US 76.90 | EUR 83.40 | GBP 94.48 | JPY 0.71

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INTERNATIONAL NEWS

China cotton consumption and stock assessment in Mar, 2020

In Mar, more downstream plants resume operation. Despite of export order cancellation in mid-Mar, plants have not curtail production or suspended operation immediately. Operating rate climbed up overall compared to previous month, and cotton consumption also increased. However, affected by the coronavirus pandemic, cotton consumption remained lower compared to the same period of last year. For stocks, ginners in Xinjiang have restarted production gradually from early Mar, and ginning volumes of new cotton increased from Feb, so the social cotton stocks moved up. But with the falling cotton prices, market players were willing to sell the cotton to the government, so the stocks in state warehouses increased, and the yearly growth of social stocks narrowed compared to previous month.

<table>
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<th>China cotton supply and demand</th>
<th>Jan-Feb, 2020</th>
<th>Mar, 2020*</th>
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<tr>
<td>Beginning stock (social stock)</td>
<td>6543</td>
<td>6404</td>
</tr>
<tr>
<td>Output</td>
<td>373</td>
<td>87</td>
</tr>
<tr>
<td>Import</td>
<td>412</td>
<td>120</td>
</tr>
<tr>
<td>Export</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Cotton reserves</td>
<td>127</td>
<td>208</td>
</tr>
<tr>
<td>Consumption</td>
<td>796</td>
<td>612</td>
</tr>
<tr>
<td>Ending stock (social stock)</td>
<td>6404</td>
<td>5790</td>
</tr>
</tbody>
</table>

Note: 1. output: the current month of ginning volumes in Xinjiang and inland
2. Import: including cleared cotton and bonded cotton
3. Social cotton stocks exclude the reserved cotton stocks

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<th>China social cotton stock assessment</th>
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<tr>
<td>KT</td>
</tr>
<tr>
<td>2016/17</td>
</tr>
<tr>
<td>2017/18</td>
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<td>2018/19</td>
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<td>2019/20</td>
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www.texprocil.org
1. China cotton consumption assessment

The resumption of cotton yarn mills, the largest cotton consumer, continued to improve in Mar. From mid-Mar, cancellation in textile and apparel export orders was seen, but not many cotton yarn mills suspended operation or cut production immediately, and most of them could maintain the operation. But affected by the pandemic, consumption of cotton has reduced much year on year. According to CCFGroup, China cotton consumption is assessed at 612kt in Mar, up 83.7% month on month, but down 16.7% year on year. In the first quarter of 2020, cotton consumption is assessed at 1.408 million tons, a fall of 27.5% year on year. In 2019/20 season (from Sep 2019 to Mar 2020), cotton consumption is assessed at 4.182 million tons, down 14.5% year on year.

2. China cotton stock assessment

New cotton output: ginning factories in Xinjiang and inland have not restarted work basically in Feb, and ginning volumes are supposed to be around 14kt. From early Mar, ginners in Xinjiang began to resume operation successively, and ginning volumes of new cotton increased obviously from previous month, while operating rate in inland remained very low as growers in inland were unwilling to sell seed cotton with falling cotton prices. In Mar, new cotton ginning volumes are assessed at 87kt.

State cotton reserves: from Mar 1 to Mar 31, 208kt of new cotton was reserved into state warehouses, so this part of volumes was deducted among the all social stocks.
Import volume assessment: in Mar, the arrived imported cotton was mainly procured during Dec 2019 and Jan 2020, and during this period, there was no impact of the coronavirus pandemic, and defaults were rarely to see.

Volumes of Brazilian and Indian cotton remained large in Mar. But from Sep 2019, the domestic cotton prices were almost lower than international cotton, so the monthly import volumes were lower from last season. In Mar, cotton imports may reach 120kt, down 19% year on year.
In general, China social cotton stocks are supposed to be 5.79 million tons by end Mar, down 9.6% month on month, and up 11.9% year on year. (The data may have slight correction later.) The industrial stocks are assessed at 729kt, and commercial stocks at 5.061 million tons.

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<tbody>
<tr>
<td>Industrial stock</td>
<td>729</td>
<td>705</td>
<td>815</td>
<td>24</td>
<td>-86</td>
</tr>
<tr>
<td>Commercial stock</td>
<td>5061</td>
<td>5699</td>
<td>4361</td>
<td>-638</td>
<td>701</td>
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<tr>
<td>Social stock</td>
<td>5790</td>
<td>6404</td>
<td>5176</td>
<td>-614</td>
<td>615</td>
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Social cotton stocks are slightly higher in Mar compared with Feb. Operating rate of spinning mills climbed up in Mar. In the first half month of Mar, mills mainly concluded the pre-holiday orders and yarn sales were tolerable.

So with low cotton prices, mills increased the feedstock procurement slightly. Later, with the order cancellation and weaker yarn sales, mills began to cut feedstock inventory, but the cotton procured previously needed time to be digested.

Source: ccfgroup.com - Apr 20, 2020
USA: Trade Show Organizers Consider Plan B Options, Expect to Scale Back

Calendars that would ordinarily be filled with flight times and trade show meetings are being rebooked with Zoom calls and digital events as companies scramble to stay connected with clients during the coronavirus crisis.

No industry knows this better than the trade shows—a sector that has been responsible for building community and fostering business. With most organizers being forced to cancel or postpone their events for the first half of the year, the industry is working to rewrite the playbook of how they can maintain that sense of community in an economical, safe and effective way.

In a recent roundtable hosted by trend forecasting firm Fashion Snoops, executives from global fashion, home and beauty trade show organizations shared the steps they are taking to stay plugged into the industries they serve and how the trade show landscape may change in the near future.

Lost summer

Last week Informa, the organizer of fashion events like Project, Magic, Coterie and more, announced plans to consolidate its July and August New York trade shows into one marketplace Sept. 22-24, however, Kelly Helfman, president of WWD Magic, Project Women’s, MICAM Americans and Sourcing, alluded to more changes in the pipeline.

Though some states are beginning to establish plans to reopen their economies, players across the fashion supply chain may not have the product or team in place to get back to business.

“There is a hangover effect right now, so even if we’re back to business in July, I think we all feel that potentially we’re not going be ready to go to shows as soon as August,” Helfman said, referring to the Magic event scheduled to take place in Las Vegas Aug. 16-19.

Though the event is currently still on, Helfman noted that the company is monitoring and looking at plan B. “I think that in the next couple weeks we will be able to say with absolute confidence that we are postponing the event, but I’m not there today,” she said.
Likewise, Sam Ben-Avraham, owner of Liberty Fairs, which will hold its New York event during the same dates as Project in September, is doubtful about summer events.

“I really don’t see anything happening during the summer,” he said, adding that he’s uneasy about September events, too. “I really don’t believe anything is going to happen until 2021.”

In the interim, Liberty Fairs is accelerating conversations about digital opportunities. “Digital is definitely going to take a major effect in relationship between us and the customers, the buyers and brands,” Ben-Avraham said. “Hopefully by June we’ll have something in place to share with our customers.”

Pitti Immagine CEO Raffaello Napoleone is hopeful that his company can hold Pitti Uomo in Florence Sept. 2-4. The show was originally scheduled for June. The men’s wear event will focus on Spring/Summer 2021 collections, which Napoleone acknowledged feels unsettling as Spring/Summer 2020 collections are currently going unsold.

On top of that, with most of Italy’s garment manufacturing industry currently closed, Napoleone isn’t sure if brands will even have collections to present in September. “We’re trying to find a way to help our exhibitors, vendors and visitors [navigate] this very difficult moment,” he said.

Napoleone, however, remains optimistic about the role of the trade show. Pitti Uomo, he reported, has received 47 percent of its applications for the September event, primarily from small exhibitors that rely on the show to make an impactful and international statement to buyers. “They are waiting for Pitti,” he said.

**Less is more**

Trade shows need to survive the pandemic, too. As a result, Helfman said exhibitors and visitors should “expect events to be less sexy, a little less glitz and glam.”

The reality, she said, is trade shows will be looking for ways to cut costs and it will begin by eliminating big ticket expenditures like concerts and experiential activations. A trade show like Magic, she added, can spend a half a million on carpet alone.
“We too are having issues because our business is going to shrink tremendously,” Helfman said.

However, by scaling down productions, trade shows have an opportunity to be more sustainable and produce less waste—which may be anyway the more modern approach to business.

“Events will look very different,” she said. “It might look slimmer, but it’s because those things all are suddenly not very important. We’re just going to do a lot of what’s right for business and cut out the hoopla.”

Source: sourcingjournal.com - Apr 21, 2020

Opinion: Examining Textile Dynamics in the Wake of COVID-19

Supply chain changes, interruptions and the need for innovation have become reality with the COVID-19 pandemic.

With about 3 billion people in lockdown globally, the world will face a new normal. Many governments are working hard to counter the pandemic, as non-medical countermeasures such as masks, PPEs and wipes have become life-saving essentials.

A recent economic forecast by the International Monetary Fund (IMF) indicates that the global economy will squeeze by 3% this year, and the effect of this pandemic will wipe $9 trillion out of the global economy in two years.

This global phenomenon has exposed the vulnerability of nations that depend on a single country for consumer items, pharmaceuticals and other essentials. It has also exposed the weaknesses of the industrial sector that do not have long term planning, but rather focus on short term efficiencies and profits.

While the world will have a new normal, it will entail manufacturing and other sectors to have a contingency plan and a mid- to long-term vision. This scenario is of importance for the textile sector that focuses on commodity and consumer items.
The textile sector needs to seriously focus on hygiene and healthcare related products. Particularly, focusing on “functional textiles,” raw materials, machinery and processing aspects for advanced textiles will provide new opportunities. According to Morgan Stanley, China currently dominates the world in surgical masks with over 80% global share. This situation has put stress on the supply of such health-related products during the current pandemic, which will result in market shifts.

Dependence on a single country as a major supplier may not be highly efficient in future, which will provide opportunities for countries like India, Bangladesh, Vietnam, Russia and Indonesia to start diversifying into value-added textiles. Why is this important? Given that the Chinese economy has shrunk by 6.8% this quarter, high gear activities by other countries will soon prove worthy.

Serious gaps in the technologies and the availability of raw materials for advanced textiles must be identified. In the case of India, its research base in spunmelt technology and its converting sector must be enhanced. I have been articulating the need for developing the converting sector in India for more than a decade (“Tips for Growing Technical Textiles,” Indian Textile Journal, October 2011).

