INFORMATION BUREAU TEXPROCIL
TEXTILE INTELLIGENCE CENTRE
IBTEX
TEXPROCIL NEWS CLIPPINGS
An ISO 9001:2015 CERTIFIED COMPANY

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

IBTEX No. 61 of 2020 March 24, 2020

US 76.20| EUR 82.23 | GBP 88.65| JPY 0.69

NEWS CLIPPINGS

INTERNATIONAL NEWS

US textile-apparel fibre imports rise in 2019

US net textile and apparel fibre imports increased for the third consecutive year in calendar 2019, as consumer demand for clothing remained strong.

Net imports surpassed 17.6 billion raw-fibre-equivalent pounds in 2019, nearly 2 per cent above a year earlier, according to 'Cotton and Wool Outlook' report of the US department of agriculture (USDA).

Total fibre product imports approached 21.0 billion pounds in 2019, compared with more than 20.8 billion pounds in 2018, the Economic Research Service of the USDA said in its March 2019 report.

Meanwhile, US textile and apparel exports in 2019 declined 4 per cent to 3.3 billion pounds, the lowest in a decade.

Net imports of synthetic textile and apparel products increased for the 10th consecutive year in 2019—as the popularity of athleisure wear kept demand for synthetics strong—with synthetic products accounting for the largest share of total net imports for each of the past six years, the USDA report said.

In 2019, synthetic textile and apparel products accounted for 51 per cent of the total, while cotton products contributed 42 per cent, and linen, wool, and silk combined for an additional 7 per cent.

Although cotton's share of total net fibre product imports had steadily decreased since 2007, the 2019 share appeared to have stabilised near the 2018 level, the report added.

Source: fibre2fashion.com-Mar 23, 2020

HOME

****

Global supply chains in disarray: Turning crisis management into risk management

We have been sailing in uncharted waters the last three months. The scale of this crisis is unprecedented, there's no blueprint as to how to manage this. There's mayhem in the market. The coronavirus (COVID-19) now considered a pandemic worldwide. A recession is imminent.

Globally consumers are in a panic. Supermarket shelves in some European and Asian cities emptied as coronavirus crisis grows. The outbreak is already costing businesses millions of dollars in revenues and profits, serious consequences in the global market causing severe financial repercussion.

Production disruptions have largely affected household and hi-tech goods, and textile industries where China plays a core role in the global supply chain. These disruptions have already had an adverse effect on the global supply chain as companies struggle to find alternative suppliers.

Production output of automobile manufacturers in China could drop by 15% during the first quarter of 2020. As an indirect effect, these manufacturers would also suffer from reduced production output. Closure of manufacturing facilities in China has had far-reaching consequences globally.

The virus outbreak hindered initially daily business operations in China, more recently across Asia and Europe.

Because supply chains are complex and intertwined, the virus has thrown everything into disarray.

On one side you have many suppliers, on the other side you have the consumers, and in-between you have endless chains of interactions between them. Because of this complexity, it's easy for companies to totally lose visibility and transparency into their own supply chains.

To improve efficiency and ensure higher return to scale, companies along the supply chains specialize in finer parts of the production process. It is not uncommon for supply chains to have six tiers or more. Automotive, electronics, and even the apparel industry have long complex supply chains where parts are produced by multiple suppliers before a product is made and delivered to customers.

Hi-tech goods are likely to be one of the most-affected industries as China remains the world's largest producer and exporter. Apple is among several multinational companies that have been affected.

Apple shortened store working hours across China and warned that supply chain disruption might also affect operations in other countries. China is the largest manufacturer of iPhones, thus factory closures could hurt Apple's production volumes.

Besides manufacturers, air transport has also been impacted as major international airlines have stopped their flights to China, Asia and Europe. Cancellation of air routes to these countries will also have an adverse effect on global supply chains.

Air transport remains among the key transportation modes for fragile, perishable or high-value goods which require fast delivery. Disruption of air travel would largely impact chemical products, pharmaceuticals, hi-tech goods and machinery industries. The disruption will immediately affect lean supply chains and in particular those based on speed.

Travel bans, city and country lockdowns, have companies scrambling to expedite shipments. These closures can lead to supply shortages. The ramifications from the outbreak have impacted business greatly.

It's already hit the travel, tourism, entertainment, and events industries across the globe.

