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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

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INTERNATIONAL NEWS

China Still Buying, But Shipments a Concern

Cotton eased into the Memorial Day weekend a bit unsteady, but still standing erect.

The market was down on the week, but only after failing to close above its 59.50 cent resistant level. Carry returned to the market, as the new crop December futures contract eased some 64 points over the nearby July contract. Excess carryover both in the United States and globally continue as the bearish force keeps a heavy hammer over this market.

The near-term fundamentals, on the surface, appear positive for prices. Technicals continue to look near term friendly. Additionally, the market has traded very well within its 55.50 to 59.50 cent range with little attempt to deviate from that dominate range.

Finally, the magic word (China) continues to show up in the export sales report, and that same word surfaces overnight in export sales inquiries. Thus, most traders and growers alike are locked onto what China does or does not do. The textile industry is gradually increasing its activity, which is a plus. But a new world crop is in the ground and, as mentioned, excess carryover stocks already exist in all markets. Expect the current 55.50 to 59.50 cent range to continue into the July contract's first notice day (FND) of June 24, just five weeks from now.

The market can be expected to react to the level of certificated stocks, as the principal Memphis merchant appears to have solid demand for quality stocks. While growers still have available cotton, the Board continues to offer the least cost cotton for the merchant needing to fulfill export commitments. Yet, quality stocks will command a bit more premium than currently offered as harvesting of the 2020 crop begins.

Too, while China remains a magic word in the cotton market, it is no longer the amount of cotton China buys in the export market. Currently, Chinese buying is a combination of meeting the Phase 1 agreement and rebuilding its Strategic Reserve. China is ripe to do this in a period of cheap (low) prices.

However, the key has become shipments. It is obvious that all the current buying (2019-20 marketing year) will not get shipped. There is simply not enough time to ship purchases recently made and that are currently being made. Thus, the question to be answered is whether China will move shipments into marketing year 2020-21 or simply cancel the purchase agreements.

The inclination of the market historically was that shipment would be made. However, that is no longer a safe bet, as cancellations have become a very active political game with the Chinese. Thus, this becomes a major reason that the market will continue with its narrow five cent sub-60-cent trading range.

China does remain as the primary buyer of U.S. cotton, but export sales and shipments have slowed. U.S. shipments on the week were only 256,800 bales. Upland net sales for the week were 128,900 bales, and Pima sales were only 600 bales.

Upland exports to date are 10.81 million bales. This is some 13% percent above the prior year's pace and 72% of the USDA 15 million bales estimate. There are only some 10 weeks remaining in the marketing year, but seasonally, this is the time for large weekly shipments.

Other fundamentals gaining notice this week were a somewhat slight uptick in yarn demand at many locations, as well as the noted late planting problems facing the Southeast and Mid-South and weather problems in China. Yes, there is some lateness, but let's not be too concerned about late U.S. plantings until after July 4. Too, don't look for any crop – cotton or soybeans – to get planted this year inside the Mississippi levee.

The COVID-19 payment to growers will be 9.5 cents per pound based on 50% of one's respective crop. There are more than a couple of snake eyes in the provision, so be sure to check with your producer representative. The limit appears to be $250,000 per entity and does not count against any program payment. The payment is not a subsidy or disaster payment, but a payment made due to COVID-19 market interruption.

Source: cottongrower.com- May 22, 2020

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Despite COVID-19 US apparel industry's revenue to grow in 2020: Survey

A new forecast by the Institute for Supply Management published in the 'Spring 2020 Semiannual Economic Forecast' indicates that in the US manufacturing, revenue, capital expenditures and utilization are all expected to contract substantially this year due to the coronavirus pandemic.

However, the same survey reveals a surprisingly buoyant outlook for US apparel and leather industry for the rest of 2020. This upbeat outlook mainly stems from the ability of these two industries to divert their production to the manufacturing of PPE when the pandemic forced their stores to close and orders dwindle, and the potential for new core business now that retail is beginning to reopen.

Textile production to decline by 3.6 per cent

The survey states, non-manufacturing industries including agriculture, transportation, warehousing and retailer are likely to record a 10.4 per cent net decrease in their overall revenues. The capacity of these industries to produce products or provide services is expected to decrease 2.8 per cent during 2020.

In terms of manufacturing industries, the production capacities of 11 industries including textile mills is expected to decrease by 3.6 per cent in 2020. On the contrary, production capacities of five manufacturing industries are expected to increase in 2020. These industries include apparel, leather and allied products. Their capital expenditures is also expected to increase in 2020 compared to 2019.

Apparel prices to decrease by 2.8 per cent

In the December forecast, respondents had predicted a 0.4 per cent increase in prices they paid for products during the first four months of 2020. The industries that they reported an increase in prices included textile mills.

These respondents now report a 2.8 decrease in prices in 14 industries that also include apparel, leather and allied products.

The prices of products in seven manufacturing industries including textile mills expect their prices to increase in 2020, while 11 industries including apparel, leather and allied products expect prices to decrease.

In non-manufacturing business, executives expect prices to increase on an average, 3.9 per cent as compared to prices at the end of 2019. The 11 industries predicting price increases for all of 2020 include wholesale trade, and transportation and warehousing, while among the seven industries expecting price decreases for 2020 were agriculture and retail trade.

Apparel revenues to grow, textile to contract

Apparel, leather and allied industries also expect their revenues to grow in 2020. On the other hand, revenues of 15 manufacturing industries including textile mills are expected to contract.

The revenues of 18 non-manufacturing industries including agriculture, transportation and warehousing; retail trade and wholesale trade are also expected to fall. The revenues of purchasing and supply management executives in manufacturing business are expected to contract by 10.3 percent. This is 15.1 percent lower than the 4.8 percent increase forecast in December.

Source: fashionatingworld.com- May 22, 2020

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Global trade of sewing thread of artificial fibres decline

The global trade of sewing thread of artificial staple fibres have shown a tremendous drop from 2018 to 2019. Total trade declined 37.25 per cent from $30.45 million in 2017 to $19.11 million in 2019, according to data from TexPro. The total trade of sewing thread of artificial staple fibres declined 41.93 per cent in 2019 over the previous year.

The trade of sewing thread of artificial staple fibres is further anticipated to fall to $14.61 million in 2022 with a rate of 23.53 per cent from 2019, according to Fibre2Fashion's market analysis tool TexPro.

The global export of sewing thread of artificial staple fibres was $7.99 million in 2017, which grew 16.92 per cent to $9.34 million in 2019.

Total exports decreased 42.52 per cent in 2019 over the previous year and is expected to boost to $11.81 million in 2022 with a rate of 26.43 per cent from 2019.

The global import value of sewing thread of artificial staple fibres was $22.46 million in 2017, which reduced 56.52 per cent to $9.76 million in 2019. Total imports decreased 41.35 per cent in 2019 over the previous year and is expected to drop further to $2.80 million in 2022 with a rate of 71.33 per cent from 2019.

China ($2.40 million), Spain ($2.38 million) and Sri Lanka ($1.62 million) were the key exporters of sewing thread of artificial staple fibres across the globe in 2019, together comprising 68.44 per cent of total export. These were followed by the US ($0.63 million), Israel ($0.41 million) and Italy ($0.34 million).

From 2016 to 2019, the most notable rate of growth in terms of export value, amongst the main exporting countries, was attained by Sri Lanka (20960.05 per cent) and the Spain (1560.13 per cent).

Sri Lanka ($2.02 million), Thailand ($1.03 million) and Indonesia ($0.96 million) were the key importers of sewing thread of artificial staple fibres across the globe in 2019, together comprising 41.01 per cent of total import. These were followed by Poland ($0.57 million), Guatemala ($0.56 million) and China ($0.47 million).

From 2016 to 2019, the most notable rate of growth in terms of import value, amongst the main importing countries, was attained by Sri Lanka (26182.54 per cent) and Thailand (2795.42 per cent).

Source: fibre2fashion.com- May 22, 2020

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US online apparel sales grow 98.4 per cent

Recent data from eShopWorld shows, April's year-over-year apparel orders in the US grew by 98.4 per cent followed by sporting equipment with 96.2 percent growth in order volume, and footwear which saw 60.2 per cent growth in order volume. The categories continued to see growth in the first half of May at 118 percent growth, 58.5 per cent growth and 106.6 per cent growth year-over-year, respectively.

Many brands in these categories experienced exponential sales during this time. Brands that reacted quickly to properly address international markets during the pandemic saw the most growth. Companies that were able to offer easy availability through e-commerce were able to effectively and efficiently acquire a larger share of the market with new audiences.

The top 10 countries that consumed US brands for April year-over-year included Israel, Ireland, New Zealand, Canada, United Arab Emirates, Chile, Australia, Belgium, Switzerland and France, ranging from 92 to 178 percent growth in order volume. Returns from e-commerce consumers also lowered during this period.

Source: fashionatingworld.com- May 22, 2020

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Victoria's Secret to close about 250 stores in US, Canada

Victorias's Secret will permanently close 250 stores in the United States and Canada this year as the COVID-19 pandemic cripples its business, its parent L Brands announced recently. L Brands also plans to permanently close 50 Bath & Body Works stores in the United States and one in Canada, the company said in its quarterly earnings information online.

US fashion retailer L Brands discussed its earnings with analysts yesterday.

L Brands' total company sales declined by 37 per cent to $1.65 billion in the quarter that ended on May 2. Almost all of the company's stores have been closed since March 17 due to the pandemic.