The need to bring a shift in the supply chain scenario is emphasized by Professor Gajanan Bhat of the Department of Textiles, Merchandising and Interiors at the University of Georgia.

“At the current situation where the supply chain must shift back to U.S., there is need for more mask production lines and meltblown nonwoven fabric production in the U.S.,” he stated.

“Whereas, it takes time to increase meltblown fabric production in the U.S. to meet increasing demand, mask production machinery can be installed much sooner and current capacities in nonwoven production may have to be diverted for the short term to increase domestic production of meltblown nonwovens.”

Industry associations can play a vital role in kickstarting the innovation engine. Inventions may be hard to come by in a short time span, but innovations which involve the combination of ideas, technologies and raw materials to meet the requirements are relatively easy to put together.
Small and medium scale enterprises (SMEs), which are the backbone of the economy these days, need to be supported with good research and development subsidies and support network. Many innovations have been happening in the SMEs such as WellGro United, which has successfully repurposed its nonwoven technology to develop filter substrates.

“Marketing support is critical to develop innovative products,” stated Nambi Srinivasan, vice president of marketing for WellGro United.

Different raw materials such as cotton and blends could be explored to develop functional materials. This needs the development of a new growth map for the textile industry.

COVID-19 has heightened the necessity of enhancing innovation and maintaining buffer efficiencies. The innovation ecosystem needs to be strengthened, relying on coordination among industry associations, academia and government agencies.

Source: cottongrower.com - Apr 21, 2020

USA: Mango Reopens 20 Stores, and All of Fashion Retail Will Be Watching

Mango has begun reopening stores, the Barcelona-based fashion group said Monday.

It’s among the first major fashion brands to re-animate stores that for weeks have been rendered useless amid the coronavirus outbreak that has rocketed around the globe.

As national lockdowns are loosened and more apparel and footwear sellers begin to think about bringing their own physical outlets back to their pre-pandemic state, many are left grappling with questions of what consumer expectations will be and whether an expected second wave of COVID-19 infections will strike. Then there’s the looming unknown of what shoppers will actually be interested in buying.

For now, with permission from local authorities, Mango has opened four stores in Austria and another 16 in The Netherlands, with all locations
undergoing continuous cleaning, limiting open times and supplying employees and customers with personal protective equipment. Later this week the Spanish retailer plans to open 16 additional Dutch shops on top of 42 in Germany. Another 27 stores will reopen in the Czech Republic, Latvia, Georgia, Cyprus and Ukraine.

The company reinstated 53 stores in countries such as China, while 62 stores across 17 countries including Finland, South Korea and Indonesia never closed. So far 135 stores are open, with another 483 set to open this month, bringing the total to 621.

**Consumers have ‘cabin fever’ but does that mean they want to hit the stores?**

Though consumer might be chomping at the bit to break out of quarantine, they might not be completely sold on the safety of public spaces.

“While cabin fever has clearly set in for most people, it is unlikely that stores and restaurants will be full of patrons immediately after the ‘all-clear’ has been given,” said Dana Telsey, founder and analyst at Telsey Advisory Group.

Because customers don’t want to worry about their health when visiting stores, retailers might want to devise an “environment where masks, hand sanitizers, capacity limits, spacing mandates, frequent cleaning, temperature checks and reduced hours of operation are the norm,” Telsey said, until a cure, vaccine or mass, rapid testing is available. She also doesn’t rule out the need for appointments and even reservations for entry to certain locations, such as events and restaurants.

Telsey said shopping centers could include machine-automated temperature checks upon entering. Retailers could instruct sales associates to sanitize dressing rooms in the presence of the consumer so that shoppers feel comfortable trying on apparel.

**‘Fresh goods,’ but when and how?**

Walter Loeb, former retail analyst and now consultant, expects stores to reopen in May or June—but in staggered waves. He predicts there will be a gradual reopening, with trial-and-error as retailers learn which locations can open, whether any store might need to be shuttered temporarily if
there’s another local uptick in COVID-19 infections, and also what kind of merchandise consumers might be looking to buy.

Most retailers are now in the process of readying their back-to-school and fall assortments, or at least those orders that either have been reduced or not fully canceled. And retailers that are planning on opening store locations later in the summer, either late August or early September, will need to see merchandise better suited for fall and early winter, Loeb said.

“Stores need to acquire fresh goods, but many may not be sure of what to buy right now or even how much to buy,” he said. Much of that uncertainty also comes from trying to figure out a timetable for store openings by region, but that can’t be done until there’s more certainty over when peak infections by state have occurred. That involves calculating projections for how long it will take for the volume of infections to taper off and whether antibody testing is ready for scale.

In addition, retailers that couldn’t cancel already produced orders will have a glut of merchandise meant for summer, along with leftover spring goods. That could see consumers taking advantage of goods at deep discount that they can still wear into early- and mid-fall. That idea of “buy now, wear now” won’t be a problem if warmer weather holds up past August and deep into September or early October.

But Loeb cautioned that if more Americans continue to work at home, they may not need to buy anything, even at extreme markdowns, if they’ve already purchased online now, and that’s presuming consumers are even willing to spend down the road, given the ongoing economic tumult.

Last week saw the number of Americans filing for first-time unemployment benefits over a four-week period exceeding 22 million, a total that’s expected to tick up further in the weeks ahead.

Source: sourcingjournal.com - Apr 21, 2020
COVID-19 Crisis Triggering Huge Losses in Textile, Apparel Sector

The coronavirus is having a devastating effect on workers and employers in all sectors and triggering massive losses in output and jobs, with textiles and apparel particularly hard-hit, the International Labor Organization said Tuesday.

In the textiles and apparel industries, the ILO said in an impact assessment that “quarantine measures have suppressed consumer demand. In Bangladesh, order cancellations have led to lost revenue of about $3 billion, affecting some 2.17 million workers.”

The agency said in Bangladesh it is estimated that “less than 20 percent of firms are able to continue paying staff wages for more than 30 days under these circumstances...”

Similarly, in Vietnam, another major apparel exporting nation, the ILO estimated 440,000 to 880,000 workers “could face reduced hours or unemployment.”

Alette van Leur, ILO director for sectoral policies, said ILO member states “are taking unprecedented measures to protect frontline workers and to lessen the impact on businesses, livelihoods and the most vulnerable...”

In particular, ILO economists note factory and retail store closures around the planet “have threatened the viability of enterprises...”

Indeed, Casper Edmonds, ILO director for manufacturing, told WWD that in a recent virtual meeting with Guy Ryder, ILO director-general, representatives from the International Apparel Federation, an employers umbrella grouping, “called for solidarity across the global supply chain.”

IAF, which represents apparel industries in about 60 countries, in a statement to Ryder said “apparel manufacturers immediately feel the economic pain of canceled orders and no new orders coming in.”

The ILO analysis notes that some major buyers have committed to “paying for all orders already in production or completed. In Bangladesh, for example, H&M, Inditex, Kiabi, (with deferred payments) and Target and VF
have committed to payment.” But it added, “many other major buyers have still not done so.”

The ILO said it has urged governments to extend social protection to all and is advising on measures “to promote employment retention, short-time work, paid leave and other subsidies.”

Some apparel-producing nations, however, have implemented a series of measures to support the apparel industry, it said.

The government in Myanmar has unveiled an initial $70 million stimulus package targeting the garment and tourism sectors, while in Sri Lanka in areas where factories have temporarily shut down under government orders, workers are entitled to paid leave.

Meanwhile, in Cambodia, the ILO said the government has issued instructions that “suspended workers can receive 40 percent of their salary from their employer and an additional 20 percent from the government.” Moreover, Cambodia, it said, has also “suspended National Social Security Fund contributions for garment and textile factories affected by a shortage of raw materials due to COVID-19.”

Finally, the ILO said as part of the ILO-International Finance Corporation Better Work Program, a task force was created in Bangladesh with the Bangladesh Garment Manufacturers and Exporters Association, interested buyers and U.N. entities to support the production of level one personal protective equipment in order to address the urgent needs and build capacity for future investments in higher-level PPE production.

Source: wwd.com - Apr 21, 2020
World still needs China manufacturing might despite COVID-19

Though the first quarter data released by China recently indicates considerable pain inflicted by COVID-19 on the country’s trade but it also highlights an increasingly diversified external market for Chinese products, with the Association of Southeast Asian Nations (ASEAN) becoming China’s largest trading partner and trade with markets along the Belt and Road Initiative (BRI) steadily rising.

US emerges biggest winner and loser

The data reveals, the US has become both the biggest winner and loser in trade with China. While exports to China sky rocketed, those still facing hefty tariffs, are feeling the pain. As Gao Lingyun, an expert at the Chinese Academy of Social Sciences told the Global Times, there are two points to take away from this data: one, China has been implementing the phase one trade agreement as planned; two, the pandemic and remaining tariffs have caused major losses in bilateral trade.

While losses caused by the pandemic are out of control, tariffs are a man-made issue that should be addressed. Last month, more than 100 US businesses wrote to Trump urging him to suspend tariffs on Chinese-made goods and global steel imports, which according to them, could boost the US economy by $75 billion.

Such faltering domestic support for Trump in the trade war, coupled with improving signs for China’s trade over the past three months sees Trump at a disadvantage in talks for a phase two agreement.

Diversifying markets add to China’s advantage

Also putting China in a more favorable place is increasingly diversifying export market in the first quarter; the ASEAN region overtook the EU as China’s largest trading partner, with bilateral trade volume rising 6.1 per cent to 991.34 billion Yuan.

Trade within ASEAN, China, Japan and South Korean, plus India, Australia and New Zealand, is bigger than that of other regions.
Apart from their geographically close proximity, major players in the region have continued to boost integration in recent years, though internal disagreements remain. China has free trade agreements with many of them, including ASEAN, Australia and New Zealand, with more underway, including -- the Regional Comprehensive Economic Partnership, or RCEP.

In wake of the coronavirus pandemic, some in the region are eyeing even closer cooperation. Chinese Premier Li Keqiang called for joint efforts to revive economic development and push for regional economic integration, including reducing tariffs and removing trade barriers. Chinese According to him, if the countries join hands, they could not only be able to effectively stop the virus from returning to the region but also lead the global economy to recovery.

**Machinery, textile exports drop**

In the first quarter, Chinese trade with countries along the BRI grew by 3.2 percent, 9.6 percentage points higher than the pace of overall growth. Still, the COVID-19 pandemic has proven to be extremely painful for many Chinese sectors, including machinery, electronics and textiles.