The recent border closure between Malaysia and Singapore led to panic among consumers, companies and Malaysians working in Singapore. There was a rush to secure food shipments from Malaysia, companies had to find accommodation for their labourforce to ensure business continuity.

Asia is at the heart of global supply chains. Of the top nine container ports in the world, seven are in China, one is in Singapore, and one is in South Korea. Four of the world's busiest air routes are in ASEAN. All three countries are now deeply hit by the coronavirus outbreak.

Collectively, about a third of the world's economy is being affected, and the outbreak is still ongoing.

It’s impossible now to quantify the overall impact as the crisis is only beginning to unfold. The economic aftermath is expected to last at least a year. However, if the air travel bans remain prolonged, businesses in both China and abroad might start feeling the shortage of goods such as pharmaceuticals, as accumulated stocks deplete.

The global supply chain has evolved since the SARS outbreak in 2003, but China’s role in the global industry increased perhaps 10 fold since then, thus the final impact on industries will depend largely on companies’ capabilities to find alternative suppliers and the success of governments across the world to contain the virus outbreak.

A longer supply chain disruption will result in severe shortages, price hikes, etc It’s time to rethink procurement as we know it, one that does not depend on one location, one supplier to maintain business continuity. Manufacturers should evaluate scaling up within their country of origin, identify develop alternative production hubs and multiple-supply sources.

However, it’s easier said than done as switching suppliers and ensuring the right quality and cost is challenging. It’s a long-term strategic process, the objective is to stay ahead of the curve, being prepared and resilient.

To be resilient, companies must rethink their supply chain policies and practices, develop a comprehensive proactive model.

They must have a detailed supply chain map, a diversified supply base strategy, detect warning signs of possible disruptions, perform operational risk assessment of critical business functions, set up contingency plans based on scenario planning exercises that can respond by shifting production or supply source. Without that kind of detailed map, it is difficult to know the vulnerable links.

No doubt we’re in a crisis but this is also an opportunity to learn, unlearn and relearn.

We must stop being complacent. In the short term, some companies will have cashflow issues, the resilient ones will survive and even gain market share, eg online grocery shopping business, medical supply business. This may also be an opportunity for drone deliveries to gain ground.

Now is the time to turn crisis management into risk management. Companies must diversify their supply base, dive into the many dimensions involved in their supply chains, even their supplier's supply chain. They must invest in time, money and resources in building a resilient supply chain.

An example would be to invest in risk evaluation tools such as machine learning that can find patterns indicating risk or opportunities in macroeconomic, regional and geopolitical health, exchange rate and other data.

The ongoing US-China trade war has already some companies diversifying their supply base. Few have relocated to Vietnam, Myanmar, Bangladesh, even to Africa. This crisis should, must, speed up the trend, with more companies reassessing their market positions, vulnerability and resilience. No more sitting on the sidelines, it's time for action.

Diversification and uncorrelated sources of supply base is the key, so when one source falls, a tier two or three alternatives may still be operational. In other words, do not put all your eggs in one basket or buy the eggs only from one farm.

All said and done, no risk management strategy could have anticipated nor equipped us with the tools to handle the scale of the COVID-19 in the short run. With the rapid spread of the virus globally, with no vaccine in sight, diversification of supply base right now is of little help.

The COVID-19 is definitely a game changer. However we're in a better position than we were when SARS hit us. We have more options now and we have an opportunity to build futuristic contingencies that will ensure we're more prepared to manage the risk. We have to act now.

Source: newsday.co.zw -Mar 23, 2020

HOME

****

US has no plan to suspend import of Vietnamese garment-textiles: ambassador

The embassy has contacted relevant US agencies to clarify the information, the ambassador said. He pointed to the sound development of the Vietnam-US comprehensive partnership, with two-way trade reaching US$77.6 billion in 2019, making Vietnam one of the US's 15 biggest trade partners.

In the first two months of this year, Vietnam's exports to the US grew 25.7% to US$10.26 billion, in contrast to its decreasing export values to some other markets.

Last year, Vietnam's garment-textile export to the US was nearly US$15 billion, making up about 45% of the country's total revenue in the sector. During the January-February period, the turnover stood at US$2.25 billion, up 5.3% year-on-year, and accounted for nearly 48% of the total.