Victoria's Secret sales fell by 46 per cent to $821.5 million, while that of Bath & Body Works dropped by 18 per cent.

L Brands said it will still move forward with plans to make Bath & Body Works a standalone company, according to US media reports.

Source: fibre2fashion.com- May 22, 2020

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Brazilian textile industry launches new campaign

With the pandemic and social isolation, Abit (Brazilian Association of the Textile and Clothing Industry) launched 'Tamo Junto' (We Are Together) campaign, which calls on brands to encourage consumers to buy 100 per cent national products.

The Brazilian textile industry is one of the most representative in the world and the largest complete chain in the West. It ranges from plantation inputs to products that are ready for the national and international market. In 2019 alone, the sector generated $48 billion.

Many companies have worked to publicize and improve domestic production and boost domestic consumption not only during the pandemic, but also in the future. The Lunelli Group, which developed the 'Conscious Consumptiom' campaign, also spoke in favor of Brazilian fashion. Without being able to physically serve customers, Brazilian brands have also invested in online content, either for the benefit of consumers or to promote products and make themselves visible.

For example, Colcci relied on its famous models to connect with consumers and created Lives on Instagram with names like the famous Brazilian actor Cauã Reymond. Lunelli Group shares recipe tips with followers on Instagram, while Círculo publishes videos on YouTube with crochet tips to make at home.

Still online, companies are taking a closer look at their sales platforms in social media. For example, EcoSimple has understood that this trend is now getting stronger and is developing an e-commerce platform.

Source: fashionatingworld.com- May 22, 2020

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Pandemic highlights big box stores' ability to pivot

Late last year, Best Buy began testing curbside pickup at select stores as a way to respond to customer needs.

But that was then.

The pandemic accelerated the company's plans and what was supposed to take months instead took just 48 hours, with Best Buy rolling out curbside pickup at all 900 of its locations in late March as customers sought to minimize contagion by ordering online and pulling up to stores to collect their purchases.

That made all the difference, enabling Best Buy to retain 81% of last year's sales in the first quarter even with its stores closed to shoppers, according to the company's earnings release Thursday.

“There are scenarios we plan for as business leaders, and then there are events that simply do not have a playbook," Best Buy CEO Corie Barry told analysts Thursday. “This is one of those times.”

It's the latest example of how big box stores like Best Buy as well as Target, Walmart and others were able to capitalize on their digital expertise and stay relevant during the pandemic. As a result, they thrived during the fiscal first quarter.

Meanwhile, Macy's and other mall-based clothing chains like Victoria's Secret struggled to adapt. Macy's sales were down 45% and the company says it could have a loss of at least $1 billion in the quarter. In contrast to Best Buy, it took Macy's nine weeks starting in late March to introduce curbside pickup at 300 stores, or about one-third of all of its stores.

To be sure, Macy's sells clothing and other merchandise that shoppers aren't necessarily clamoring for in the middle of a pandemic while Best Buy offers items like computers and other electronics that suddenly became indispensable as more people began working from home. Macy's was also quicker to offer curbside pickup compared with its department store peers.

Still, it shows how the pandemic is deepening the divide between big box stores and mall-based clothing chains. UBS predicts 100,000 store closings by 2025. Already, J. Crew, Neiman Marcus, Stages Stores and J.C. Penney have filed for Chapter 11 bankruptcy protection in the last month. Victoria's Secret said that it will be closing 250 stores — about a quarter of its fleet — in the next few months.

“The divide was already widening between the big box operators and mall-based retailers,” said Ken Perkins, president of Retail Metrics. “The pandemic is now pushing it to the brink.” Perkins said big box retailers have it in their “DNA to adjust quickly and were very early to adapt online early on their business."

“Department stores conversely have been very slow to change,” he said. "Their business model has deteriorated." Perkins said that so far non-mall based stores are on track to post first-quarter earnings drop of 20.5%. That compares to mall-based chains, which are seeing earnings down more than three-fold, according to his roster of 103 retailers.

Walmart and Target, both of which were considered essential and were allowed to stay open because they carried items like toilet paper and groceries, reported soaring online sales and strong store sales while using their stores as distribution hubs.

Target's CEO Brian Cornell said its stores were directly involved in supplying goods for 80% of online sales. Same-day services such as curbside pickup nearly tripled. Walmart, meanwhile, used about 2,500 stores to ship online orders. Lowe's Marvin Ellison credited its recent move to revamp its outdated online site months ago to move quickly to curbside pickup at its stores.

Analysts are closely watching shoppers’ behavior and their willingness to go back to the stores that are reopening.

TJX Cos., which operates T.J. Maxx and HomeGoods and Marshalls and is usually one of the retail darlings, took a beating because it was forced to temporarily close its stores and its fledgling online business. But the company sees “strong initial" sales from the stores that have reopened, and analysts believe the chain will bounce back. Its online site is now live.

Kohl’s said this week that sales had slumped more than 40% and it lost money in its first quarter. But its CEO Michelle Gass believes the chain will fare better than its peers since most of its stores are at strip centers. So far, it's reopened about 50% of its 1,100 stores across the country.

Macy's CEO Jeff Gennette said sales at the stores that have reopened have been “moderately higher than anticipated.” Earlier this month, he expected the reopened stores would generate less than 20% of their typical activity in the beginning stages.

Macy’s has acknowledged that it will emerge from the pandemic a smaller company. It began to reopen its stores early this month and about 190 Macy’s and Bloomingdale’s locations were operating in one form or another as of this week. It expects another 80 Macy’s stores to open for Memorial Day weekend and most of its stores, including its flagship stores in Manhattan, to open in mid-June.

Sales, the New York department store said in a preliminary report could plummet to around $3 billion from the $5.5 billion in sales booked just a year ago. It said it would likely swing to a quarterly loss of between $905,000 and $1.1 billion. It reported a steady uptick in its online business in April, but only partially offset the loss of store sales.

Macy's had a profit of $203 million in last year's first quarter, which ended on May 2. The company will release more details about its quarterly performance early next month.

Source: ktxs.com- May 21, 2020

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Sri Lanka's apparel industry attracts over 500 mln USD orders for PPE

Sri Lanka's apparel industry has attracted over 500 million U.S. dollars worth of orders for the production of personal protective equipment (PPEs), and expressed confidence the value will top the 1 billion dollar mark in the near future, the country's state investment bureau said in a statement here Friday.

The Board of Investments (BOI), quoted in local media reports said Sri Lanka has been able to secure large orders for the production of PPEs due to the COVID-19 pandemic and a total of 33 factories were currently manufacturing these products.

"We expect more orders, which will soon surpass the 1 billion dollar mark," BOI Director General Sanjaya Mohottala said. According to the local Daily FT, Sri Lanka's total export earnings for 2019 was 11.9 billion U. S. dollars, out of which US 5.7 billion dollars was generated from apparel exports.

Around 300 garment factories employ over 300,000 workers, where over one million people are engaged in garment-related industries to earn livelihoods through indirect employment, according to the report. Sri Lanka's main apparel markets include the U. S. and Europe.

He also noted that the BOI has expedited the work in setting up the proposed fabric park in Eravur, in eastern Sri Lanka, to manufacture raw material needed for the apparel industry going forward. "We have already had discussions with potential investors from several countries and received favorable responses," Mohottala added.

The fabric park will produce both artificial and natural textile needed for the apparel industry.

Source: xinhuanet.com - May 22, 2020

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Vietnam intent on boosting trade with India

Lê Hoàng Tài, deputy director of the Ministry of Industry and Trade's Vietnam Trade Promotion Agency (Vietrade) made the statement at an online meeting on trade promotion through the Vietnamese community in India on Wednesday, claiming Vietnam has a lot of potential to export goods to India.

The agency and trade office of the Vietnamese embassy to India in collaboration with the Vietnamese community in India and Nepal and the Indian Importers Chambers of Commerce and Industry organised the online meeting.

The seminar aimed to create a bridge with the Vietnamese community in India to exchange information with domestic businesses on trade prospects in India. Trade relations between Vietnam and India are complementary and many Vietnamese goods have export potential like agricultural products and processed foods, especially dragon fruit. Cashew, coffee, pepper, rubber and spices also have much potential in the Indian market.

The governments of the two countries have realised there is a need to promote co-operation in developing value chains in the textiles, footwear, electronic equipment, machinery and mechanical products sectors.

Tài said total import-export turnover between Vietnam and India increased by 2.06 times from US$5.43 billion to $11.21 billion from 2016 to 2019. Exports increased by 2.5 times from $2.69 billion to $6.67 billion, while imports increased by 1.65 times from $2.75 billion to $4.54 billion.

Source: freshplaza.com- May 21, 2020

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Pakistan says debt in CPEC-related projects is just 10%, rejects US' concern

Pakistan and China on Friday dismissed the US' criticism of the multi billion CPEC and the issue of "predatory loans", saying it was an important cooperation project between the two nations who are all-weather friends.

The US' top diplomat for South and Central Asia Alice Wells on Wednesday said that at a time when the world is reeling from the economic consequences of having shut parts of the economy due to the coronavirus, it is really incumbent upon China to take steps to alleviate the burden this ?predatory, unsustainable and unfair? lending is going to cause to Pakistan.

Responding to the remarks of Wells, who has been critical of the USD 60 billion China-Pakistan Economic Corridor (CPEC), Pakistan's Foreign Office said that its total public debt relating to the CPEC projects is less than even 10 per cent of the total debt.