In the first quarter, export of machinery and electronics, which account for nearly 60 percent of China's total exports, dropped 11.5 percent, while export of textiles, garments and other labor-intensive sectors fell 15.3 percent.

The sharp losses were caused by weeks of closures due to the epidemic, but the fast pace of work resumption and a slew of policy support measures have already lifted exports in the last month of the quarter, according to Ming Ming, Chief Macroeconomic and Fixed-income Analyst at CITIC Securities.

Behind this rebound is an emerging reality that the world still needs China's manufacturing sector despite a few Western officials urging companies to relocate their production outside of China.

Source: fashionatingworld.com- Apr 21, 2020
Gucci to reopen Italian facility

After being hit by the COVID-19 pandemic, Gucci has announced plans to reopen its Italian facility to start working on prototyping of new merchandise. They have established a deal with Italian health officials to constantly monitor safety measures for all workers that will be working at the facility.

Italian government is yet to announce plans to end the lockdown; however many suspect that the peak period of the pandemic has passed and the spread of the virus will come to a decline in the coming months.

Gucci was one of the first companies to start manufacturing protective equipment for Italian health authorities and continues to manufacture them while working on employing only 10 per cent of workers at the manufacturing units.

Some of the safety measures that Gucci has agreed to abide by are shorter shifts, constant checking of employee temperatures and allotment of a company car to every employee if they don’t have one.

Source: fashionatingworld.com- Apr 20, 2020

****************************************

Vietnam to be the top garment exporter to the US

As per Team Apparel Resource, Vietnam may soon emerge as the largest apparel exporter to the USA once COVID-19 subsides. After analysing the apparel trade trend in the first two months of 2020 and forecasting for rest of the year.

In January-February 2020, Vietnam exported apparels worth $2.38 billion to the US, marking 3.50 per cent growth. This accounted for 18.80 per cent of total apparel imports by the US.

Vietnam’s share in the US apparel market was 16.17 per cent in the corresponding period of 2019 and this indicates the share has significantly surged in 2020.
On the other hand, China, the largest apparel exporter to the US, shipped apparels worth $2.69 billion with a drastic fall of 40.66 per cent. China accounted for 21.25 per cent of total apparel imported by USA in the first 2 months of 2020.

China’s share has reduced massively as it was 31.92 per cent in the same period a year earlier. COVID-19 outspread has caused a major setback for the Chinese shipment coupled with trade war which is collectively deciding the business remapping now. Adding to this, according to various reports, buyers are moving away from China and finding alternative destinations to place orders.

Not just buyers, a great number of US firms located in China have also decided to leave the country. The survey conducted by QIMA recently, about 80 per cent of the US companies will leave China.

Source: fashionatingworld.com - Apr 21, 2020

USA: Fabric industry retrenches after mill closures, show cancellations, PPE demands

High Point, N.C. – As the ongoing COVID-19 pandemic continues to stall industry events, delay production schedules and change product demands, upholstery textile manufacturers across the board have been fighting to work with their new normal.

One of the biggest challenges to that? A general decline in traditional upholstery orders throughout the industry.

“Just like everyone else, as one part of the business slows down, such as retailers closing because of stay-at-home rules, we start to see demand in our business pause, too,” said Anderson Gibbons, vice president of marketing for Specialty Textiles Inc. “So we’re adjusting to that change just like our partners as we wait for things to pick up.”

While a slow-down is not necessarily good for any business involved, it has, according to Gibbons, given STI some flexibility, allowing it time to close the Kings Mountain, N.C.-based mill for four weeks.
“It was largely done in response to trying to flatten the curve and follow rules set by the state,” said Gibbons. “We’re in a small community, and we mean it when we say we don’t want our people getting sick or drawing this situation out.

“It doesn’t help the industry or anyone else if some people abide by the stay-at-home orders and some don’t,” he added.

The closing was announced to the public on social media April 1 as a two-week closure before being extended for a third week. During the closure, STI has continued to fulfill online design orders, which Gibbons said continue to roll in, through its facilities in Mississippi, working employees on modified shifts based loosely on safe working models created by companies such as Amazon.

At Crypton’s mill, also in Kings Mountain, similar declines have been seen, although new orders continue to come in, leading the company to furlough about one-third of its mill employees as it scales back operations to meet current demands and safety protocols.

“We just really needed to scale in the beginning,” said Jack Eger, senior vice president of Crypton Fabric. “And we’re hoping that by maintaining our regular business, taking part in mask production, and new and growing things we’ll be able to continue stabilizing our workforce.”

Crypton has taken similar steps at its Abercrombie Textiles facility. Employees at its Michigan-based headquarters have moved to working from home, too.

Valdese Weavers lifted a temporary two-week furlough for many employees across its organization on April 13. The furlough originally came about in part because of safety concerns and in part because of a rapid decline in orders and requests for cancellations.

“We took the time to research and secure supplies needed to keep our employees safe, took a close look at the changing needs of our customers across all business segments and also evaluated several ways Valdese Weavers could help with personal protective equipment,” said Blake Millinor, chief sales and marketing officer for Valdese Weavers.
Turning to PPE production

Turning business and production focus in part to medical supplies seems to be key to every fabric resource’s strategy during COVID-19 in one way or another.

Glen Raven Inc., parent company of performance fabric brand Sunbrella, has jumped into the game in a major way, donating and selling thousands of yards of fabric for medical use.

“Through our business units, we are actively working with our partners across many industries and have aligned our resources to focus on PPE inputs where we are in the best position to offer solutions,” said Leib Oehmig, Glen Raven CEO. “These include inputs for gowns, face shields, mask covers and temporary structures.

“As part of our response, Glen Raven has organized a fabrication group with several of our customers who are producing face shields and gowns. This group is collaborating with hospital systems across the country to design and scale production of these important products.”

“Many of Milliken’s U.S. customers in the flame resistant, workwear and industrial space have pivoted their operations to manufacture PPE,” said Chad McAllister, president of the Milliken Textile Division and executive vice president of Milliken & Co. “When we saw a need to shift to medical grade textiles, our team quickly stepped up. As of today, we have scaled production of these new products so that together with our customers we can help protect medical workers.”

At Crypton, the company has been working with a number of partners to supply fabrics for things such as face masks and level one and two gowns. “One of our businesses is fabrics for hospital cubicle privacy curtains, and that’s washable and antimicrobial, so it’s got the characteristics they’re already looking at for those other items,” said Eger.

Crypton’s work in the healthcare field has given the company a leg up in a lot of ways. Because of its investments in supplying fabric to the medical industry previously, Crypton has already developed relationships within the healthcare field and, more uniquely, its own EPA-certified disinfectant.
Crypton’s disinfectant and deodorizer has traditionally been sold in bulk to healthcare facilities and contract clients for use on Crypton’s moisture barrier fabrics, but it is now selling the product directly to consumers through Crypton’s website at much higher than normal rates.

“It’s a tested, certified hard surface cleaner because that’s what our barrier fabrics qualify as,” said Elise Gabrielson, director of marketing for Crypton Home Fabric. “So people are buying this not for their residential Crypton fabrics, but for use throughout their home.”

Bleach cleanability, durability and other performance fabric attributes, have been a plus for many fabric manufacturers looking to get into the PPE production game.

For STI, its performance fabric’s material — polypropylene — has come in handy in a unique way, according to Gibbons.

“As the search for N95 masks really picked up over the past month, we got a massive amount of exposure online because while we don’t make the correct fabrics for N95 masks (because that’s a nonwoven polypropylene), we were still getting upwards of 12,000 searches a day to our site. It was all just people trying to learn about polypropylene and what we make.”

That, coupled with an obvious need for the fabric, has inspired STI to work on opening new medical divisions for the company beyond the pandemic. Working with its domestic yarn suppliers and several new partnerships, the company has already jumped into developing its first line of medical grade fabrics. Currently, its engineering team’s most promising piece has been a level four polypropylene medical gown fabric.

“In upholstery, we were making yarns chunkier and better looking, and now we’re working with the same material to make fabrics that organisms can’t get through,” joked Gibbons. “So it’s just a little different.”

‘A little different’

That is perhaps a good way to describe the fabric industry as a whole in this moment. With the upholstery fabric’s biggest market, Showtime, canceled for the spring by its organizing body the International Textile Alliance, and order pacing thrown off by industry delays, companies are adapting daily.
Looking forward, STI is planning to host its own virtual Showtime through online purchasing portals; Crypton is preparing to possibly present new fabric introductions virtually; and Valdese Weavers’ new showroom opening, initially set for later this month during the original High Point Market dates, is at the mercy of trade show date changes.

“Do I think this will change the way we do business? Yes. Do I think it might change consumers’ interests? Of course. But, I also think we’ll come out of this with new skills and business,” said Eger.

“When people come out of this, they’ll have all spent weeks, months staring at their furniture and their homes and seeing everything wrong with it, and they’ll want to make changes.

“That’s what we need to be ready and excited about.”

Source: hometextilestoday.com - Apr 21, 2020

Vietnam’s textile sector is reeling from a sudden loss of orders

*Industry leader Vinatex weighs furloughs for 50,000 as coronavirus saps demand*

Global orders vanish that could be catastrophic to many garment makers in Vietnam, with industry leader Vinatex contemplating a furlough of up to 50,000 workers.

If the outbreak’s impact persists, many businesses could go under, threatening not only Vietnam’s economy but also the global supply chain that has supported such purveyors of fast fashion as Zara and H&M.

“As things stand, 30% to 50% of jobs will disappear by May,” said Vinatex CEO Le Tien Truong. The company has 200 or so factories in Vietnam and more than 100,000 workers within the group.

The impact of the novel coronavirus first emerged in February, when procurement of Chinese fabric stalled. When things just began to return to normal in March, the second wave slammed the industry.
Apparel demand has plunged in the U.S. and Europe, where many consumers have been told to stay home. Apparel vendors have canceled old orders and halted new ones.

In Vietnam, cities like Hanoi have banned nonessential travel. Factories are allowed to remain open, but orders are not coming in. Some factories have started producing masks, though they amount to a drop in the bucket in making up for lost business.

Vinatex, which commands a roughly 10% share in Vietnam, is owned in part by the state and 15% by Japanese trading house Itochu. The company counts apparel retailers Zara and H&M as clients.

Orders for textiles and footwear are set to plunge around 70% on the year by value for April and May, according to data from Vietnam’s Ministry of Industry and Trade. Vinatex stands to lose 1 trillion dong ($42.4 million), even if the COVID-19 outbreak is brought under control by the end of May.