However, if COVID-19 lasts longer than expected in the US, it will affect Vietnam's exports to the country, he warned.

He thus called on businesses to keep calm and optimise opportunities to maintain production and exports, while reviewing their business strategies to adapt to the new situation.

The ambassador also urged domestic firms to seriously follow the Vietnamese Prime Minister's instructions against origin fraud and tax avoidance so as not to violate relevant regulations set by the two countries.

The Vietnamese Embassy in the US will continue to liaise with US authorities to provide the best support for Vietnamese businesses, Ngoc said, expressing his hope that once the epidemic is contained, there will be a consumption recovery, which would facilitate Vietnam's exports to foreign countries, including the US.

On this occasion, the ambassador spoke of cooperation in the fight against COVID-19 between the two countries.

The Emergency Reserve Fund for Contagious Infectious Diseases under the US Agency for International Development (USAID) will inject US$37 million to help regional countries, including Vietnam, combat the disease, he said.

The US is also considering the import of Vietnamese medical equipment to serve its disease combat efforts, the ambassador added.

Source: ven.vn-Mar 23, 2020

HOME

****

Indonesia Textiles Group Seeks Tax Breaks to Tackle Virus Impact

Producers ask for tax relief and other stimulus to prevent mass lay-offs as firms face a squeeze in cashflow amid slowing local and overseas demand due coronavirus outbreak.

- Govt should regulate imports to allow only raw materials needed for the local industry and also safeguard it from imports of clothing, Chairman of Indonesian Textile Association Jemmy Kartiwa Sastraatmaja tells reporters at a briefing
- Association also wants relaxation in debt refinancing and fresh credit at lower interest rate, says Anne Patricia Sutanto, vice president at PT Pan Brothers
- Textile makers also seek a six-month reprieve in payment of company tax and waiver of fines
- Some other demands made by the textile association are:

  - Relaxation in VAT payment up to 90 days
  - Use of 14,000 rupiah to a USD for calculation of gas price
  - Delay payment of 50% electricity bill for 6 months

- Association expects exports to return to normalcy in June, July, according to Redma Gita Wirawasta, secretary general of Association of Synthetic Fiber Producers

Source: bloomberg.com-Mar 23, 2020

HOME

****

Sri Lanka: Apparel industry hit by cancellation of orders: JAAF

Sri Lanka's largest export revenue earner, the apparel industry, is bracing for a massive blow amid increased order cancellations as coronavirus (COVID-19) pandemic is crippling the economies of its key buyers.

"There is a serious cancellation taking place. A whole lot of retail stores are being closed for a long period of time. We have been told to hold the production, not to buy fabrics and not to deliver goods. There are no more orders. The situation is terrible," Joint Apparel Association Forum (JAAF) Secretary General Tuli Cooray told Mirror Business.

Earlier this month, the industry forecasted a loss amounting to about US$ 510 million, following a disruption to its supply chain. The sector was unable to import fabrics from China to feed the production cycle. The loss was forecasted on the assumption that no orders would be cancelled.

However, the COVID-19 spread spiraling out of control in major buying countries has placed the local apparel sector in a vulnerable position, a position where for the first time its stakeholders are unsure when and how they would come out.

"The way forward we do not know. We could not produce goods that we wanted earlier because we didn't have the fabrics. Now we are getting orders to halt everything. The question now is, when are we going to get back on track? We really do not know," said Cooray.

When queried about the loss the industry would suffer, given the recent development, Cooray said the industry is not in a position to share a number as yet, since cancellations are still coming in.

This Sunday morning alone the industry witnessed cancellation of over 400,000 pieces.The JAAF leadership also pointed out that the local situation, the country being put under a curfew to contain COVID-19 from spreading in the island, is adding to the woes of the sector, as the work that is available cannot be carried out.

In the second week of March, the apparel industry reached out to the government requesting to provide the small and medium enterprises (SMEs) engaged in apparel manufacturing some breathing space.

With the situation taking a turn for the worse, Cooray shared that the industry had gone back to the government and made representation to extend the measures proposed to cushion the SMEs to the big players as well.

The apparel sector generated revenue of US$ 5.3 billion in 2019, a 5.1 percent increase from the previous year.

For 2020, the industry was eyeing 6 percent export growth, which was expected to come from the US and EU markets.