Moreover, the public debt obtained from China has a maturity period of 20 years and the interest is 2.34 per cent.

If grants are included, the interest value slides down to about two per cent. The claims made by some of the commentators and public officials on Pakistan's debt obligations relating to the CPEC are contrary to the facts,? it said in a statement.

The FO reiterated that the CPEC, a long-term project, helped address development gaps in energy, infrastructure, industrialisation and job creation.

Pakistan and China have several mechanisms to discuss matters of mutual interest. Both countries are regularly in touch to address those issues bilaterally,? it said.

The CPEC, a flagship project of the Belt and Road Initiative (BRI) of China, is a transformational project contributing positively and transparently to Pakistan's national development, the FO said, adding it believes that the regional economic connectivity will provide a critical stimulus for creating a broad-based growth across the region.

The BRI is a multi-billion dollar initiative launched by Chinese President Xi Jinping when he came to power in 2013. It aims to link Southeast Asia, Central Asia, the Gulf region, Africa and Europe with a network of land and sea routes.

India has protested over the CPEC which is being laid through Pakistan-occupied Kashmir.

The FO reiterated that Pakistan and China are ?All-Weather Strategic Co-operative Partners?.

We are engaged in prompting peace, development and stability in the region based on the principles of mutual respect, mutual benefit, win-win cooperation and shared development. Our ties are based on deep mutual trust and understanding,? it said.

Meanwhile in Beijing, Chinese Foreign Ministry spokesman Zhao Lijian accused the US of ?distorting and smearing? mutually beneficial cooperation between China and South Asian countries. Wells had also said that the US hopes Nepal will accept USD 500 million from the Millennium Challenge Cooperation, a US Government foreign aid agency. She hoped Nepal doesn't take dictation from China.

Reacting to her remarks on Pakistan and Nepal, Zhao said the comments reflect the US' ?narrow mindedness and bias.? ?China and South Asian countries are good neighbours, good friends and good partners. With mutual respect, equality and joint development, we help these countries enhance their development capabilities,? he said.

Based on their needs, we provide financial support and launch cooperation projects. We never impose on them or attach any political strings. We never ask them to prove anything,? he said. On Thursday, the Chinese embassy in Islamabad rejected the remarks of Wells, saying ?we need no teachers, especially a teacher like the US?.

It said that China will “never force Pakistan to pay back debts” and that “China’s loans have no strings attached”.

The embassy also asked the US that it should not comment on China’s ties with Pakistan as Beijing had no intention on commenting on Pakistan-US relations.

It said that the CPEC is an important cooperation project between the governments of China and Pakistan. It has always adhered to the principles of mutual benefit, win-win cooperation, openness and transparency.

“The planning and implementation of the projects are carried out by the two sides through thorough consultations based on equality and scientific study. The Chinese companies under the project are all leading companies in their respective sectors and operate in full compliance with local laws and regulations,” the embassy said.

It claimed that the CPEC has so far brought USD 25 billion in direct investment and created more than 75,000 jobs in Pakistan, adding that China was the major source of foreign direct investment for Pakistan in the past five consecutive years.

“In the next stage of the project, both sides will strength cooperation on healthcare, industrial development, agriculture and education. The CPEC will give a new impetus to Pakistan’s economic revival even in the post COVID-19 period,? the embassy said.

Wells had also commented on the CPEC in November 2019, when she said that the project was harmful as it would take a toll on Pakistan’s economy in the future.

Source: financialexpress.com- May 22, 2020

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Bangladesh: RMG workforce survey reveals seamless shift to digital payments

Some 67 percent of workers in the RMG sector had reportedly been paid as of May 16, according to a survey.

This was revealed in a survey titled "Massive shift to Digital Wages Payments in Bangladesh's RMG Sector", conducted on May 15 and 16 by researchers working for the Dhaka-based South Asian Network on Economic Modeling (SANEM), and Microfinance Opportunities (MFO), a U.S.-based NGO.

It finds that there are some differences in the experiences of men and women workers during the May payment cycle.

"Fewer proportion of women report being paid: 64 percent of women reported being paid while 74 percent of men did," it added.

The researchers surveyed 1,384 workers in the RMG sector in Bangladesh by telephone.

The workers and the researchers had previously participated in the Garment Worker Diaries study, which collected data from 1,300 workers throughout 2019 and until the end of January 2020.

The workers are employed in factories spread across the five main industrial areas of Bangladesh (Chittagong, Dhaka City, Gazipur, Narayanganj, and Savar).

Almost three-quarters of the surveyed workers are women, in line with their preponderance in the overall workforce of the RMG industry, said to number 4 million.

The really breakthrough finding of the survey states that 82 percent of the paid workers till May 15, reported receiving their wages through some sort of digital channel (bKash, Rocket, Nagad, or bank transfer).

That is almost three times the number in just April, when 28 percent of garment workers were paid digitally. This represents a massive shift of payments from cash to digital within the space of one month.

Both women and men reported being paid digitally at about the same rate—82 and 84 percent respectively

It also said that Women were less likely to have withdrawn the cash from their accounts immediately after they had been paid—84 percent of women reported withdrawing their salary from their account immediately in comparison to 93 percent of men.

The survey went on to state that despite the large number of workers being paid digitally, many for the first time, the process too has been smooth going for most of them: 95 percent were able to cash out their payment at an ATM or agent on their first try and 78 percent waited in line to cash out for less than 10 minutes.

Source: unb.com.bd- May 22, 2020

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NATIONAL NEWS

2020-21 GDP growth likely to remain in negative territory: Shaktikanta Das

Painting a gloomy picture of the economy, the Reserve Bank of India (RBI) on Friday said the impact of COVID-19 is more severe than anticipated and the GDP (gross domestic product) growth during 2020-21 is likely to remain in the negative territory.

The outlook of inflation also remains "highly uncertain", RBI governor Shaktikanta Das said while announcing a 40-basis point (bps) cut in the repo rate as part of the monetary measures to deal with the current crisis.

It is the second sharp cut in the key policy rate in two months. On March 27, the Monetary Policy Committee (MPC), the rate-setting panel of the RBI, had cut the key short-term lending rate by 75 bps.

Given all the uncertainties related to the lockdown and social distancing, he said, "GDP growth in 2020-21 is estimated to remain in negative territory, with some pick-up in growth impulses from second half of 2020-21 onwards."

Observing that the risk to the growth are "gravest", in an address through television, the governor said "the combined impact of demand compression and supply disruption will depress economic activity in the first half of the year".

Even if the economic activities are restored in a phased manner, the combination of fiscal, monetary and administrative measures being currently undertaken would create conditions for a gradual revival in activity only in the second half of 2020-21, he added.

"Nonetheless, downside risks to this assessment are significant and contingent upon the containment of the pandemic and quick phasing out of social distancing/lockdowns," Das said, adding that much would depend on how quickly the COVID-19 curve flattens and begins to moderate.

The end-May 2020 release of NSO on national income should provide greater clarity, enabling more specific projections of GDP growth in terms of both magnitude and direction, he said.

Das-headed MPC, whose meeting was advanced, was of the view that the macroeconomic impact of the pandemic is turning out to be more severe than initially anticipated, and various sectors of the economy are experiencing acute stress.

Also, the impact of the shock was compounded by the interaction of supply disruptions and demand compression. In view of the virus crisis, the three-day meeting of the rate-setting body was advanced to May 20-22 from the earlier scheduled date of June 3-5.

"The recent release of macroeconomic data, that for the first time revealed the damage caused by COVID-19, brought forward the need for an off-cycle meeting of the MPC," the governor said. He said domestic economic activity has been impacted severely by the two-month lockdown. The top-six industrialised states that account for about 60 per cent of industrial output are largely in red or orange zones.

Giving details, he said electricity and petroleum products consumption -- indicators of day-to-day demand -- have plunged into steep declines. The double whammy in terms of losses of both demand and production has, in turn, taken its toll on fiscal revenues, he said.

Investment demand has been virtually halted by a decline of 36 per cent in the production of capital goods in March, which was coincident with a contraction of 27 per cent in imports of capital goods in March and 57.5 per cent in April.

"The biggest blow from COVID-19 has been to private consumption, which accounts for about 60 per cent of domestic demand," Das said in his nearly 30 minutes address. He said that by all counts, the macroeconomic and financial conditions are austere. "The global economy is inexorably headed into recession."

As he projected a grim outlook for the economy, Das also said that "amidst this encircling gloom", agriculture and allied activities have provided a beacon of hope on the back of an increase of 3.7 per cent in foodgrains production to a new record.

A ray of hope also comes from the forecast of a normal southwest monsoon in 2020 by the India Meteorological Department (IMD).

Source: timesofindia.com– May 22, 2020

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Physical copy of key export document mandatory for shipments to Thailand, Vietnam under FTA

Exporters sending their shipments to Thailand and Vietnam under a free trade agreement (FTA) will have to submit physical applications to avail the lower duty benefits.

The government on Friday restored the procedure for issuance of physical copy of certificates of origin as exporters had expressed difficulties in obtaining preferential access in Thailand and Vietnam based on digitally signed electronic certificates.

In April, the commerce and ministry had allowed exporters to obtain the Certificate of Origin (CoO) online as offices issuing these documents were closed on account of lockdown due to the Covid-19 pandemic. The certificate is important to claim duty concessions under FTAs.

“The CoO applications under ASEAN-India FTA for exports to Thailand and Vietnam should now be submitted manually by the exporters to the offices of the designated issuing agencies i.e. EIA, MPEDA and Textile Committee,” Directorate General of Foreign Trade said in a trade notice.