That’s nearly twice the 510 billion dong net profit turned in for 2019. If economic activity remains restricted longer, Vinatex will sink further into the red, putting the survival of many small and midsize factories in doubt.

Even as Vietnam moved to modernize its industry by inviting big-name multinationals like Samsung Electronics, the textiles sector is still a major presence, accounting for around 10% of exports by value in 2019.

The Sino-American trade war prompted companies to move production to Vietnam from China, burnishing the Southeast Asian nation’s “next China” image. But now, the pandemic has upended the landscape.

A large percentage of garment workers work near minimum wage. The wage works out to 3 million dong a month in regions with the cheapest labor costs. Fearing that widespread job losses could lead to social unrest, the Vietnamese government is rolling out a 62 trillion dong aid package for displaced workers and distressed businesses.

Shutting down Vietnamese garment factories threatens to spill over to the global supply chain. The likes of Zara, H&M and Fast Retailing’s Uniqlo would have trouble with procurement. The Asian sewing industry has secured an indispensable role in a garment industry that has accelerated its globalization over the past decade.
Textile industry representatives from six Asian countries issued a joint statement April 9 urging clothing brands to fully compensate suppliers when canceling orders. Clients including H&M are keeping to their purchasing contracts for products that have reached the production stage, but a number of apparel companies are requesting extensions on payments for completed orders, according to a Bangladeshi industry group.

Garment industries in developing economies are moving away from child labor, thanks partly to socially responsible investing. Honoring contracts has emerged as the next problem gaining attention. In the electronics industry, purchasers often pay troubled suppliers in advance to support cash flows. The coronavirus crisis is poised to test such partnerships in the apparel sector.

Source: vietnaminsider.vn- Apr 20, 2020

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**Vietnamese brands expected to be a highlight amid COVID-19**

Vietnamese brands are expected to shine in the global supply chain, said Minister of Industry and Trade (MoIT) Trần Tuấn Anh in a letter of congratulations to the country’s business community on Việt Nam Brand Day.

Prime Minister Nguyễn Xuân Phúc on 2008 agreed to mark April 20 every year as Việt Nam Brand Day, with an aim to honour and promote the nation’s brand and image in the context of international economic integration.

However, the ministry and the National Brand Council decided not to hold the commemorative activities this year due to the COVID-19 pandemic.

Anh in the letter said that the country has maintained high and sustainable economic growth. Last year, Việt Nam achieved impressive GDP growth of 7.02 per cent, surpassing the set target by the National Assembly and bringing the economy scale to more than US$262 billion – the highest level so far.
The achievement was partly attributed by the Vietnamese business community to build brands and reputation for the country’s goods and services to the regional and global levels.

However, the novel coronavirus outbreak has had impacts on the global economy in general and Việt Nam in particular, especially production, business, investment and trade activities.

Anh therefore expected that the business community should maintain unity to surpass the difficulties and stabilising production as soon as possible. Meanwhile, they should maintain and protect their brand names, contributing to enhance the Vietnamese trademark in the global supply chain.

The ministry has given support to firms in building, developing and improving their brand names, thus creating momentum for export activities and boosting production after the pandemic.

Many local companies found opportunities amid the COVID-19 pandemic to gradually affirm their brand names both in domestic and global markets.

For example, VNPT e-learning has provided a programme to nearly 12,000 schools nationwide with more than 400,000 teacher accounts and five million student accounts.

Meanwhile, many garment and textile companies, such as Vinatex and TNG, have affirmed their brands with face mask products in the local market and export to other countries.

Though the country now has 97 firms recognised as national brands out of 700,000, the number of such enterprises has been on the rise, showing their increasing interest in the programme.

Last year, the world’s leading independent brand valuation consultancy Brand Finance said Việt Nam National Brand was valued at $247 billion.

Source: vietnamnews.vn- Apr 20, 2020
Bangladesh: 'Fixing banking sector key to blunting coronavirus shock'

Underlining the importance of overhauling the banking sector, the International Monetary Fund, or IMF, has said only a sound financial system can speed up an economic rebound as Bangladesh battles the coronavirus pandemic.

"... reforming the banking sector is one of the top priorities for the government to enhance the resilience of the economy," said Anne-Marie Gulde-Wolf, the fund's Asia Pacific deputy director.

Winding up the last Article IV mission consultation, the IMF voiced concern over the continued weak financial situation in the banking sector, including high non-performing loans and the rising amount of restructured and rescheduled loans.

The fund called for "resolute steps" to enhance banking regulation and supervision, reform state controlled lenders, tighten the criteria for loan rescheduling and restructuring, strengthen banks' corporate governance, and enhance legal systems to speed up loan recovery.

Soured credit, which has topped Tk 1.0 trillion in recent times, has been an albatross around the neck of the poorly-policed banking sector, though the economy has grown over 6.0 per cent in the past decade or so.

Ms Gulde-Wolf's comments came just after the IMF's World Economic Outlook predicted Bangladesh's GDP growth would crash to 2.0 per cent during the 2020 fiscal year, the deepest dive in decades and significantly lower than the global monetary watchdog's projection of 7.6 per cent.

She responded to e-mailed questions close on the heels of the virtual Spring Meeting of the IMF. The IMF's projection is almost similar to that of the World Bank, its Bretton Woods peer, which forecast the country's economic growth would be between 2.0 and 3.0 per cent this fiscal year.

Explaining the reasons behind lower economic growth forecast, the IMF Asia Pacific deputy head said domestic activity is projected to decline as necessary policies to limit the spread of Covid-19, including the national shutdown since March 26, have been implemented.
On the external front, the IMF said the textiles and clothing industry, which makes up more than 80 per cent of the country's exports, has already been hit hard by substantial order cancellations.

As of Thursday, global retailers cancelled or put on hold textiles orders worth $3.16 billion, threatening the employment security of 2.2 million workers, according to the lobby group Bangladesh Garment Manufacturers and Exporters Association. Trade unions estimated that apparel plants sliced as many as 30,000 underpaid garment jobs in the past four weeks alone.

Since March, inflows of workers' money, known as remittances, have started falling. Remittances slumped by nearly 12 per cent to $1.29 billion in March versus $1.46 billion in the same month a year earlier, according to the central bank data.

As uncertainties loom, the government needs to address the health crisis and ride out the economic storm with fiscal and monetary interventions, said Ms Gulde-Wolf. For example, she said, fiscal policy should aim to aid households and businesses hit by the pandemic, including through targeted cash transfers, wage support, and tax relief.

Monetary policy should ensure there is sufficient liquidity in the banking sector, particularly for smaller enterprises, she added.

Bangladesh has already announced Tk 827.50 billion relief packages, equal to 3.25 per cent of GDP, to tide over the coronavirus crisis.

But she said, "Efficient financial resource allocation with an effective banking sector would help accelerate the recovery from the Covid-19 shock," and "restore the robust growth momentum."

The country's economy expanded at a rate of 8.15 per cent during 2019 fiscal year in what the Asian Development Bank rated as the highest in the continent plus the Pacific region.

The fund, however, reminded policymakers of downsides of lending to bankroll rescue package, warning that the pandemic would lead to a higher debt-to-GDP ratio compared to the pre-pandemic projection of 35.2 per cent.
The government's debt as percentage of gross domestic product reached 33.5 per cent during fiscal year 2019, compared with 33.2 per cent the year before. It rose slightly higher than 34 per cent in Aug 2019, with domestic borrowing alone accounting for 21.4 per cent.

Analysts estimated that the government's bank borrowing would reach Tk 600 billion by June this year. "This implies that the long-standing challenge to raise tax revenues will become even more important," said the IMF's senior official.

At 10 per cent, taxation as percentage of GDP is among the lowest in the region, even lower than Nepal's. In the seven months to January, tax receipts amounted to Tk 1.26 trillion, down from Tk 1.64 trillion the National Board of Revenue aimed to collect.

The IMF senior executive, however, predicted that the Bangladeshi economy would rebound next year, with exports and remittances gaining momentum by December 2021. Given the unprecedented and challenging times, Ms Gulde-Wolf advised the government to reach out to overseas financiers since the country's debt-to-GDP ratio is still relatively low.

Bangladesh, she noted, has "some room" to rely on external financing to blunt the negative impacts of Covid-19, a pneumonia-like illness caused by novel coronavirus.

In addition to $700 million as emergency credit from the IMF, Bangladesh has turned to the World Bank seeking $500 million as fears deepened over widening budget deficit and straining balance of payments.

The IMF has received a request from the Bangladesh government for financing support under its rapid credit facility or its rapid financing instrument, which are designed to address emergency situations such as the COVID-19 pandemic, the fund official said.

The fund is currently assessing the impacts of the COVID-19 shock on the Bangladesh economy and its balance of payments and "stands ready and makes every effort to support the government through its available tools," she added.

Source: thefinancialexpress.com.bd- Apr 21, 2020
NATIONAL NEWS

Lock down effect: CBIC extends facility of import, export without furnishing bonds to Customs till May 15

The Central Board of Indirect Taxes and Customs (CBIC) on Tuesday extended the deadline to import and export goods without furnishing bonds to the Customs authorities by a fortnight till May 15, a move aimed at facilitating trade during the COVID-19 lockdown. In a circular, the CBIC said businesses will, however, have to furnish proper bond to the Customs authorities by May 30 for import and exports done through undertaking till May 15.

In view of the lockdown, the apex indirect tax body had earlier set end April as the date for import and exports by issuing undertaking. In view of the extension of lockdown till May 3, the trade facilitation measure has now been extended till May 15.

The CBIC had earlier received representation from field formations about difficulty being faced by importers and exporters during the lockdown in obtaining notarised stamp papers for furnishing bonds required by Customs in certain situations during the assessment and clearance of goods.

In order to expedite Customs clearance of goods and for maintaining balance between Customs control and facilitation of legitimate trade, the CBIC had approved relaxation of the requirement to submit bonds. “In the background of the recent announcement by the government extending the lockdown till May 3 and taking into consideration that it might take some time after the end of the lockdown for situation to normalise, the Board has decided to further extend the facility of accepting undertaking in lieu of bond for the period till May 15,” the CBIC said.

The Board will, however, review the relaxation at the end of the lockdown period. The importers and exporters who would be allowed this facility include government/public sector undertakings, manufacturer importer, Authorised Economic Operators and all importers availing Customs warehouse facility.