The apparel and textile industry accounts for 6 percent of the country's GDP and over 40 percent of the nation's exports. It provides employment to 15 percent of the country's workforce.

Source: dailymirror.lk- Mar 24, 2020

HOME

****

Bangladesh: 'Your order has been cancelled': The Coronavirus impact on the RMG sector

The economic impacts of the COVID-19 pandemic is now being witnessed at all levels and the irrevocable financial damage, which may be considered secondary to matters of health and safety, in the near future may prove just as detrimental.

The UN estimates the outbreak of this deadly virus could at least cost a trillion dollars and could slowdown the global economy to under 2.0 per cent this year. Bangladesh will also have to share a sizeable part of this loss. As we estimate the percentage of the global loss that we will have to bear, the government should identify the particular sectors that will be affected the most.

When we talk about Bangladesh's association in the world of global business, the first thing that comes to our minds is our ready-made garments (RMG) industry, which is by far the biggest export-earning sector - contributing over 84 per cent to the country's annual export. Evidently this sector has started to witness its share of loss due to the virus outbreak globally.

As of last week, 69 member companies of the Bangladesh Garments Manufacturers and Exporters Association (BGMEA) have faced order cancellation amounting to $93 million and up to $7.38 million work orders have been suspended by the top international clothing retailers and brands.

As a result, industry insiders are expecting further cancellation and slashing of work orders in the foreseeable future as the world grapples with escalating numbers of infected cases and mortality rates due to the fatal virus.

After China, as Europe has become the new epicentre of the virus outbreak together with surging numbers of infected cases in the US, Bangladesh's RMG sector is now exposed to a much bigger threat since the European Union (EU) and the US are the country's biggest trading partners of textiles and apparels.

Due to the rapid outbreak of this deadly virus, governments of the affected nations were forced to take extreme precautionary measures ranging from the introduction of self-isolation to complete lockdown of cities.

As a result, consumer spending has plummeted substantially and local stores and malls were forced to shut down, prompting international fashion retailers and apparel brands to cancel and axe their order volumes.

Unfortunately, the cancellation or slashing of orders does not only stop with an immediate impact on the profitability and earnings of the local manufacturers, this could also give rise to devastating economic consequences. Firstly, cancellation of current orders means a loss of resources with an imminent threat to the RMG backward linkage industries.

These orders, which were placed by the international clothing retailers and buyers some 3-6 months back, are already produced and made ready for shipment by the local manufactures.

Manufacturers have already incurred costs and remain indebted to all other suppliers from whom they have sourced the raw materials.

Now provided that these orders are getting cancelled, how and who will pay back these suppliers of raw materials? Essentially this will trigger an alarming situation in the RMG sector together with its backward linkage industries.

Secondly, over four million people are employed in this sector and therefore cancellation of orders could potentially create an obstruction in their scheduled wages and in extreme cases may even lead to the termination from their services, should the firm chooses to shut down due to insufficient orders.

Learning from past experiences, situations like these could trigger labour unrest which has disastrous economic consequences. Thirdly, there is a threat to the existence of small and medium-sized companies in this industry during this situation.

As buyers are already cancelling orders amounting to millions of dollars, this dire state has the potential to persist for a considerable length of time; experts have suggested the economic aftermath of this virus outbreak could at least last a year.

As a result, with insufficient volumes of orders, it is highly likely that small and medium-sized firms will be forced to shut down due to the failure of recovering the costs of business.

It is high time the government stepped in before the situation worsens further. Policymakers should sit down with industry stakeholders and device policies that could effectively safeguard the RMG sector. Governments around the world are proposing trillion-dollar stimulus packages for their economies to help fight the coronavirus epidemic.

Certainly, the RMG industry, which is the country's major earning sector, is qualified to get a place in the government's top priority list at this time of great peril.

Industry insiders have proposed solutions such as support from disaster assistance fund, credit guarantee schemes from the central bank to encourage commercial banks' continued support and amendment in the rules of the back-to-back letters of credit (LCs) to combat the current situation.

Source: thefinancialexpress.com.bd- Mar 23, 2020

HOME

****

Textile home décor market to expand from 2018 to 2027: TMR

The global textile home décor market will register a splendid expansion between 2018 and 2027, with global sales projected to bring in revenues worth over $ 185,000 million by 2027 end, according to a recent research report by Transparency Market Research (TMR). Prevailing consumer confidence and broader economic trends directly impact demand for such textiles.