An exporter has to submit the certificate at the landing port of the importing country.

“These countries had asked for reciprocity so that Indian customs can also accept their exporters’ digital certificates. However, since this facility is not available in India, the government has had to roll back the online certificate facility,” said a trade expert, adding that China too has demanded reciprocity from India under the Asia-Pacific Trade Agreement.

APTA (formerly known as the Bangkok Agreement) is the only operational trade pact linking India and China. South Korea, Bangladesh, Lao PDR and Sri Lanka are also APTA members.

The e-platform will not accept CoO applications submitted for exports destined to Thailand and Vietnam, DGFT said.

However, it shall continue to accept and process CoO applications for export to other countries under ASEAN-India FTA, it added.

"These agencies (EIA, MPEDA and Textile Committee) will henceforth issue the Certificate of Origin in physical paper format as was being done before...for Thailand and Vietnam, till further notice," DGFT said.

The Association of Southeast Asian Nations (ASEAN)-India trade in goods agreement was signed on August 13, 2009, and became effective from January 1, 2010.

Indonesia, Thailand, Singapore, Malaysia, Philippines, Vietnam, Cambodia, Brunei, Myanmar, and Laos are the member countries of Asean.

Source: economictimes.com– May 22, 2020

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MSMEs and exporters get some relief from RBI

MSMEs received a fresh boost in terms of credit support from the Reserve Bank of India. While SIDBI's credit facility was rolled over, Exim Bank received a fresh line of credit line. In additions exporters and importers too got some added sops

The RBI had in its March statement announced a special refinance facility of Rs 15,000 crore to SIDBI at RBI's policy repo rate for a period of 90 days for on-lending and refinancing which has been rolled over by another 90 days.

"In order to provide greater flexibility to SIDBI, it has been decided to roll over the facility at the end of the 90th day for another period of 90 days" Governor Shaktikanta Das said in his statement to the media on Friday. MSMEs contribute to around 40 per cent of country's GDP.

Besides, to enable EXIM bank to meet its foreign currency resource requirements, the Reserve Bank is planning to extend a line of credit of Rs 15,000 crore to Exim Bank for a period of 90 days (with rollover up to one year) so as to enable it to avail a US dollar swap facility.

"These measures alongside earlier announcements by the RBI as well as the Finance Minister have been undertaken to address the stress due to cash flow disruptions caused by Covid-19 and improve availability of liquidity" said Care Ratings in a report.

In addition, the Reserve Bank has announced measures to address exporters' difficulties in their production and realisation cycles. The maximum permissible period of pre-shipment and post-shipment export credit sanctioned by banks is increased from the existing one year to 15 months, for disbursements made up to July 31, 2020.

The RBI has decided to extend the time period for completion of outward remittances against normal imports (i.e. excluding import of gold/diamonds and precious stones/jewellery) into India from six months to twelve months from the date of shipment for such imports made on or before July 31, 2020.

Source: economictimes.com– May 22, 2020

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'RBI measures, along with Centre's stimulus, will revive growth'

Bankers have welcomed the latest round of measures by the Reserve Bank of India and said they will help revive growth, along with the recent stimulus measures by the Centre.

"The RBI policy announcement in response to the fallout of Covid pandemic is timely.

Uncertainty associated with the pandemic, normalisation of economic activity, and relaxation made in social distance make it imperative that policy response is calibrated and swift," said Rajnish Kumar, Chairman, State Bank of India and Indian Banks' Association.

Support for economy

He further noted that the successive measures by the RBI and government indicate the desire to go full throttle to support the economy in the current unprecedented times.

Shanti Ekambaram, Group President – Consumer Banking, Kotak Mahindra Bank, said there has been a steep fall in consumption demand, combined with supply-side disruptions. "Together, it has led to a sharp decrease in economic growth. ... Coming on the heels of the package announced by the Centre, the RBI announcements will help businesses restart. With a gradual lifting of the lockdown, it is now imperative to revive the economy," she said.

Mandar Pitale, Head Treasury – SBM Bank India, said the accommodative stance by the central bank is a further indication that it will not shy away from changing the interest rates going ahead, depending on the data. "The Monetary Policy Committee opted for a not-so-large 40 basis points rate cut indicating calibrated approach basis underlying uncertainty on inflation outlook," he said.

Sameer Narang, Chief Economist, Bank of Baroda, noted that since the pandemic, the RBI has reduced policy rate by 115 basis points, and since last year, rates have been lowered by 250 basis points.

"Recent trade and electricity data suggests large contraction due to lockdown and social distancing measures. We expect GDP to contract by 4.7 per cent in 2020-21 and CPI inflation at 3.5 per cent, which makes us believe that RBI has room for another 25 basis points reduction in policy rate," he said.

Source: thehindubusinessline.com– May 22, 2020

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India's forex reserves rise $1.73 billion to $487.04 billion

The country's foreign exchange reserves increased by USD 1.73 billion to USD 487.04 billion in the week to May 15, which is equivalent to 12 months of imports, according to the Reserve Bank of India.

Between April 1 and May 15, the foreign exchange reserves have increased by USD 9.2 billion.

In the week ended May 8, the reserves had surged by USD 4.23 billion to USD 485.31 billion.

It had touched a life-time high of USD 487.23 billion in the week to March 6, after it rose by USD 5.69 billion. The increase in reserves in the week ended May 15 was on account of a rise in foreign currency assets (FCA), a major component of the overall reserves.

FCA rose by USD 1.12 billion to USD 448.67 billion in the reporting week, RBI data showed. Expressed in dollar terms, the foreign currency assets include the effect of appreciation or depreciation of non-US units like the euro, pound and yen held in the foreign exchange reserves.

The gold reserves rose USD 616 million to USD 32.91 billion in the reporting week, the RBI data showed. In the reporting week, the special drawing rights with the International Monetary Fund (IMF) was up by USD 2 million to USD 1.42 billion.

The country's reserve position with the IMF dipped by USD 13 million to USD 4.04 billion during the reporting week, the data showed.

Source: financialexpress.com– May 22, 2020

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Explained: The real measure of India's stimulus package

Over the last week, the only issue being discussed in Indian business circles is about how much more the Indian government could have done to revive the economy, which has stalled due to Covid-19. PM Modi announced a Rs 20 lakh crore stimulus package—close to 10% of the Indian GDP. The figure of Rs 20 lakh crore is also very similar to the entire tax receipts of the central government for FY21, if the year did not have Covid-19 related problems.

Subsequently, India's finance minister provided details of the stimulus package over five days. The stimulus package is a mix of fiscal support, monetary support, ease of doing business processes, as well as some fundamental reforms.

The reforms announced by the FM are far-reaching and cover a large gamut of activities, which most right-minded people have been asking for over three decades. There are other reforms such as land reforms that are happening at the level of states, which were not even mentioned. There is no doubt or debate about the need for these reforms. These reforms were needed and will take India into a different trajectory, as, without them, India is stifled. They may require some tweaks and some upgrades. However, there hasn't been a discussion on these reforms. Everyone was focussed on the details of Rs 20 lakh crore, the stimulus being given to sectors, and how much will be a giveaway.

Who doesn't like a giveaway?

Much before the Indian stimulus was announced, the US, Japan, the UK, Europe, etc, had already announced their huge packages. The cumulative numbers projected as stimulus seem very large and run into trillions of dollars. Most of us genuinely believe that the governments of the rich countries have given away the money to citizens and businesses. It looks that our understanding is not exactly correct.

The largest part of the stimulus announced even by the rich countries is not a giveaway. If we compare the stimulus package of India with other developing countries with similar per capita GDP, the Indian response to Covid-19 seems to be very large as a % of GDP as well as the areas it covers.

Across the world, country stimulus responses vary from 1% of GDP to 12%. Rich countries seem to have announced larger stimulus packages (5-10%) and developing countries have announced smaller packages (2-5%). No country seems to have done large giveaway programmes except for the impoverished in rich countries.

Even forgivable loans seem to be connected to keeping employees for much longer than what the eligibility for a business is, putting an actual additional burden on the businesses instead of solving their problems. News about some malpractices and mismanagement in the implementation of these programmes in rich countries have also emerged.

Government spokespersons and economists have been reiterating on television and print that they would like not to spend all their ammunition at one go. They would like to come out with newer support modules at the appropriate time depending on how long the Covid-19 pandemic lasts. In that context, I presume, the Rs 20 lakh crore stimulus is not the last stimulus package.

In almost all countries, stimulus measures have focussed on providing food and relief to the poorest and most vulnerable sections till the time the Covid-19 pandemic lasts. In rich countries, it is known as social security or social safety net. In India, it has now come to be known as free ration through ration shops and money transfer through Direct Benefit Transfer (DBT) using the Jan-Dhan account model.

The second common factor in the stimulus packages has been the money to be spent on providing and improving health care available to citizens. Indian response to Covid-19, across states, has been generally commendable given the real tough situation, even the richest countries find themselves in.

It is a testimony as much to the skills and commitment of Indian medical professionals but also of the hard work put in by non-state actors across India. With all this praise, we also need o praise the Union government and the state governments. Despite difficulties, they have been providing as much support as possible. Given the new infections coming up at a faster rate, we have a long way to go.

