lending agencies to be over Rs 400 crore during this three-year period.

The state government will also give a one-time, 2 per cent (of the loans extended) incentive to the banks and societies for extending the loan, doing the paperwork and due diligence as per RBI norms, and regular follow-ups.

Source: indianexpress.com – May 18, 2020

HOME

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