Demand for bed linen is expected to rise at a brisk pace across the globe, driven by a steady stream of opportunities emerging in both developing and developed markets, the report said.

Sensing profitability of bed linen, key manufacturers are concentrating on consolidating their market position. A key challenge for stakeholders in this segment is the highly fragmented presence of unorganised players, a TMR press release said citing the report.

The market has witnessed proliferation of a number of start-ups, with key trends being online crowd-sourcing and affordable outsourcing. Online provisions of style boards and design ideas, and hiring designers at affordable costs have turned convenient. These trends are primarily driven by marketplace attributes like new online business models, price transparency and standardisation, the report found.

Several entrepreneurs, aware of challenges involved in product marketing, are tailoring their merchandizing strategies to organise their products on the basis of theme, instead of category. The global market for such textiles involves a long supply chain, which in turn adds to cost of the final product. Therefore, companies are focusing on remodelling the supply chain and trimming the price tags, by working directly with manufacturers, said TMR.

To counter the challenges from the unorganised sector, leading players are focusing on offering entry-level bed linens that are priced attractively, the report added.

Source: fibre2fashion.com - Mar 24, 2020

HOME

****

Lack of cash leads to collapse of half of Chinese retailers

Data compiled by Bloomberg and Company covering 50 listed firms, almost half of China's listed consumer companies don't have enough cash to survive another six months, underscoring the urgent task Beijing has to re-start its economy and get shoppers spending again.

Restaurants are in the worst shape as COVID-19 outbreak has kept consumers at home, with about 60 per cent unable to cover labor and rental costs.. Among jewelry and apparel companies, almost half don't have the cash to last the six months unless demand rebounds sharply, the data show.

While the number of Coronavirus infections in China has tapered off and retailers including Starbucks and Haidilao International Holding have reopened more of their stores in low-risk areas, demand looks unlikely to rebound quickly as consumers remain hesitant to leave their houses after weeks of government warnings about the dangers of mingling with others.

China is also now on guard for a second wave of infections, in part from people traveling back to the country from other affected areas.

Although Chinese factories have resumed production, hopes of a V-shaped recovery in retail and services have waned as the pandemic widens globally, sickening over 210,000 people and killing over 8,700. Economists now expect $2.7 trillion to be wiped from the global economy.

Many of China's small and medium businesses are already collapsing as they run out of cash, but the vulnerability of the publicly listed consumer companies points to greater economic danger, as some of these employ thousands of workers across the country.

Source: fashionatingworld.com - Mar 23, 2020

HOME

****

COVID-19 slows down brick and mortar retail, online shopping gets a boost

To help prevent the further outbreak of the COVID-19 epidemic, all global retailers like Glossier, Nike, Urban Outfitters, and Patagonia have indefinitely shut their stores. They have also updated their working policies to ease the strain on their staff.

For instance, Starbucks has introduced a 'catastrophe pay' scheme for its US employees, by which, the retailer will pay staff for upto 14 days if they are diagnosed or have been in contact with someone suffering from Coronavirus.

Consumers switch to online shopping

During this week, with most of retailers shutting stores, e-commerce sales have surged by a staggering 71 per cent. However, most of this surge is restricted to categories like garden furniture, crafting, etc. Fashion sales, on the other hand, have dipped. American expenditure on fashion has declined as instead of fashion merchandise, Americans are preferring to stock essential goods.

The situation is similar in other markets too, in China, sales of household staples such as rice and flour have quadrupled on JD.com since the same period the previous year. In the UK, supermarkets, online grocery delivery slots have sold out for the next three weeks at least.

Though these ecommerce retailers may benefit in the short-term, they are likely to face issues relating to stock and supply chain in future. Hence, it would be important for them to quickly invest in order to meet demand.

An opportunity for omni channel retailers

Closure will also have a big impact on the revenues of brick and mortar retailers like Primark. However, it would provide omnichannel retailers with an opportunity to shift their focus to ecommerce.

For the most in-demand online retailers, delays or disruption in deliveries could negatively impact their brand's reputation or loyalty in both the short and long term. Earlier this month, Amazon warned customers deliveries would be slower than usual, and since, there have been complaints that certain categories are continuously out-of-stock.