The third common factor across all stimulus is supporting small formal and informal businesses. Even the US is struggling to provide loans to the SMEs currently. They had to bring two tranches for approval and are not able to meet most requirements. These are loans and not giveaways. There are reports that 30-50% of all small businesses across all economies will find it difficult to survive. They also generate a large number of jobs in the informal sector.

There are other areas of support given by way of delays in tax payment, interest payment moratorium, loan guarantees for SMEs, cutting benchmark rates, infusing huge liquidity into the banking system with a hope that they will on-lend to industry, giving loans or guarantees to support strategic businesses like airports, airlines, etc, which have seen their fortunes dwindle. China, the first affected country with tremendous resources at its disposal, seems to have announced very little except some monetary stimulus as of now.

In effect, there has been no large scale giveaway by any country, rich or poor, as a response to Covid-19. The Indian government may have studied many such models and has tried to create its response within constraints. Its hands are tied due to the direct and indirect tax income going down drastically due to the stoppage of economic activities across the country.

The government has also tried to reduce its costs by cutting down increases in DA for its employees, reducing the MP salaries, perks and other expenses, etc. Many more cost-cutting measures are expected to be announced by the Centre and state governments given the difficulty of managing increasing fiscal and revenue deficit.

The monetisation of deficits, cannot be resorted to lightly, as it will have implications on future inflation as well as on the expected interest rates. Many economists and commentators have mentioned that the government announcement on stimulus of Rs 20 lakh crore tries to resolve only supply-side issues.

There is nothing to bring in additional demand. It could be done by way of putting money in the hands of people—without work or by creating large scale infrastructure projects creating demand for manpower and goods alike. I hope the government is working on the demand revival side packages without hurting the fiscal discipline too much.

Source: financialexpress.com– May 22, 2020

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RBI support measures to give more liquidity to exporters: FIEO

Exporters, one of the worst hit organized sectors, have hailed the policy rates cut, extended loan repayment moratorium along with pre- and post-shipment credit extension by the Reserve Bank saying these much-needed steps will help them recover from COVID-19 disruptions.

The Reserve Bank on Friday cut the repo and the reverse repo rates to 4 per cent and 3.35 per cent respectively, extended the loan moratorium period till August 31 from May 31, and also extended the pre-and post-shipment credit for exporters from the existing 12 months to 15 months.

National exporters lobby Federation of Indian Export Organisations (FIEO) president Sharad Kumar Saraf said these measures will give more liquidity to exporters thus helping them in fulfilling their overall obligations during these testing times.

"We are ushering into an era of very competitive credit rates to help manufacturing and overall economy," he said, adding, "these measures will not only help revive growth but will also help in mitigating the impact of the pandemic."

On time for outward remittance for imports being extended from six months to 12 months, he said this will help importers as now they get longer repatriation period. The Rs 15,000-crore dollar swap facility by way of line of credit to the Exim Bank will help leverage long term finance and project exports as a marketing tool, Saraf said.

He reiterated his call to the government to immediately announce an export package covering all sectors of exports and implementation of the economic measures announced at the ground level for quick and early starting of trade and businesses.

Source: financialexpress.com – May 22, 2020

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RBI announces extension of loan moratorium to ease financial stress

The Reserve Bank of India (RBI), on Friday, announced additional measures, including giving relief on debt servicing for three more months and increasing a bank's exposure to a group of connected counterparties, to further ease financial stress caused by Covid-19 disruptions.

In view of the extension of the lockdown, the RBI has permitted lending institutions to extend the moratorium on term loan instalments and deferment in respect of working capital (WC) facilities sanctioned in the form of cash credit/overdraft by another three months from June 1to August 31.

The abovementioned extension is in respect of all term loans and WC facilities outstanding as on March 1.

Lenders are permitted to convert the accumulated interest on WC facilities over the deferment period (up to August 31) into a funded interest term loan, which shall be repayable not later than the end of the current financial year ending March 31, 2021.

Asset classification downgrade

As the moratorium/deferment is being provided specifically to enable borrowers to tide over Covid-19 disruptions, the central bank said the same will not be treated as changes in terms and conditions of loan agreements due to financial difficulty of the borrowers and, consequently, will not result in asset classification downgrade.

Lending institutions are permitted to recalculate the ‘drawing power’ by reducing the margins till the extended period – August 31. In order to smoothen the impact for the borrowers, they have been permitted to restore the margins to the original levels by March 31, 2021.

Further, lenders are permitted to reassess the working capital cycle of a borrowing entity up to an extended period till March 31, 2021. The RBI reasoned that this will provide necessary leeway to the lenders to make an informed assessment about the impact of the pandemic on the entity concerned.

To facilitate flow of resources to corporates, the RBI, as a one-time measure, has allowed an increase in a bank’s exposure to a group of connected counterparties from 25 per cent to 30 per cent of the eligible capital base of the bank. The increased limit will be applicable up to June 30, 2021.

The upping of the exposure limit comes in the backdrop of many corporates finding it difficult to raise funds from the capital market, which is witnessing heightened uncertainty on account of the pandemic, and are predominantly dependent on funding from banks.

Export credit

The maximum permissible period of pre-shipment and post-shipment export credit sanctioned by banks from the existing one year to 15 months, for disbursements made up to July 31. “Exporters have been facing genuine difficulties such as delay/ postponement of orders and delay in realisation of bills, which are adversely affecting their production and realisation cycles.

“It is in this context that the RBI permitted an increase in the period of realisation and repatriation of export proceeds to India from nine months to 15 months from the date of export in respect of exports made up to or on July 31,” the RBI said.

Payment for imports: Time extension

The central bank has extended the time period for completion of remittances against normal imports into India (except in cases where amounts are withheld towards guarantee of performance) from six months to twelve months from the date of shipment for such imports made on or before July 31.

According to the RBI, this measure will provide greater flexibility to importers in managing their operating cycles in a Covid-19 environment.

Extension of resolution timeline

Given the continuing challenges to resolution of stressed assets, lending institutions have been permitted to exclude the entire moratorium/deferment period from March 1to August 31from the calculation of 30-day review period or 180-day resolution period, if the review/resolution period had not expired as on March 1.

As per the extant prudential framework, lending institutions are required to hold an additional provision of 20 per cent in the case of large accounts under default if a resolution plan has not been implemented within 210 days from the date of such default.

Source: thehindubusinessline.com – May 22, 2020

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Need to ensure that liquidity issues don't turn into insolvency crisis, says DK Joshi

Government needs to scale up its fiscal policy; preserve people's income: DK Joshi

India will have to watch out and ensure that liquidity issues plaguing the businesses do not turn into an insolvency crisis amidst the Covid-19 induced economic slump.

Addressing a webinar on 'Decoding the Stimulus', as part of the BusinessLine Knowledge Series, Crisil's Chief Economist, DK Joshi, said: "No amount of money you pump in can stimulate the economy at this juncture. Not Immediately. You have to preserve people's income so that they are able to meet basic needs," he said.

He added, "You have to ensure that the liquidity problem that businesses are facing does not become an insolvency problem and they completely disappear from the scene." The webinar, moderated by Raghavan Srinivasan, Editor, BusinessLine, was presented by Union Bank of India.

Joshi accepted that the government was constrained in terms of fiscal space. "India doesn't have the fiscal space that rich countries have, who can spend their way out of the hardship. We need use our resources more judiciously," he said. But he asserted that more needs to be done. "We would need more support than what is fiscally committed. The monetary policy will continue to play its role, but heavy lifting will have to be done through the fiscal policy and I think the government will have to scale it up," Joshi added.

'Supply chain disrupted'

He also highlighted the pitfalls of excessively front-loading welfare spends. "A massive stimulus package would lead to inflation because the supply chain will not open immediately as the disease has to be contained. We gave it in 2008-2009 and we saw what happened in the form of high inflation and high deficit and that kept plaguing us for a long time," he said.

"So, I think you have to give more than what is given but not go overboard with it immediately because it is a supply and demand issue," he added. Commenting on the alarming downward trend of GST collections and the impact on government spending patterns, Joshi said, "The GST situation will become clearer by June and it doesn't look like a very healthy picture right now. There will be a massive revenue crunch so the result of this is that capital expenditure is axed and focus will be on revenue side. One fallout of this will be a massive hit to investment activity which largely comes from the State governments. Public investment in infrastructure will get hit."

Decrease in lending

He also highlighted the change in lending patterns. "Banks will be reluctant to part with their money because of risk aversion. They would be willing to give money to those who do not require it," he said. Joshi welcomed the credit guarantee measure.

“The guarantees that the government has introduced for Small and Medium Enterprises (SMEs) brings risk appetite back to the lender. Otherwise monetary policy will not be able to lubricate the economy,” he said.

While welcoming the thrust given to Mahatma Gandhi National Rural Employment Guarantee scheme, Joshi also agreed with Srinivasan for the need for a similar scheme for the urban poor.

Source: thehindubusinessline.com – May 22, 2020

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Textile bodies welcome RBI's move to extend loan moratorium to six months

Indian Texpreneurs Federation (ITF) on Friday thanked the RBI for extending loan moratorium to six months which would help textile industries manage cash flow towards re-starting businesses during the post-COVID-19 times.

Conversion of deferred interest as a one-year term loan would also help the companies manage the liquidity and speed up the revival process because every rupee is important now to streamline post-COVID business operations, ITF convenor Prabhu Dhamodaran said in a statement here.

Stating that the industry expected the same level of repo rate reduction, he said, "With the announcement by the RBI, our entire energy should be on talking with banks to get the practical benefit of all rate cuts." Prabhu thanked the Finance Ministry and RBI for the timely intervention, even as the RBI governor had mentioned about its vigilance and battle-readiness, which was giving confidence to industry players.