Source: financialexpress.com- Apr 21, 2020
CCI resumes cotton procurement; 25k quintal procured in 10 days

The Cotton Corporation of India (CCI) has resumed procurement of the commodity and it has bought around 25,000 quintal of cotton from farmers in the last 10 days, top officials of the corporation said.

CCI chairperson and managing director P Alli Rani said that the quantum of procurement has not been much due to the lockdown period and fear of coronavirus infection among farmers.

She said that with 80% of arrivals already in the market, the corporation is buying cotton in a controlled way, and maintaining social distancing. Procurement is taking place but at a very small scale, she said. The cotton season usually lasts till September 30.

She said that the corporation has asked district officials to issue passes on an hourly basis, wherein 5-6 farmers who want to sell and do not have transportation problem can come to the centre. CCI is the government’s nodal agency for purchases under the minimum support price scheme.

Buying has slowed down after March as the peak harvest season is almost over, she said, adding that the third or fourth pickings normally do not yield much. Till date CCI has procured 85 lakh bales.

Most of the cotton in the 2019-20 season has been purchased from Telangana where CCI purchased 82% of the 92% of arrivals in the market, Alli Rani said.

In Maharashtra, however, the agency has purchased just 30% of the 82% arrivals in the market, she added. Of the remaining arrivals that is expected to come to the market, around 50% may come to CCI, she said.

The minimum support price for the medium-staple variety of cotton is Rs 5,255 per quintal and that for the long staple one is Rs 5,550 per quintal this year. The Cotton Association of India has pegged 2019-20 crop at 354.5 lakh bales, compared with 312 lakh bales last year.

Source: financialexpress.com- Apr 22, 2020
Fighting COVID-19: Govt may roll out fiscal package 2.0 today

The Cabinet will likely clear the next round of relief measures on Wednesday to prop up an economy battered by the COVID-19 pandemic, with a focus on saving both lives and livelihood. Critical sectors, including MSMEs, exports, aviation, construction and some other labour-intensive segments, will likely be among the many to get the succour.

The government’s total fiscal response over an extended period could be worth 3-4% of GDP (roughly Rs 6-8 lakh crore), on top of the monetary measures initiated by the central bank to ease liquidity to critical sectors. However, the Centre will calibrate its responses and announce several rounds of measures over the next few weeks, while refraining from declaring just a one-time, big-bang stimulus package.

The idea is to save some fiscal fire-power to deal with the ‘unknown unknowns’ later. Last week, Prime Minister Narendra Modi held a marathon meeting with finance minister Nirmala Sitharaman and top officials to give a shape to the package.

Given the collapse in economic activity, the government will, for the moment, focus on addressing medical emergency and preventing job losses in both formal and informal sectors. To that extent, its immediate interventions will be aimed at helping businesses prepare for a gradual return to normalcy, by easing flow of liquidity, as and when the lockdown is lifted completely.

Official sources have indicated that the Centre will front-load expenditure and could borrow more from the market than the budgeted levels to finance productive spending, given the revenue shortfall (tax collections are expected to be down by 1% of GDP in FY21). It has budgeted gross market borrowing at Rs 7.8 lakh crore for FY21 and aims to borrow 62.5% of it in the first half itself. The full-year net borrowing is budgeted at Rs 5.36 lakh crore.

The government may even ask the RBI to monetise the deficit by printing more money, after gauging inflationary pressure and broader impact on the economy. However, any such decision will be taken only around October-November when it starts to review its finances for the revised estimate for this fiscal, according to the sources.
Since a massive credit push is required to get the economy back on its feet, the government will likely consider extending guarantee on loans extended by both banks and NBFCs that had already turned risk-averse even before the pandemic spread its tentacles in India.

To help MSMEs and exporters, the government will likely announce interest subsidy of 2-4% and expedite the release of any tax refunds or other dues to them. With key markets — the US and the EU — bruised by the COVID-19 and over a half of their orders cancelled, Indian exporters are facing an unprecedented crisis.

Already, it has extended a Rs 1.7 lakh crore package to help the poor and the vulnerable. Of course, over a half of it is to come from funds meant for states and existing schemes. It has also announced another Rs 15,000 crore to bolster the health networks over the next four years.

Nevertheless, as many as 69% of respondents in a Ficci-commissioned survey have indicated that measures initiated so far by the government are inadequate and called for more steps. About 72% of them believe the COVID-19 impact on business will be either high or very high.

The finance ministry has already held a meeting with top executives of state-run banks to review liquidity in the system and the lenders' preparedness to support the credit appetite of the economy with the lifting of lockdown for certain segments on April 20. A drop in public-sector banks' capital position due to an expected spike in bad loans following the lifting of a three-month repayment moratorium is also going to be a critical issue for the government.

Having risen at a double-digit pace in FY19, non-food credit growth faltered this fiscal. Even before the COVID-19 started to spread, non-food credit growth crashed to just 6.3% year-on-year in the fortnight through February 14, the lowest since May 2017, mirroring a broader economic slowdown and risk aversion among bankers. The credit growth plunged further to 6.07% for the fortnight ended March 13, as the pandemic impact started to bite.

Source: financialexpress.com- Apr 22, 2020
Time for India to think long-term during Covid-19 crisis, says economist Arvind Panagariya

Eminent economist Arvind Panagariya has said that India must now think long-term to create better paying formal sector jobs by seizing the opportunity presented by multinationals possibly moving out of China to diversify their operations in the wake of the COVID-19 pandemic. Panagariya, Professor of Economics at Columbia University and Director, Raj Center at Columbia’s School of International and Public Affairs, emphasised that the one thing the current crisis has revealed is the vulnerability of Indian workers to a shock that forces a near end of economic activity.

The COVID-19 pandemic is a “time for thinking long-term. It will be a pity to let the crisis go to waste. The current crisis will only last till a vaccine becomes available. We must think beyond that,” Panagariya told PTI. “After 70 years of development effort, we have still left our workers predominantly employed on tiny farms (70 million of them averaging less than a quarter hectare in size) and in informal or self-employment in tiny enterprises that give them barely subsistence level of income on a daily basis.” Panagariya stressed that the COVID19 crisis has made it evident that India needs to create better paid, formal sector jobs and that requires moving workers out of tiny farms and enterprises into more productive and better paying jobs.

“That in turn requires a shift of industrial and services activity away from micro enterprises to small, medium and large ones.” Another opportunity that looks to arise from the crisis is that there is bound to be acceleration of the movement of multinationals out of China into other parts of the world. “Multinationals will be seeking greater diversification of their activities in the wake of Corona. India must not miss this opportunity,” Panagariya said.

He elaborated that one policy measure would be to give a serious thought to the creation of Autonomous Economic Zones in which local authorities are given as much authority to make policy as exists in Chinese cities such as Shenzhen. The crisis also gives the government the opportunity to introduce reforms in areas of land and labour markets that are harder in “peace” time, he said adding that the Land Acquisition Act must be reformed. Likewise, greater flexibility is necessary in labour markets so that enterprises in labour intensive sectors gain confidence to become larger thereby taking advantage of scale economies.
Panagariya underscored that the government needs to be creative in lifting the lockdown going forward. He noted that in numerous districts, both rural and urban, where the cases of infection are fewer than ten, full freedom of movement within the district with strict enforcement of social-distancing and use of face masks can be permitted. In districts in which infections are concentrated in geographically narrow regions, free movement may be permitted in the remainder of the regions. “As this process proceeds, the government must keep all options open. If the Corona curve begins to become steep again, it should not hesitate to tighten the restrictions again.”

Source: financialexpress.com- Apr 21, 2020

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**Taking stock: How retailers are preparing for the post Covid-19 era**

As uncertainty becomes the norm for the modern retail industry across geographies, retailers have started planning for the post Covid-19 era.

While supply chains have been disrupted, and consumer demand has diminished alarmingly, industry players have effected significant changes to de-risk themselves — such as revisiting the inventory assortments as consumers shift to buying essential items; adopting a short-term, three-month business model; restructuring budget reallocations; going omnichannel with more focus on online sales, and postponing expansion plans.

**Inventory rejig**

According to an online survey conducted by Nielsen India across 23 cities earlier this month, urban Indian consumers are likely to cut discretionary spending in the coming months. Sameer Shukla, West Market Leader-South Asia, Nielsen Global Connect, said, “Consumers have become cautious due to the Covid-19 pandemic and will be bearish on discretionary spends once normalcy is restored in the coming months.”

Samir Misra, COO, V-Mart, said consumer sentiments would be to “live with less” and deriving more value on every penny spent. “Brands that can respond with agility to new realities, new emerging trends, will gain traction faster,” said Misra.
A source at Future Group said even within the essentials, only basic staples are being sold. The value-added products contribute to a higher margin than the staples. “We work on the least margin models for staples that don’t contribute more than 2-4 per cent,” the source explained.

According to Kumar Rajagopalan, CEO of the Retail Association of India (RAI), at present, consumers are buying pure low-margin items and hence the reduced sales give a margin of around 12 per cent, against the normal 21 per cent.

As a result, even stores selling essential goods, which have been allowed to remain open during the lockdown, are suffering losses as they aren’t allowed to sell other general merchandise, which would otherwise bring them higher margins. For DS Group’s retail arm Le Marche, which is a premium supermarket based out of NCR, some sections like live salad and bakery, along with liquor sections, are not operational due to regulatory orders.

For Future Group’s Big Bazaar and Osia hyper retail, income from apparel, home and handicraft sections, which contributed nearly 40 per cent of the business earlier, has gone down to zero.

**Cutting costs**

Slimmer margins are making it difficult for retail players to continue with the current cost levels. Many, such as More Retail, have requested force majeure of mall rent at unoperational stores.

Although More Retail, V Mart and Le Marche are paying complete salaries to their employees, all of them are working on three-month business plans to cut discretionary costs. Along with this, marketing budgets are being slashed by 90 per cent, with the remaining 10 per cent to be spent on digital platforms. Players like V-Mart are not planning to open new stores in Q1.

Anuj Puri, Chairman, ANAROCK Property Consultants, said: “Space optimisation for cost rationalisation is being considered. An increasing focus on online presence, transactions, adaptation to technology, is also on the cards for the retail industry.”

**Supply-chain issues**

Supply chain disruption has been one of the biggest issues for retail players. “About one-third of our top suppliers have still not been able to supply
products to us in the last two weeks,” said Mohit Kampani, CEO of More Retail. Some retail players have started running their own trucks to transport goods from warehouses to the stores.