Being customer-friendly

Going forward, retailers need to be both transparent as well as vocal about how they are approaching the situation. A majority of retailers have been sending out marketing emails in order to address how they are handling the situation. However, they also need to be responsive on social media and other digital customer support channels.

These e-commerce retailers also need to adopt the practice of 'no-contact deliveries whereby delivery workers leave packages at the door. Indeed, some of them are seen to be taking proactive steps to help and protect their consumers. For example, Louis Vuitton owner, LVMH, has begun to use its perfume production lines to make hand sanitisers, which the brand is sending out to hospitals in France. Elsewhere, retail stores are precautionary measures like going cashless or staggering entries.

Source: fashionatingworld.com - Mar 23, 2020

HOME

****

Vietnam: COVID-19 pandemic challenges garment and textile businesses

Many Vietnamese garment and textile businesses have received notices from their US and EU partners that they will temporarily stop receiving goods for three weeks to one month.

According to Phạm Xuân Hồng, Chairman of the HCM City Association of Garment Textile Embroidery and Knitting, customers said they needed to stop receiving goods due to the rapid spread of COVID-19 in the US and EU, prompting governments to declare states of emergency and tighten border controls. "They asked Vietnamese businesses to suspend orders, including those being transported until borders are reopened," Hồng said.

He said the US and EU are two important textile export markets of Việt Nam. Half of all textile exports from HCM City go to the US, while the EU accounts for 15-18 per cent of annual exports.

“Partners in these markets announced the suspension of receiving goods, meaning that nearly two-thirds of the market of textiles and garments narrowed,” Hồng added.

Chairman of Việt Thắng Jean Co., Ltd Phạm Văn Việt, said evidence from China can be used to estimate that it will take at least two months in the US and EU to control the pandemic. When life becomes stable and the retail industry restarts, import businesses will reopen warehouses and import goods for distribution.

As for Việt Thắng Jean, Việt said the US accounts for 30-35 per cent and the EU for 20 per cent of the company's total export turnover.

“Our products are seasonal fashion products. Imported materials were prepared six months ago. At this time when the partners announced that they would stop imports, meaning all the materials prepared for sale this summer must move to next year, making them unfashionable. About 40 per cent of existing fabrics will be abandoned or sold at low prices,” he said.

In addition, Việt said suddenly stopping imports forced enterprises to store many containers of products which were on the way to US and EU ports.
“This makes businesses spend a lot of additional expenses, while its cash flow is ‘frozen’.”

He said the most urgent problem for textile enterprises is not the delivery of orders but how to protect workers.

"Textiles is one of the industries using the highest number of workers, most of them are unable to switch to other jobs in the current situation. Therefore, maintaining employment and income for workers is not only a vital business problem but also a great impact on society,” Việt said.

“If enterprises let workers go, where will hundreds of thousands of workers go? What will businesses do to recruit workers to recover production when the pandemic is controlled? Such questions are not yet answered," Việt added.

Textile enterprises have proposed the Government quickly disburse approved economic stimulus packages, and consider partial use of the unemployment insurance fund and social insurance fund to help businesses continue paying their workers.

They also hope the Ministry of Finance and the banking system will lower interest rates or give interest-free loans, which could be used to pay workers until production activities and trade return to normal.

Embassy support

Ambassador of Việt Nam to US Hà Kim Ngọc said the US government has not announced a policy to suspend imports of Vietnamese garment and textile products.

Ngọc said the embassy has spoken with the relevant American agencies to dismiss false rumours that the US had suspended imports of Việt Nam's garment and textile products. He said due to the complex developments of the COVID-19 pandemic, a decline in trade activities, including the textile sector, was inevitable.

"In order to comply with the US government's direction to the prevention of COVID-19, many businesses and large retailers such as Macy's, TJ Maxx, Walmart and Target have announced temporary closure or reduction of the opening time of stores until the end of this month," Ngọc said.

"With the economy facing more difficulties, decreased purchasing demand of US consumers will also affect the import of products. Therefore, if the pandemic lasts for a long time, our exports of goods will be affected," he added. In this difficult context, Ngọc said that businesses need to be very calm while continuing to take every opportunity to maintain production and exports.

The US is a large market for Việt Nam's garment and textile industry. In 2019, the country's export to the US reached nearly US$15 billion, about 45 per cent of total garment and textile export turnover.