Meanwhile, Tirupur Exporters Association (TEA) also thanked RBI for reduction of the policy repo rate by 40 basis points (0.4 per cent) from 4.40 per cent to 4 per cent with immediate effect. He said this was the second reduction RBI has done after reducing from 5.15 per cent to 4.40 per cent on March 27 during the COVID-19 environment.

Thanking RBI for the measures to improve the functioning of markets, TEA president Raja M Shanmugham hailed the decision to increase the maximum permissible period of pre- shipment and post-shipment export credit sanctioned by banks from the existing one year to 15 months for disbursements made upto July 31.

He said this measure is beneficial to Tirupur knitwear garmenting units, as they have resumed operations and functioning partially from the second week of May.

On the import front too, the RBI has decided to extend the time for completion of outward remittances against normal imports into India from six months to 12 months from the date of shipment for such imports made on or before July 31, which would be helpful for the speciality fabric and machine importers, he said.

Source: newindianexpress.com – May 22, 2020

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Bhilwara textile mills to resume operations

Textile town Bhilwara has yet again taken the lead in fighting Covid-19. It is resuming operations of its 354 textile mills from Monday after two months of lockdown.

It has become possible after the district administration provided all assistance to the industries like relaxation in operating hours, electricity, water supply and also uninterrupted transport service.

The textile town has an annual turnover of Rs 20,000 crore and forms the basis of the economy of Bhilwara. “Most of the problems of the textile industries have been resolved with our intervention. With the production, we will able to restart the economy of the district and to stop the reverse migration of workers,” said Rajendra Bhatt, district collector of Bhilwara.

Officials said they had provided a financial package for migrant workers aiming at preventing their migration. “The industries have also agreed to provide Rs 4,000 allowance for the month of April and May to every migrant worker engaged by them,” Bhatt said.

Bhilwara textile mills require around 40,000 workers for its operations to the full capacity. Since the town is under lockdown from March 20, close to 18,000 migrant workers have left for their respective states.

The town was under curfew from March 20 till May 14. "It is a much-needed step by the administration. We are all set to go full throttle in what all workforce is available with us," said Damodar Agarwal, president of the Bhilwara Textile Trade Federation.

It has become the first district to start operations on such a scale by providing direct and indirect work to 22,000 workers.

Source: timesofindia.com – May 23, 2020

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Covid-19 wipes out India's yarn and garment exports in April

The Indian textile industry took a severe hit due to Covid-19 as the export of yarn and ready-made garments fell be as much as 90% during April, suggested one report.

Yarn exports fell between 80-90% in April and about 30% during the quarter ended March as imports by China, which accounts for a third of India's yarn exports fell as garment units there shuttered. Imports by Bangladesh, which accounts for nearly a fifth of India's yarn exports, also declined, according to a Crisil Research report.

Meanwhile, the export of ready-made garments declined by 91% in April and by about 16% during the March quarter. The US and the European Union, which together account for 64% of India's readymade garment (RMG) exports, are staring at a recession.

In its 18 May edition, ET had reported that several leading retailers in the US and EU had filed for bankruptcy, worrying their Indian creditors. India exports about $16 billion worth of apparels annually, according to Apparel Export Promotion Council.

Crisil Research expects yarn exports to decline by 35-40% this fiscal, while garments exports to decline by about 30-35%.

Source: economictimes.com – May 22, 2020

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India’s garment exports to decline 30-35 per cent in FY21: Crisil Research

The US and the European Union, which together account for 64 per cent of India's readymade garment (RMG) exports, are staring at a recession, Crisil Research said in a report

India’s garment exports are likely to decline by 30-35 per cent this financial year due to COVID-19 pandemic, which has rendered many people jobless in major export destinations, including the US and Europe, according to Crisil Research.

The US and the European Union, which together account for 64 per cent of India’s readymade garment (RMG) exports, are staring at a recession, Crisil Research said in a report, adding that the US is the worst-infected country now, and the pandemic-driven lockdown has ripped many apparel retailers there.

Besides, a spike in unemployment and fall in personal incomes would cut spending on apparel, it said. In March quarter, India’s garment exports slipped 16 per cent, while the fall was a drastic 91 per cent in April, it said.

“We expect readymade garments exports to dive 30-35 per cent this fiscal,” the report added.

Indian merchandise exports fell 13 per cent (in dollar terms) in the quarter ended March, and a steep 60 per cent in April as the COVID-19 pandemic and shutdown of national borders slammed global trade, it said.

Exports of textiles and cotton yarn, which were coming apart even before the pandemic struck because of competition from Vietnam, Chinese stock liquidation and lack of free trade pact support, have been shred, it added.

Meanwhile, India’s yarn exports contracted 30 per cent in the quarter ended March, as imports by China, which accounts for a third of India’s yarn exports, fell as garment units there shuttered.

Import of yarn by Bangladesh, which accounts for nearly a fifth of India’s yarn exports, also declined, it added. Overall, exports are estimated to have nosedived 80-90 per cent in April, and won’t revive in a hurry.

Therefore, yarn exports are also expected to slide by 35-40 per cent this fiscal as compared to the previous year, Crisil Research said.

Source: indianexpress.com – May 22, 2020

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RBI reduces repo rate by 40 bps to 4%

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting today decided to reduce the policy repo rate under the liquidity adjustment facility (LAF) by 40 bps to 4.0 per cent from 4.40 per cent with immediate effect. The reverse repo rate under LAF stands reduced to 3.35 per cent.

Accordingly, the marginal standing facility (MSF) rate and the Bank Rate stand reduced to 4.25 per cent from 4.65 per cent.

The MPC also decided to continue with the accommodative stance as long as it is necessary to revive growth and mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target.

"These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth," an RBI press release said.

"The MPC is of the view that the macroeconomic impact of the pandemic is turning out to be more severe than initially anticipated, and various sectors of the economy are experiencing acute stress.

The impact of the shock has been compounded by the interaction of supply disruptions and demand compression. Beyond the destruction of economic and financial activity, livelihood and health are severely affected.

"Even as various measures initiated by the Government and the Reserve Bank work to mitigate the adverse impact of the pandemic on the economy, it is necessary to ease financial conditions further. This will facilitate the flow of funds at affordable rates and revive animal spirits.

With the inflation outlook remaining benign as lockdown-related supply disruptions are mended, the policy space to address growth concerns needs to be used now rather than later to support the economy, even while maintaining headroom to back up the revival of activity when it takes hold," the release said.

Source: fibre2fashion.com – May 22, 2020

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About 20% SBI borrowers have opted for loan repayment moratorium: Chairman

State Bank of India Chairman Rajnish Kumar on Friday said that close to 20 per cent of the bank's borrowers have opted for moratorium on repayment of term loans instalments.

On March 27, the central bank had announced a three-month moratorium on payment of all term loans falling due between March 1, 2020 and May 31, 2020. On Friday, the Reserve Bank of India allowed banks and other lending institutions to extend the moratorium on loans by another three months, from June 1, 2020 to August 31, 2020.

"In the case of State Bank of India, the percentage (of borrowers who have opted for the moratorium) is very small around 20 per cent," Kumar told reporters through a video conference. He said not all who have opted for the moratorium are facing any liquidity issue.

"Many of them could have serviced their loans but as a matter of strategy they would want to preserve their cash and have opted for the moratorium," he said. Kumar also advised borrowers to pay their loans if they are not facing any funding challenge. "If people are able to pay (EMIs) they should pay. If they are unable to pay then only they should take the benefit of the moratorium," he said.

According to Kumar, the RBI's moratorium will take care of the cashflow disruption of borrowers and there might not be any urgent need for a dispensation of one-time restructuring of stressed accounts from the RBI. "Right now, the moratorium will take care of the situation around the cash flow disruptions. I would not be obsessed with one-time restructuring at this particular point of time when we have time till August 31," he said.

He, however, said banks can go for debt recast even today as per June 7 circular of the RBI. Banks and NBFCs have been requesting the RBI to allow them for one-time restructuring of their accounts where the borrowers are facing funding issues.

Source: thehindubusinessline.com – May 22, 2020

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India becomes 2nd largest manufacturer of body coveralls

India has become the second largest manufacturer of personal protective equipment (PPE) body coveralls after China within two months, according to the country's textiles ministry, which recently said it has been taking several steps to ensure both quality and quantity of PPE coveralls are maintained. Only certified players are allowed to supply body coveralls.

In a statement, the ministry said several officials have been posted in the field for onsite facilitation and oversight of quality of material meant for government supplies and for ensuring traceability and ownership of quality by PPE manufacturers.

A unique certification code (UCC) is issued for each cleared prototype sample submitted by the manufacturers of the coveralls. This is required to be embossed on each manufactured coverall along with the name of the manufacturer, date of manufacture and name of the client.

This procedure has been fully implemented in respect of procurement by HLL Lifecare Limited, which is the procurement agency for the government hospitals and healthcare organisations, the statement said.

The manufacturers are also required to submit an affidavit along with their submitted sample, stating several details of manufacturing and also required to declare that they are textile manufacturers and not traders.

Source: fibre2fashion.com – May 22, 2020

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Andhra CM releases first instalment of Rs 450 crore to MSMEs to bail them out of crisis

Extending a helping hand to the MSME sector to bail them out of a crisis, Chief Minister YS Jagan Mohan Reddy on Friday released Rs 450 crore, the first tranche of Rs 950 crore industrial incentives due to them. It is part of the Rs 1,110 crore Re-Start package for MSMEs.