“A key learning for us is multi-sourcing, which reduces reliance on any one supplier, and is also a considerable inventory strategy against supply chain disruption. We also learned how to stabilise the supply chain and anticipate customer behaviour to operate in a scenario like this,” said Albinder Dhindsa, CEO and Co-Founder, Grofers

**The new normal**

RAI has forecast that it may take 9-12 months to recover from the aftermath of the coronavirus pandemic.

“We need to be frugal with our costs, hence we need added suppliers, more safety stock, localised merchandise, compared to more reliance on imported products or one supplier,” said Kampani.

India comprises over 15 lakh modern retail stores generating over ₹4.74 lakh crore and employing more than 60 lakh people. Together, they contribute to over 40 per cent of India’s consumption and 10 per cent to India’s GDP.

Source: thehindubusinessline.com- Apr 21, 2020

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**Maharashtra agri body seeks procurement of grade 2 & 3 quality cotton**

The Shetkari Sanghatana has urged the Maharashtra government to direct Cotton Corporation of India (CCI) to purchase not only fair average quality (FAQ) quality cotton but also grade 2 and grade 3 quality of cotton from farmers.

The government of Maharashtra has allowed cotton procurement to resume across the state, with a condition that all guidelines regarding Covid-19 must be followed.

Maharashtra State Co-operative Cotton Growers’ Marketing Federation (or, Cotton Federation), will resume FAQ cotton procurement from Tuesday.
In a letter written to Prime Minister Narendra Modi and chief minister Uddhav Thackeray, Anil Ghanwat, president, Shetkari Sanghatana, has said that instead of restricting the number of vehicles to just 20 per day, more vehicles should be allowed.

With the spread of Covid-19, CCI had stopped MSP purchase and farmers have been asked to register from April 19, he said. MSP purchase is expected to commence in the state in the next two to three days, he said.

Ghanwat said that farmers barely have 20% FAQ quality cotton and 80% of the cotton is is non-FAQ.

If the government does not purchase this cotton, farmers will be forced to sell it to traders at low rates, he said.

Ginning units are not keen on buying cotton since most of the workers have left for their villages and they do not have the capital to buy cotton and other processing units are also shut, he pointed out.

Lakhs of tonnes of cotton is still unsold in the state with over 25 lakh tonne in Vidarbha alone, he said.

The number of purchase centres has been reduced, he added.

With the summer approaching and rising temperatures, it will be risky for farmers to keep unsold stocks home as it could lead to accidents, Ghanwat said.

He suggested that the government should buy the cotton at ginning units that could process the cotton for Rs 973 per bale so that the units will also not be financially burdened.

Source: financialexpress.com- Apr 22, 2020
India ready to fight China at WTO, but won’t budge on FDI restrictions

Officials say principle of ‘non-discrimination’ may have been breached, but domestic interests more important

India is ready to face the music at the World Trade Organization (WTO) if China lodges a complaint against the former’s alleged “discriminatory” restrictions on Foreign Direct Investment (FDI) from the latter, a senior official has said.

“China can no doubt drag India to the WTO for discriminating against it in the area of investment rules. But as the WTO’s dispute settlement system has been rendered dysfunctional by the US at the moment, India does not face any real threat of immediate penalties,” said a government official.

Government filter

Beijing had reacted strongly to India’s decision to make it mandatory for all investments from China, and six other countries with which India shares a land border, to be routed through the government channel. The Centre has said the move is necessary to prevent hostile takeovers at a time when Covid-19 has made Indian entities vulnerable.

Since India’s FDI policy ordinarily allows foreign investments in a large number of sectors to flow in automatically, China said the additional scrutiny imposed on investments from just a handful of bordering countries violated the WTO’s principle of non-discrimination, and should be withdrawn.

China may not be wrong when it says that the FDI restrictions are in violation of WTO rules, a Delhi-based trade expert told BusinessLine. “The principle of non-discrimination in GATT (General Agreement on Tariffs and Trade) stipulates that a member shall not discriminate between like products from different trading partners.

Also, India cannot invoke the ‘security exception clause’ to justify the restrictions as it has clearly stated that the measures are to check hostile takeovers and, therefore, not for any security reasons,” the expert said.
Dysfunctional dispute mechanism

However, India need not worry about the WTO at the moment since the multilateral forum’s Appellate Body, its top-decision making body, is not functioning. “While the dysfunctional dispute mechanism at the WTO is of concern for India and all other members, in this particular matter, it suits us because we don’t have to worry about penalties,” the expert added.

The Department for Promotion of Industry and Internal Trade’s decision to come up with FDI restrictions followed submissions by investor groups to the Finance Ministry proposing that assets such as prime land, ports and power plants should be protected from predatory-buying by China, which has managed to protect its stock markets from crashing. They had sought proper scrutiny of all purchases of investments in Indian assets by Chinese state-owned vehicles or Chinese proxy state vehicles.

Source: thehindubusinessline.com- Apr 21, 2020

Govt falls back on freight stations to de-congest ports during lockdown

But, forced waiver of charges proving to be counter-productive

From being a favourite whipping boy some three years ago, blamed for India’s high logistics costs, container freight station (CFS) operators have suddenly become a messiah for the government, by helping ports from getting choked as importers fail to clear cargo for reasons that can be attributed to the lockdown.

Import laden containers arriving at a port are typically moved to nearby CFS, an industry practice designed to de-congest the ports. Sometime in 2006, the government introduced the direct port delivery (DPD) system, whereby import containers are delivered directly to pre-approved clients at the port itself, thus reducing cargo dwell times and cost for shippers.

The CFSs were hit by lower volumes, as a result. But the coronavirus outbreak has reversed that trend; though the CFS operators are being squeezed from both sides - by the government and the importers.
Since March 22, 34 CFSs servicing Jawaharlal Nehru Port Trust (JNPT) have evacuated some 100,000 containers from the five container terminals operating at the port. Of this, 25,000 containers have been cleared by the importers from the CFSs, leaving a backlog of 75,000 containers that have to be cleared.

Sensing that the lockdown restrictions were pulling down DPD clearances from the port, the authorities pushed CFSs’ to evacuate the boxes; they performed this task, overcoming many challenges and hurdles along the way.

No easy task

“Getting trucks, drivers, surveyors, labour, reach stacker, RTG crane operators was a mammoth task, but we managed by paying extra money and incentivising, entailing additional cost,” said the chief executive officer of a CFS serving JNPT.

With their own equipment operating at less than 30 per cent due to driver, operator and labour shortages, the CFSs’ even hired equipment from the market by paying a higher price, to ensure smooth operations.

The Government kept pushing the CFSs’ to offer more free days to importers. Though they couldn’t afford it, the CFSs granted waivers from charges for the first few days, hoping that the importers will come forward and evacuate.

“Despite these offers, very few importers came forward to take deliveries during the lockdown. While others, under the guise of difficulties, kept pressing for demurrage or ground rent waivers from the custodians,” he said.

Waivers proving ‘counterproductive’

CFSs aver that the advisories from various authorities to grant waivers are turning out to be “counterproductive”.

“CFSs are being pressurised to offer waivers despite huge increase in costs. We are in a dilemma,” the managing director of another CFS said.
CFS operators say that their facilities are full to the brim and further movement will be hampered if boxes are not cleared quickly. Evacuation from terminals will stop and port ground rent will be passed on to CFSs' by the shipping lines.

Most of the CFSs, despite additional costs being saddled on them due to non-clearance by importers, have already given a 10-day waiver on ground rent, besides some additional concessions being given by them, he said.

“A majority of the importers are being facilitated by CFSs. However, a section of importers who are making no efforts to take deliveries are approaching authorities for blanket waivers. Any blanket waiver will encourage them not to come forward. They will choke the CFSs and then the ports and bring the trade to a standstill. This will nullify the efforts taken by the authorities to keep the EXIM supply chain going,” the CEO said.

“Surprisingly, some authorities are blaming and threatening to penalise if waivers are not provided to the importers. It seems like the government has been over-powered by the importers, and have no say against the non-performance of importers,” he said.

“The benefit of the mutually agreed final waiver between CFS and the importer for late clearance should go directly to the importer through a credit note from the CFS to the importer’s account directly,” he added.

Source: thehindubusinessline.com- Apr 21, 2020

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Maharashtra’s labour crunch hobbles bid to resume business

As its engines of commerce begin to whir, Maharashtra is staring at an acute shortage of workers to unload cargo at ports, fill ATMs with cash and staff neighbourhood stores, clouding the prospects of an immediate return to normalcy.

“The port industry has been active through the lockdown because it was an essential service,” said Dhruv Kotak, managing director of Mumbai-based logistics firm JM Baxi. “Container freight stations and inland container depots evacuated record amounts of cargo and ensured that ports didn’t get
choked. Nhava Sheva (Mumbai’s primary container port) did not shut down like some other private ports in the country did.

But beyond this, general transportation and logistics are limping back to life slowly because there aren’t enough drivers. Many left when the lockdown started, some who stayed faced harsh treatment. I think we will need confidence-building exercises to bring back migrant labour."

The Maharashtra government had allowed a partial lifting of lockdown restrictions from Monday, paving the way for resumption of farming and agri-related activities, road transport, e-commerce and home delivery services and interstate movement of goods.

“I believe we were overoptimistic this week, expecting more action on the ground," Kotak said. “But things are going to be a slow. Everybody is up to date on information about the spread of the disease and will look to their personal safety."

“There is a big gap between demand and supply in logistics at the moment," said Rohit Jain, chief marketing officer of Mavyn, an online trucking platform that serves top pharma and FMCG companies.

“Earlier, at a warehouse, the truck loading process would take 3-4 hours. Now, with limited manpower at the warehouse and social distancing norms, the same process takes more than a day.

Truck drivers now only want to pick destinations where they are assured of a return trip; otherwise, it’s not viable to come back empty with the prolonged time it takes." Outside of fixed contract routes, trucking rates have gone up 15-20% to meet the surge in demand with limited supply.

Source: livemint.com- Apr 22, 2020
What if jute bags fall short?

Owing to the lockdown, the availability of jute for packaging could prove to be a problem, as mills have not been functional.

While the West Bengal government had recently granted permission to re-open all jute mills in the State with 15 per cent of their labour force, none of the mills has actually received permission to reopen yet.

Even with all mills reopening with 15 per cent of workforce, it will not be possible to meet the packaging demand. This delay in reopening would only accentuate the situation.