In the first two months of this year, garment and textile exports to the US hit $2.25 billion, up 5.3 per cent year-on-year, accounting for nearly 48 per cent of the country's total textile export value. Ngọc said the embassy will continue to discuss with local authorities to support Vietnamese businesses.

"When the COVID-19 pandemic is controlled, the market demand will recover and this will be a good opportunity for Vietnamese businesses to boost exports to foreign countries, including the US," he said.

Source: vietnamnews.vn - Mar 23, 2020

HOME

****

Pakistan ministry releases Rs 9.37 bn to textile exporters

Pakistan's commerce ministry recently released Rs 9.37 billion to textile exporters under various schemes, according to Abdul Razak Dawood, adviser to prime minister for commerce, textile, industry and production, and investment, who said duty drawback on taxes (DDT) worth Rs 3.9 billion and Rs 3.8 billion were released for 2018-21 and 2017-18 respectively.

He said a total of Rs 27 billion has been paid to the textile sector in three months.

Dawood had earlier announced that the government would offer a relief package for exporters, particularly to ease the liquidity problems faced by them, according to Pakistani media reports.

"I want to assure our exporters that the government is fully aware of the difficulties faced by you due to the coronavirus. In the coming days, we will be giving a relief package, particularly to ease the liquidity problems faced by you," he had twitted.

Source: fibre2fashion.com - Mar 24, 2020

HOME

****

NATIONAL NEWS

A pandemic, an economic blow and the big fix

A package for ₹5-lakh crore-₹6-lakh crore targeted across different sections of society and the economy, is feasible

India has just finished a day of curfew and clapping to practise ‘social distancing’ and to express gratitude to the millions of health and essential services workers amid the COVID-19 pandemic. It was a laudable initiative by the Prime Minister to rally the nation together. The nation is truly at war, as he alluded to, and it can be won only by everyone coming together in this ‘tragedy of the commons’.

India lags

But just two days before our clapping, the Indian-origin Finance Minister of the United Kingdom unveiled the U.K.’s biggest economic recovery package in its history, as an antidote to the crisis; there is no fixed cost to it. The United States is finalising a trillion-dollar economic recovery package, while Germany is going ahead with ‘unlimited government financing’ for the disruptions due to the outbreak.

France, Spain, Italy and the Netherlands have all launched a half-a-trillion dollars combined in recovery measures. If this reads like panic, consider this one data point — the number of people who lost their jobs, in just the last two weeks in America is the highest ever weekly job losses recorded in its history. These large, developed economies are expected to not merely slow down, but to contract and experience negative growth. The economic devastation will be much more painful and longer than the health impact.

While the rest of the world has sprung into action, India has merely announced the setting up of a task force under the Finance Minister to explore economic recovery options.

This lackadaisical approach is unconscionable. Contrary to rhetoric, neither will India be immune to this imminent economic crisis nor will some ‘preternatural force’ insulate us from this epidemic. It is prudent to swing into action right away to soften the inevitable economic blow.

There are already reports that a third of all restaurants could shut down in the formal sector alone and shed more than 20 lakh jobs, in the coming months. The entire automotive sector is shutting down its factories, putting at risk the incomes of a million people employed in this sector. When people lose their jobs, entire families suffer, consumption drops and overall demand collapses.

When businesses close down, then they default on their commercial obligations down the chain and to their financiers. This freezes up credit flow in the economy and halts production. Since this is a global crisis, it is not even possible for India to import and export its way to recovery. Under such painful conditions, India needs a comprehensive recovery package that will first cushion the shock and then help the economy recover.

A three-step plan

In my discussions with former Finance Minister P. Chidambaram and economists, there was near unanimity that the package should rest on four pillars: providing a safety net for the affected; addressing disruptions in the real economy; unclogging the impending liquidity squeeze in the financial system, and incentivising the external sector of trade and commerce. So here is a broad plan for a ‘COVID-19 Economic Recovery Package for India’.

The destruction of jobs, incomes and consumption can be addressed through a direct cash transfer of ₹3,000 a month, for six months, to the 12 crore, bottom half of all Indian households. This will cost nearly ₹2.2-lakh crore and reach 60 crore beneficiaries, covering agricultural labourers, farmers, daily wage earners, informal sector workers and others. It is important that this is not just a one-month income boost but, instead, a sustained income stream for at least six months for the millions who have lost their incomes, to provide them a safety net and a sense of confidence. The Pradhan Mantri Kisan Samman Nidhi (PM KISAN) programme with a budget of ₹75,000 crore can be subsumed into this programme.