Addressing the district collectors and representatives of MSMEs through a video conference, he said after the agriculture sector, the MSME sector is the major job provider at the local level. “If we cannot save the MSME sector, unemployment will only grow,” he observed and stressed the need for a handholding approach with a humane face for MSMEs.

Pointing out that the state economy is in bad shape, the Chief Minister said in spite of that, they have decided to help MSMEs, as they understood their problems are more severe. “We have decided to clear Rs 905 crore industrial incentive dues to MSMEs in two installments and released Rs 450 crore today and the balance will be released on June 29,” he said

Taking a dig at the previous TDP government, Jagan said though industrial incentives were announced by the previous regime, they were not paid in time, and year after year, they kept on piling up. “It is a classic example of promises not kept, which created problems for MSMEs,” he observed.

Elaborating on the pending dues that were left uncleared by the TDP regime, the Chief Minister said in 2014-15, Rs 43 crore were kept pending, in 2015-16, dues were Rs 70 crore, in 2016-17, the dues were Rs 195 crore and in 2017-18, they were Rs 207 crore and in 2018-19, the industrial incentive dues were Rs 195 crore. “That is a total Rs 828 crore in five years, which remained unpaid. We are clearing them along with 2019-20 dues, that is a total 905 crore,” he said.

To help MSMEs which suffered due to closure during COVID-19 lockdown for two months, to get back on their feet, the state government announced waiver of the fixed electricity charges against contracted maxim demand for MSMEs for a period of 3 months from April to June, which amounts to Rs 188 crore. “It will benefit 97,428 MSMEs in the state and over 10 lakh employees dependent on them,” Jagan said.

The government is also setting up Rs 200 crore corpus fund for facilitating working capital loans at lower interest (6-8 percent) as part of the ReSTART package, to help the MSMEs deal with their liquidity crisis. “Loans to the tune of Rs 2 lakh to Rs 10 lakh will be facilitated with 6 months moratorium and 3 years repayment period,” he said

Jagan said when they were contemplating how best to help MSMEs survive and develop, it was suggested to let the government procure goods and services from them. “We decided that hereafter, government entities would procure 25 percent of goods and services from Micro and Small Entrepreneurs, of which 4 percent will be from SC, ST operated units and 3 percent from women entrepreneurs. More importantly, payments for the goods and services procured will be made within 45 days,” he explained.

Emphasizing the need for better coordination between officials and entrepreneurs for the development of MSMEs, the Chief Minister asked the district collectors to get one of the three joint collectors in the district to liaison with MSMEs. He promised that all cooperation will be extended by the state government.

Pointing out the peculiar situation MSMEs are facing with 2.8 lakh migrant workers leaving for their home states and another 1.3 lakh returning home, Chief Minister directed the district collectors to conduct ‘skill gap’ study to assess the requirement of MSMEs and locally available talent, so the needed skilled personnel can be found with the help of village volunteers and village secretariats and if they are willing can be suggested to MSMEs as a replacement.

On the occasion, he also directed the officials to focus on 75 percent reservations for locals in the industrial units and reminded them that an exclusive act was brought in for this purpose.

“Work is underway for setting up 25 skill development colleges, one each in 25 parliamentary constituencies in the state, where skills of youth will be improved and they will be made industry-ready,” he said.

Source: newindianexpress.com – May 22, 2020

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DPIIT to market Brand India via 10 mega clusters

Stepping up its game to attract investments from foreign companies, the Department Of Promotion Of Industry and Internal Trade (DPIIT) has drawn up a list of 13 mega clusters, where individual investment pitches could be made.

These include the industry belts of Noida-Greater Noida, the Mumbai-Aurangabad cluster, Amritsar-Jalandhar-Ludhiana, NH 48 (Manesar-Neemrana), Lucknow-Kanpur, Haldia-Tajpur, Kandla-Mundra, Durg-Bhilai, Vadodara-Bharuch, Surat-Hazira-Vapi, Chennai-Sri City, Coimbatore-Salem-Tirupur and Kochi-Trivandrum.

"Textiles, electronics & consumer appliances, capital goods, pharmaceuticals, medical devices, automobiles and components, footwear & leather products, chemicals & petrochemicals, food-processing, plastic products and telecom equipment are some of the sectors we are looking at. We will hand-hold the firms across their entire investment lifecycle if they set up factories in India," said Invest India MD & CEO Deepak Bagla.

Invest India — an investment facilitation joint under DPIIT — along with professional services firm JLL, has come up with a guide detailing the unique proposition of each of these industrial hotspots. The handbook, which also elaborates on the two-tier tax incentive structure from the state and Central governments, will benefit the potential investors for grounding investments in India, Bagla added.

Titled Great Places for Manufacturing in India, the guidebook illustrates India's distinct advantages such as incentives for industries, young and growing workforce, host to global in-house centres (GICs) and global centre of excellence (GCoEs) for several manufacturing companies that provide for more robust R&D and nearly 22 million square feet of ready-built industrial space ready to be occupied in 6-8 weeks.

About 1,000 global firms have been shortlisted by Invest India for investment pitches across the United States, Japan, Germany, Taiwan, France and Middle East. That apart, companies based in China, with a strong focus on exports, will be approached.

Source: newindianexpress.com – May 21, 2020

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Adapting fast to make PPEs, Punjab apparel industry eyes gains despite slowdown

Turning the Coronavirus crisis into an opportunity, Punjab apparel industry are set to fulfill the shortage of Personal Protection Equipment (PPE) kits for the fight against Covid-19 by fast making changes in their units to create capacity for manufacturing the much needed protective gear worn by health and sanitation professionals to minimize exposure to the deadly infection.

As many as 58 PPE suit manufacturers in Punjab, 54 of which are based in the leading textile hub Ludhiana, have obtained certification from South India Textiles Research Association (SITRA) or Defence Research and Development Organisation (DRDO).

As these 58 manufacturers already have orders for lakhs of PPE kits and their existing capacity is more than the requirement in India, Punjab industries minister Sunder Sham Arora has urged Union minister of commerce and industry Piyush Goyal to consider allowing its exports to other countries in need.

In his letter to the Union minister, Arora highlighted stupendous role played by state industry in coming forward and manufacturing PPEs considered most vital in fight against deadly virus in bulk, and are now in a position to export these quality products to foreign countries on order.

He said 58 PPE suit manufacturers in Punjab have obtained certification from SITRO or DRDO, and are ready to start processing orders for PPEs.

“In view of the capacity of above mentioned manufacturers to produce PPE suits and quality of the products, I shall be grateful if you kindly consider allowing export of PPE suits from India,” the minister wrote.

As there was shortage of PPEs in the country and abroad, the apparel industry in Punjab wasted little time in shifting to the business and getting due clearances for their samples from the testing agencies.

Though initially their samples failed to get the approval, improving their fabric quality, stitching and taping requirements helped in getting the due approvals from SITRA and DRDO.

The Centre intends to procure two crore PPE kits from the country's apparel industry but banned PPE exports as there was shortage of the same within the country.

But as the PPE kit manufacturing capacity has gone up much above the domestic demand, apparel industry is hoping for the Centre to allow export of PPEs which will help them get business in the international market currently dominated by China, Bangladesh and Vietnam.

Source: thestatesman.com – May 22, 2020

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Amazon India to hire 50,000 for temp jobs in fulfilment, delivery as coronavirus pushes ecommerce

Bucking the trend of unemployment and layoffs, Amazon India has decided to hire about 50,000 people in temporary jobs as coronavirus lockdown has pushed India's e-commerce sector. The e-tailer "opened close to 50,000 seasonal roles to meet the surge in demand from people relying on Amazon's service, particularly those most vulnerable to being out in public," it said on Friday.

There will be various roles across fulfilment centres and delivery networks including part-time flexible work opportunities as independent contractors with Amazon Flex. The government has recently allowed e-commerce deliveries across the country and while delivery to all zones have been allowed including red, green and orange zones, the containment zones have been excluded from e-commerce operations for now.

"We are creating work opportunities for close to 50,000 seasonal associates across our fulfilment and delivery network. This will also keep as many people as possible working during this pandemic while providing a safe work environment for them," Akhil Saxena, VP, Customer Fulfilment Operations, APAC, MENA & LATAM, Amazon, said. With the migrant crisis and mass displacement of daily wage labourers, retailers all across the country are facing an unprecedented shortage of workforce.

Meanwhile, Amazon India said that it will ensure all safety protocols will be followed and will maintain standards for well-being of on-ground workers.

This includes hazard pay, increased sick leave and will also ensure regular temperature checks and mandatory usage of masks.

While Amazon has announced new jobs during the pandemic, many companies have also announced layoffs as companies struggle to stay afloat during the coronavirus crisis. India's tech startup sector has especially witnessed a bloodbath with ride hailing app Ola firing over 1,400 employees and food aggregator Zomato also trimming its employees by over 500. Zomato's chief rival Swiggy has also laid off 1,100 employees recently.

Source: financialexpress.com – May 22, 2020

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Covid-19: FMCG sales drop 34% in April; e-commerce, cash and carry show recovery in lockdown 2.0

The FMCG industry witnessed a sharp 34 per cent drop in sales in April due to mobility restrictions and supply side challenges during the lockdown, after registering single-digit growth in the first quarter, according to market insights firm Nielsen.