Raw jute prices, which were ruling firm at around ₹4,900 a quintal before the lockdown was announced, are likely to inch lower once the markets reopen on the back of an anticipation of high carry-over stock and a good production this season (July-June 2020-21).

The average price of TD-5 (ex-West Bengal) was ruling at around ₹4,975 a quintal as on March 19, 2020, almost ₹700 a quintal higher than the average price of ₹4,200 a quintal registered in March 2019.

According to Raghav Gupta, Chairman, IJMA, there is likely to be a surplus of over 20 lakh bales (1 bale=180 kg) of carryover stock in the jute season 2020-21. This is primarily because mills have been shut for over one month on account of the lockdown, leading to the demand (for packaging) to be diverted to plastic industry.

“Production of raw jute up to the period of lockdown was estimated to be slightly higher on a year-on-year basis compared to last year. But with this lockdown, and how long it continues, we cannot say what will be the impact on the crop,” Gupta told BusinessLine.

The country produced around 79 lakh bales of raw jute in 2019-20, as against 72 lakh bales in 2018-19. A good production of the crop this year, coupled with high carry-over stock, may bring down raw jute prices further.

However, with all the 60 mills in Bengal shutting operations on account of the lockdown announced during the crucial procurement season (Rabi Marketing Season 2020-21), close to 6.5 lakh bales of demand has already been diverted to plastic.
“All the mills have made online application but we are yet to receive any permission from the State government,” Gupta said.

A majority of the jute mills in Bengal are located in Howrah, Kolkata and North 24-Parganas districts, which have been identified as “hotspots” for Covid-19 outbreak. This could be a reason why these mills have not been allowed to reopen yet, said an industry insider.

“Apart from this diversion of 6.5 lakh bales, the government has also given blanket permission to use plastics or second-hand jute bags for packaging wherever need arises,” said Sanjay Kajaria, ex-Chairman and a committee member of IJMA.

Further diversion would only lead to higher carry-over stock. While IJMA is estimating a surplus of 20 lakh bales, industry estimates suggest that it could be close to 27-30 lakh bales of carry-over stock.

Source: thehindubusinessline.com- Apr 21, 2020

RBI 3-month EMI moratorium could provide Rs 2.1 lakh cr liquidity to companies

The Reserve Bank of India’s three-month suspension of EMIs could provide a liquidity breather of Rs 2.10 lakh crore if all corporates avail it, says a report.

The findings by Crisil Ratings are based on assessment of 9,300 of its rated non-financial sector companies across 100 sectors.

It said sectors with higher leverage, such as power, telecom, roads, textiles and fertilisers, will be the major beneficiaries and account for nearly 47 per cent of the total breather available.

“The moratorium announced by RBI on interest and principal obligations due between March 1 and May 31, 2020, would tantamount to a liquidity breather of Rs 2.10 lakh crore if all companies opt for it,” the rating agency said in a report.
The amount is arrived at by considering total principal and interest falling due in the three-month period, it said.

While the moratorium provides substantial benefit to India Inc, actual salary payments will depend on liquidity available on the day of the payout, it said.

Companies into information technology consulting and automobile makers have low leverage and will gain relatively less from the moratorium, the report said.

But they typically maintain high liquidity, which can be used to pay salaries, the rating agency said.

“All companies will substantially benefit from the moratorium as the median salary cover is 0.65 time. About 40 per cent of them even had a cover of over one time, indicating the benefit from moratorium exceeds employee cost during the lockdown,” its senior director and head analytics Subodh Rai said.

These companies are from sectors such as electricity generation, agricultural products and trading and have high financial leverage, which maximises their gains from moratorium, but relatively low employee-cost intensity, Rai said.

The report further said automobile dealerships could face some challenges in salary payouts despite materially benefiting from the moratorium.

“That is because, continuing slowdown in the automobile industry and complete halt in operations because of the lockdown have severely impaired their liquidity,” it said.

Source: financialexpress.com- Apr 21, 2020
Post-lockdown, current business alternatives may become the new norm

Corporates may adapt and enjoy cost benefits

Before India went into lockdown, Arindam Guha was a frequent flier. As Partner (Government and Public Services Leader) at Deloitte India, he had to be at different destinations to recommend strategies to corporates and governments.

But for nearly a month now, Guha is at home, like most other Indians; but his work remains unaffected. He is meeting clients, making presentations using digital medium.

With Covid-19 unlikely to make an exit in a hurry, many of the current fallback measures may become accepted norms of business — road shows may be held remotely, renting out huge office space may become passé. Technology is available to allow IT-BPO employees operate from home.

“It’s all about the mindset,” Guha says, adding that internationally, corporates are gearing up to adapt to the situation and enjoy cost benefits. There is no reason why Indian business will be left behind.

Technological divide

One definite outcome of the disruption is greater stress on technology, both in services and manufacturing sectors.

Demand for commercial space may suffer due to measures such as work-from-home and greater penetration of e-commerce, as people may prefer to avoid crowded brick-and-mortar stores.

However, the impact may not be uniform. Local kirana stores, which is keeping life going during the lockdown when e-commerce delivery of essentials is not available, may get a fresh lease of life through various aggregation services such as Near.Store.

An anticipated outcome of such activities is more formalisation of the economy. Currently, half of India’s service sector is in the unorganised sector. There is a possibility that the share of the formal sector will increase post-Covid-19 through popularisation of e-commerce tools.
India’s manufacturing sector has been witnessing increasing use of modern technologies like artificial intelligence, robotics, in the past few years. Guha says the trend will consolidate, but with varying intensity from sector to sector.

A major area of concern is unequal distribution of benefits of technology. Small and micro enterprises (SMEs) may feel serious challenge in keeping with the changing demand and work profile of large industries in the post-Covid-19 scenario.

**Stimulus**

Guha feels the problem can be solved through modernisation of common machine rooms in industrial clusters. He is also expecting the government to resolve a major concern of the MSME sector by enhancing credit guarantee.

MSME is not the only sector that needs attention. Covid-19 has opened an opportunity for India to create domestic value chain. Guha sees tremendous opportunity for value addition in areas such as textiles, electronics, pharma and petrochemicals.

“India had already taken initiatives to set up eight bulk drug parks, which are now in different stages of competition, to reduce the dependence on China in sourcing basic raw materials. There may be more such measures.”

Expectation is rife that the upcoming stimulus package will offer major incentives to attract global investment in select areas where India has maximum opportunity for domestic value-addition.

Source: thehindubusinessline.com- Apr 21, 2020
Exporters face losses on forward dollar contracts

Many exporters who have sold their anticipated dollar revenues in the forward market are staring at a crisis as they risk losing millions. While the dollar’s market rate has soared compared to the rate at which they were sold, the lockdown has stalled exports. Small businesses are worried of the cash loss they will suffer when banks debit their accounts for the difference in the dollar rates when they fail to deliver.

Exporters sell a large part of their expected revenues in the six-month or one-year forward markets. By doing so, they are not only guaranteed an exchange rate but also earn a small premium as the dollar is expected to be worth more in future. Now that many export shipments are stalled either in factories, warehouses, in transit or even at the destination port because of the Covid-19 lockdown, they are not earning dollars. As against the 72-levels at which the forward contracts were struck, the greenback is now inching towards Rs 77.

The Apparel Exporters Promotion Council (AEPC) has written to the RBI, highlighting the big loss that exporters would suffer because of the penalty that banks are charging on cancellation of forward cover and the exchange rate differential that they are asked to pay.

“It is requested that the charges for the exchange rate fluctuations and cancellations are waived for the period of which export orders have been cancelled due to Covid-19,” said AEPC chairman A Sakthivel in the letter to RBI governor Shaktikanta Das.

According to K N Dey, founder of United Financial Consultants, which advises firms on forex, banks can help exporters tide over the situation by giving them 90 more days to deliver the dollars at the same price as the existing forward cover. “If the banks allow the exporter to deliver after 90 days at the forward cover price, they will earn a decent premium and avert a crisis,” said Dey.

If the client does not realise the dollar earning even after 91 days, the bank will automatically reverse at the last day and debit the loss amount. “If this is allowed, it will be like a stimulus package for exports which are major employers,” said Dey.
Currently, the rupee continues to be under pressure because, while importers are covering their requirements, the exporters are out of the market.

Source: timesofindia.com- Apr 22, 2020

Covid-19 impact: Port congestion adds to exporters’ woes

Import containers have piled up at ports as manufacturing of non-essential goods is yet pick up under the lockdown, prompting some ports to shut export gates.

India’s exports shrank almost 35% in March, the biggest contraction in almost a decade, reflecting the global slowdown made worse by the Covid-19 pandemic. Exporters looking to restart operations are confronted with multiple issues including additional costs due to stringent norms, cash flows and getting labour back to work.

Shipping lines are skipping Indian ports due to lack of yard space is the concern that Indian exporters and importers have begun facing as trade opens up. JNPT is preparing a contingency plan to clear congestion.

While there was a marginal increase of 50 more special economic zones (SEZ) becoming operational on Monday, with another 50 starting work from home, the numbers vary among states, exporters said higher compliance cost associated with bringing and maintaining labour are hindrances in restarting factories.

“We will watch the situation for one week,” said one official. Exporters have already flagged these issues with the government.

Source: economictimes.com- Apr 22, 2020
Equity support to MSMEs: Rs 10,000-crore fund soon

The government is considering a proposal to create a Rs 10,000-crore fund to buy up to 15% equity in crisis-hit, but otherwise well-rated, MSMEs that will list on bourses, an official source told FE. The MSME ministry has submitted this plan with the finance ministry.

Separately, the Centre is also weighing another proposal to create a Rs 10,000-crore fund of funds for these small businesses, along the lines of the one meant for start-ups. This fund of funds may make downstream investments in venture capital and alternative investment funds that will, in turn, invest in MSMEs with AAA or AA-rated ratings.

“Various ideas are being debated to help MSMEs tide over the pandemic impact. A decision will soon be announced,” said the source.

The National Small Industries Corporation under the MSME ministry or SIDBI may be tasked to control the funds.

Already, the MSME ministry is contemplating a scheme for credit rating to these businesses, based on their annual turnover, exports and GST payments.

Source: financialexpress.com- Apr 22, 2020

Internet, mobile body suggests govt way to help MSMEs retain employees amid Covid-19

Internet and Mobile Association of India (IAMAI), which represents businesses in the internet and mobile industries, has suggested the government to postpone statutory payments such as Tax Deducted at Source (TDS), Employees’ Provident Fund (EPF), and Employee State Insurance (ESI), amid Covid-19 outbreak, for six months for SMEs in the services sector.