The decline was mainly on account of lower sales in traditional retail channels such as grocers, chemists, neighbourhood shops and cosmetics stores, while modern trade like hypermarkets and big retail chains continued to grow in April 2020.

Traditional retail witnessed a decline of 38 per cent in April due to area/shop closures. On an average, a traditional retail shop was closed for 12 days in April due to various restrictions and constraints. This number was significantly higher for outlets other than chemists and grocers, Nielsen said in the third edition of its report on FMCG sector after COVID-19.

On the other hand, modern trade continued to grow at around 5 per cent in April 2020 although consumer buying behaviour in organised trade saw shifts from pre-lockdown period to successive lockdown stages (Lockdown 1 : March 23 to April 12 and Lockdown 2: April 13 to May 3), it added.

The FMCG industry increased sales in the weeks prior to the lockdown announcement across organised retail and organised wholesale channels.

"…as we entered the lockdown phase, we saw a steep decline in sales across channels. This was caused by mobility restrictions and supply side challenges," Nielsen said. "Modern Trade sales continued to slow down as we moved from phase I to phase II of the lockdown."

Cash and carry and e-commerce channels, on the other hand, were severely impacted in lockdown 1 but showed some signs of recovery in lockdown 2, the report added.

Moreover, sales growth especially in the non-foods segment started shrinking as it was classified as non-essential.

"Within non-foods, slowdown was witnessed across home care and personal care categories. Only evolved hygiene categories consisting of hand wash, hand sanitizer and floor cleaners continued to grow in lockdown phase I and remained flat in lockdown phase II on account of heightened focus around health and hygiene," it said.

Nielsen said there was also a slowdown in sale of fresh produce — fruits and vegetables, eggs, meat and sea food in modern trade. "This seems to be driven by both supply and demand side factors," it added.

Citing a consumer study done from April 10 to 14 among 1,330 respondents across 23 cities, Nielsen said "more than half of the respondents said they will be avoiding non-veg food as a precautionary measure."

This percentage was still high at 37 per cent in the March 17 to 19 round of the study. Forty per cent of respondents in the April round stated they would buy less of meat and fish, it added.

Source: financialexpress.com– May 22, 2020

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Panchayats to become industry clusters: Nitin Gadkari plans agro MSMEs to push rural entrepreneurship

The government is working on creating an agro MSME category to push entrepreneurship in rural and tribal areas and help manufacturing via local and raw produce. Under this category, “MSME industries will be planned at Gram Panchayat level and such industries will contribute towards the development of the respective village,” Nitin Gadkari, Union Road Transport & MSME Minister, said on Friday, adding that plans to build smart village, smart city, industrial clusters and other facilities at both sides of highways are also on cards. The move will help in lowering the cost of power and labour at low level and will also enable MSMEs to produce goods at competitive prices.

Urging traders to contribute to the changing India, Nitin Gadkari said that in the aftermath of coronavirus crisis, “Innovation, entrepreneurship, knowledge, digital technology shall be the four basic fundamentals of future business in the country and therefore the traders of India should began the transformation process from traditional system to digital system.” The minister was addressing a conference by trade body CAIT. He also addressed the issue of farmers and said the country needs to increase the purchasing power of farmers. He also stressed on the need of technological advancements in the farming sector to sustain the sector.

Meanwhile, Finance Minister Nirmala Sitharaman announced a major relief package for the country’s Micro, Small, and Medium Enterprises as India reels under the coronavirus crisis. In the major announcements, FM Sitharaman said that the definition for MSME has been altered to bring more companies in the ambit.

“Definition being changed for MSMEs in their benefit. So that they can grow in size and get benefits,” she said while briefing the nation on the centre’s Rs 20 lakh crore economic package announced by PM Narendra Modi. Now, manufacturing units with investments upto Rs 1 crore will now be called MSME. The earlier limit for the same was Rs 25 lakh. The government also announced collateral free loans to boost the MSME sector.

Source: financialexpress.com– May 22, 2020

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How cotton buds brand Tulips pivoted to make polyester swabs for Covid testing

Suparshva Swabs, known for its hygiene products brand Tulips, is set to ramp up its capacity to make 5 million polyester swabs per week, which are critical for Covid-19 testing, by May-end.

The company, which is known for products such as cotton buds and wet wipes, has already supplied over 4.2 million swabs to VTM (viral transport medium) kit makers.

Rahul Jain, Partner, Suparshava Swabs, said the company was approached by government authorities in April to look into making specialised synthetic nasal and throat swabs. The company then swung into action to reconfigure its equipment and convert some of its cotton processing lines to make polyester swabs, with limited resources and workforce in the early stages of the lockdown. But it managed to achieve it in 10 days, said Jain.

To expand capacity

"We have the largest installed capacity in Asia to make cotton buds. We began manufacturing these specialised polyester swabs from the day we got approval from the ICMR (Indian Council of Medical Research), on May 5.

Currently, 10 per cent of the capacity is being used to make Covid polyester swabs and we are currently making 2 million swabs per week. By May-end we would be able to convert an additional 10 per cent of capacity to be able to produce 5 million swabs in a week," Jain told BusinessLine.

The company has focussed on various features for its polyester swabs, such as elongated sticks to ensure medics maintain adequate distance while taking samples, and thin swabs so that they are flexible enough for both nasopharyngeal and oropharnygeal samples.

One of the key challenges in scaling up for the company has been that the production rate for Covid polyester swabs is much lower compared to cotton buds on the same lines.

Lower-cost products

"As testing ramps up further in the country, we have the ability to make 30 million swaps per week. We believe by June-end we can achieve this. Due to high demand for these swabs globally, imported swabs are priced currently in the range of ₹20-40. In comparison, the cost of our domestically-produced swabs is ₹3.5 per swab. As we increase capacity, we believe the cost can be brought down further," said Jain.

In many other markets such as the US and the France, cotton bud makers have managed to pivot their manufacturing capabilities to make specialised swabs for Covid-19 testing. "We have already been approached by international agencies and kit makers to supply these swabs to them. Our key focus for now is to ensure domestic demand is fulfilled and then we may look at exports," he added.

The FMCG company, however, does not believe this will become its core business in the long term.

Set up in 1998, Suparshva Swabs claims to be one of the leading manufacturer and exporters of cotton and wood based personal hygiene products such as cotton buds, cotton pads, facial tissues, baby wipes and absorbent cotton rolls.

Source: thehindubusinessline.com – May 20, 2020

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Local interpretation of lockdown rules create confusion, retailers suffer

The Centre may have allowed stores selling non-essential products, including fashion and lifestyle, to open in most parts of the country but there's wide variance in the local interpretation of rules that's sparked crackdowns by law-enforcement agencies and led to general confusion.

Some can't use air-conditioning even though summer temperatures are touching 40 degrees Celsius. Others are forced to restrict shoppers to five at a time in a space where many more can be accommodated while observing social distancing. The shops, having been shut for about two months, were allowed to open in the current phase of the Covid-19 lockdown that started May 18 but district magistrates and police have been issuing their own diktats on the ground based on the guidelines.

Local authorities have barred H&M stores in Ludhiana, Jalandhar and Dehradun from switching on the AC over concerns that the cooling system could spread the virus. But they can be used in its Delhi and Ahmedabad outlets to maintain the temperature at 26 degrees Celsius, said people with knowledge of the matter.

Challans for Using ACs

They also have to restrict the number of customers to five at any given time in outlets that are 16,000-20,000 sq ft in area spanning multiple floors, which can accommodate several dozens while maintaining distancing norms.

"At H&M, health and safety of our colleagues and customers is our top priority," an H&M spokesperson said in an emailed response. "We are closely following the guidelines and recommendations shared by the local authorities."

Arvind Fashion-owned Unlimited and Tata's Westside outlets in Chennai are keeping the doors of their stores open and have arranged for large fans as they have been prevented from using the AC in the sweltering city. Some Levi's stores in the city have also not been allowed to turn on ACs. Retailers said authorities have issued challans to stores in various cities for using ACs.

"As we are opening up, all kinds of issues are happening in various parts of the country," said Kumar Rajagopalan, CEO of the Retailers Association of India, an industry grouping of more than 5,000 modern brands. "There are issues from different district in different states and then there are MHA (Ministry of Home Affairs) clauses like five customers at a time in a store. These are making retailers go crazy."

From stipulated timings for opening, odd-even operation of outlets to the shutting of large standalone stores because they were deemed to be malls, fashion and lifestyle retailers are facing various teething issues in different states.

Retailers said authorities in many parts of Hyderabad and Warangal took a few days to mark each store 1 or 2 in markets so that retailers can take odd-even turns to open.

In Delhi, markets are open for the whole week as long as retailers adhere to the odd-even rule. In Bengaluru, markets have to close on Sundays as part of anti-coronavirus measures.

“Everyone is interpreting the guidelines differently,” said the CEO of an Indian retail group asking not to be named.

Also in the Karnataka capital, some standalone stores of Lifestyle and Shoppers Stop department chains have failed to get permission to reopen as authorities have deemed them to be malls, sources said. The MHA guidelines stipulate that malls won’t be allowed to open for business yet.

“We have a 35,000 sq ft Unlimited store in Chennai that they are not allowing us to open,” said J Suresh, CEO of Arvind Fashions, that sells US Polo, Gap and Aeropostale among other labels. “They say it is too big a store and they are calling it a single-brand mall.”

Source: economictimes.com – May 22, 2020

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