This will help small businesses “continue to retain employees while giving maximum cash salaries to them,” said IAMAI. MSMEs in trade and other services employed around 7.5 crore people as per FY19 annual survey by the MSME Ministry.
Majority small businesses are facing acute liquidity crunch amid lockdown and have exhausted their savings in salaries and Covid-19 related expenses such as masks, sanitizers etc. at factories and workplaces. Consequently, while they somehow managed to pay March salaries to employees but for April and following they might have to make salary cuts even as many of them may have to reduce their workforce. “Considering the current health crisis and lockdown, many of these companies may have to resort to salary cuts, which will have a larger impact on the employees,” a statement by IAMAI said.

“Instead of putting a time period to the relief under the lockdown, the government should provide relief for six months post lockdown is lifted completely as nobody knows how much time the current situation would take to settle down. Post lockdown is lifted, there would be labour issues for at least one-two months, banks would ask for payments, there would be pending bills like electricity, telephone and other statutory payments. So the relief is required post lockdown for MSMEs businesses to come back to the normal level of business operations,” Mukesh Mohan Gupta, President, Chamber of Indian Micro, Small & Medium Enterprises (CIMSME) told Financial Express Online. The association has around 1.10 lakh MSME members.

However, postponing TDS deductions from employees’ salaries and contributions by both employee and employer towards ESIC and EPF will help the workforce to use the entire salary at least in the current period. The Finance Minister Nirmala Sitharaman had reduced the interest rate to 9 per cent from 18 per cent earlier on delayed deposit of TDS while tax returns deadline was extended to 30 June 2020. The minister had also announced last month that the government will bear the 24 per cent contribution of both employee and employer combined to the EPF for the coming three months to help MSMEs with better cash flows and liquidity.

The association, which has Amit Agarwal — Amazon India head as its Chairman, also urged the government to allow e-commerce businesses to resume services following the Home Secretary notification on Sunday clarifying that e-commerce companies would be allowed to sell only essential goods. This had surprised companies such as Amazon, Flipkart, Snapdeal others who were planning to restart their full services following the government’s order last week that noted e-commerce companies will be allowed but didn’t specifically have mentioned that non-essentials would also be allowed.
In a tweet recently, Commerce minister Piyush Goyal had called the clarification important for maintaining level the playing field between online and offline retailers. “The debate of online Vs offline is an incorrect portrayal of the ground reality. There are lakhs of sellers from the physical markets across India who also sell online. In fact, it is these medium & small offline enterprises that are powering the online e-commerce in a significant way,” IAMAI had said.

Source: financialexpress.com- Apr 21, 2020

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**Here’s what record crude oil price fall means for India: Some gain, some pain**

The international crude oil price crash to rarely seen levels may help India significantly cut the import bill, check inflation, and boost tax revenue, if the government takes advantage of the situation. With India importing over 80 per cent of its crude oil requirements, the country will need to shell out a lot less money to buy oil from abroad.

Low oil prices can not only reduce India’s import bills but it can also give a room to the government to increase fuel taxes, offsetting low direct tax collection. Further, low petroleum and fuel costs also bring down energy prices, moderating the inflation rate. “India being a net oil importer tends to gain immensely from oil slump on its import bill,” Madhavi Arora, Economist, Edelweiss, told Financial Express Online.

**The gain**

Even amid the turbulence, falling crude oil prices have the ability to reduce India’s economic pain. India entered into the coronavirus-led lockdown with a history of a longer-than-expected slowdown, which may prevent the government from achieving its annual target on different fronts, including direct and indirect tax collections.

Low crude oil prices can help India raise oil-related taxes to offset other losses. “Lower oil prices have three aspects to it — external account, inflation, and government’s revenue,” Sameer Narang, Chief Economist, Bank of Baroda, told Financial Express Online. The fall in oil prices will provide a cushion to the economy from multiple angles, he added.
The pain

However, such an unprecedented fall in crude oil prices is not a healthy sign, and reflects global markets’ nervousness amid still-evolving impact of the pandemic on global demand and activity, Madhavi Arora of Edelweiss said. Further, patchy risk sentiments would weigh on foreign flows in India and other emerging market asset classes, and keep the pressure on the Indian rupee, she added.

In another blow, India’s inward remittances from middle-eastern and other oil countries too may take a hit, Madhavi Arora said. However, Sameer Narang said it won’t do much harm as remittances are anyway going to be low from the non-oil producing nations as well due to the global recession.

Meanwhile, Brent crude was trading at $25.3 per barrel at 11:30 IST today, falling from nearly $28 per barrel yesterday. Also, for the first time in history, WTI crude prices fell below $0 per barrel and entered into the negative territory.

Source: financialexpress.com- Apr 21, 2020

Remove toll fees, provide stimulus package for transport sector, trade body tells Centre

ACOGOA said that the medium and heavy commercial vehicle cargo and passenger segments are on the verge of collapse

The All India Confederation of Goods Vehicle Owners Associations (ACOGOA) has sought a stimulus package from the Centre for the transport sector and the withdrawal of toll changes that became operational from April 20.

The ACOGOA, a not-for-profit, non-political organisation that acts as a think tank for transport policy formulation by the Government, said that during first part of the nationwide lockdown, there was no movement of traffic and the government had withdrawn toll duties. However, now even though a partial lockdown is still in place, and the movement of trucks and buses has barely started, the government has imposed the toll duties.
“I do not understand as to why in such a difficult situation, the government is rubbing salt on our wounds. As it is the road transport sector in dumps and now comes this. The Transport Minister must not accept proposals of NHAI or make any announcement without consulting the industry,” said Rajinder Singh, Secretary-General of ACOGOA.

**Financial stimulus needed**

Seeking a financial stimulus for the industry, the ACOGOA said the medium and heavy commercial vehicle cargo and passenger segments of this industry is on the verge of collapse and, if not put on a correction course immediately, carries the potential of paralysing the economy.

The ACOGOA urged that State road transport authorities to allow deferment of regular government annual dues already deposited by operators on depositing/surrendering the documents with the concerned authorities. The EMI of vehicles should also be deferred and a 3-month moratorium period should be granted.

The government must revamp the CIBIL scores system, in coordination with the Reserve Bank of India, the banking sector and the NBFCs, by ensuring that there are no adverse remarks for late payment of EMIs to the CIBIL scores of those who have purchased vehicles on loans, the ACOGOA said in a letter to Union Transport Minister Nitin Gadkari.

Transporters, managers and drivers continue to work without adequate protective gear, training and guidance regarding specific social distancing norms for this industry. This is such a big worry that it will be a big challenge for operators to convince drivers to re-join duty. The government must announce a without duty compensation package of ₹10,000 for drivers, loaders and unloaders, the ACOGOA said.

Source: thehindubusinessline.com- Apr 21, 2020

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Pandemic leaves Karur textile exporters reeling

Units are facing huge losses due to cancellation of orders and deferred payments

Handloom made-ups manufacturing units in Karur, a highly export oriented industry which powers the economy of the town, has been severely hit by the COVID pandemic. The units are facing huge losses due to cancellation of orders and deferred payments.

Since the last week of March, not many export shipments have gone out of Karur. According to industry estimates, the handloom textile units are sitting over stocks worth about ₹500-600 crore as orders were cancelled one after other as the pandemic wreaked havoc from one country to another in Europe and the USA.

About 750 MSME units in the town are involved in manufacturing and export of made-ups such as table cloths, kitchen towels, bed sheets, curtains and other home furnishing products. Annual exports from the town is valued at between ₹3,500 crore - 5,000 crore. The industry employs about 1.50 lakh employees directly and provides indirect employment to an equal number. Importantly, it employs a large number of semi-skilled and unskilled workers.

“Cancellations have been high – 40 to 50%. It varies from unit to unit, buyers and the country. We are staring at a total loss of about ₹500 - 750 crore this year,” rues ‘Atlas’ M. Nachimuthu, president, Karur Textile Exporters Association.

The pandemic has hit Karur where it hurts the most. “The major part of our exports goes to the USA and European countries such as Italy, Spain and France. Unfortunately these are the countries which are worst hit due to the COVID-19 pandemic,” explains A. Sethu, Chairman, Confederation of Indian Industry, Karur.

“The immediate challenge is the cancellation or deferment of orders. The orders which we have planned to ship for the summer season, between April and June, have been halted by our importers. Our products are season oriented and cannot be sold in the next season (autumn) as the designs and colours would change,” he adds.
“Many customers also want to renegotiate payment terms. They want a longer credit cycle. All this is putting us in a highly stressed business environment”, observed K. G. Prithivi, Secretary, Karur Textile Exporters Association.

The immediate worry for the textile units is the need to pay the salaries of employees for the month of April, as directed by the government. “With no revenue, we have to manage our overheads and pay the salary. This is a big challenge. We request the government to take a liberal view on this and support employees by utilising the huge sum of unclaimed money available with the Employees State Insurance Corporation of India and Provident Fund, which is meant to provide social security to employees,” observes Mr. Prithivi.

The industry has also put forth other demands to the government. “The moratorium on term loan repayment should be extended to a year. The government should also offer interest subvention on loans and working capital limits should be increased to all MSMEs,” suggests Mr. Nachimuthu. He also wants the government to take steps to restore domestic and international courier operations so that the exporters were able to get samples and whatever orders they manage to keep themselves going.

The Reserve Bank of India has announced some stimulus to the industry but seeing the world scenario the measures should be stepped up. “Some relaxations has been given in Provident Fund payments and government has taken liability to pay both employer and employee portions but this is applicable only for units with less than 100 employees. This should be extended to all units,” requests Mr. Sethu.

Returning to pre-COVID situation is not a scenario that many exporters visualise now. “Our business will not be back to normal even if the situation improves here; much depends on the USA and countries in Europe returning to normal. It will take three to six months for a clear picture to emerge,” observes Mr. Nachimuthu.

“Bouncing back to pre-COVID situation may be at least 18 to 24 months away provided the whole world returns to normalcy and people regain their spending capacities. Our products are not essential items and buying home furnishings will be the last thing on the mind of people recovering from the economic crisis caused by the pandemic,” observes Mr. Prithivi.
Most exporters say that the industry will face shrinkage of operations in the near future. “Even if we resume restricted operations, we may operate only to 30% of capacity due to poor demand.

Retrenchments and downsizing will be the order of the day. Some weak players may even be forced to shut. Unless there is government support, it will be a very tough scenario,” says Mr. Prithivi.

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