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) must be expanded and retooled into a public works programme, to build much-needed hospitals, clinics, rural roads and other infrastructure. This can be achieved by integrating MGNREGA with the Pradhan Mantri Gram Sadak Yojana and the roads and bridges programme. These three programmes together have a budget of nearly ₹1.5 lakh crore.

This must be doubled to ₹3 lakh crore and serve as a true 'Right to Work' scheme for every Indian who needs it.

In addition, the Food Corporation of India is overflowing with excess rice, wheat and unmilled paddy stocks — enough excess stock to provide 10kg rice and wheat to every Indian family, free of cost, through the Public Distribution System.

This combination, of a basic income of ₹3,000 a month, a right to work and food grains, will provide a secure safety net.

COVID-19 testing, treatment, medical equipment and supplies capacity can be expanded through the private sector and be reimbursed directly for patient care. This will need a budget of ₹1.5- lakh crore for testing and treating at least 20 crore Indians through the private sector. This will help create a large number of jobs in the private health-care sector, with trickle-down benefits.

Steps for the central bank

The Reserve Bank of India (RBI) announced a ₹1.5-lakh crore liquidity and credit backstop facility on Monday, which is a very welcome move. Further, the RBI should show regulatory forbearance and also set up a credit guarantee fund for distressed borrowers for credit rollover and deferred loan obligation.

The central bank must also immediately reduce interest rates drastically to spur business activity. A two-year tax holiday and an appropriate incentive scheme must be designed for exports and service sectors that have been devastated (airlines, tourism, hospitality, entertainment, logistics, textiles, leather). This could cost the exchequer between ₹1-lakh crore and ₹2-lakh crore.

Finding the money

In sum, the total incremental expenditure for the recovery package will be between ₹5-lakh crore to ₹6-lakh crore for FY2021. The next obvious question is: Where is the money for this?

The ₹5-lakh crore to ₹6-lakh crore recovery package can be funded largely thorough three sources — reallocation of some of the budgeted capital expenditure, expenditure rationalisation, and the oil bonanza.

Given the extraordinary situation the world is facing, it is important to reprioritise our expenditure plan in the near term. The government had budgeted more than ₹4-lakh crore in capital expenditure for FY2021. This will, unfortunately, have to be reworked and some part of it allocated to the COVID-19 recovery package. For example, there is a budget of ₹40,000 crore for the revival of the telecom public sector units which can be delayed and the amount reallocated.

Similarly, the budget of nearly ₹1-lakh crore for national highways, roads and bridges can be rationalised to reallocate this to the recovery package. It is possible to extract a total of ₹1-lakh crore for the package out of the ₹4-lakhcrore budgeted capital expenditure for FY2021.

Fifty-four ministries in the Union government of India made a demand for grants and a total of ₹30-lakh crore has been budgeted as total expenditure for FY2021. Of these, 13 large ministries account for as much of the Budget expenditure as the remaining 41 ministries combined. There is ample scope to rationalise expenditure in these 41 ministries to extract ₹2-lakh crore for the recovery package.

The blessing in disguise for India is the dramatic fall in global crude oil prices —from $40 a barrel to an estimated $20 a barrel — which can help save nearly ₹2-lakh crore; this can be used to fund the recovery package or make up for shortfall of tax revenues.

To be sure, there will be a fiscal implication of this stimulus package and the fiscal deficit will rise driven both by increased expenditure and shortfall of revenues from the slowing economy. But now is not the time for fiscal conservatism.

Helping States

It is often asked why the States cannot embark on an economic stimulus plan. The States combined incur an expenditure of ₹40 lakh crore. There can be some sharing of expenditure of the recovery package of ₹1-2 lakh crore by the States. But after Goods and Services Tax (GST), States do not have the fiscal freedom to raise tax revenues on their own. They are largely dependent on the Centre for their tax revenues through direct taxes and GST.

In summary, India needs an immediate relief package of ₹5-lakh crore to ₹6-lakh crore targeted across all sections of society and sectors of the economy. Though daunting, the money for this can be found through detailed analysis and some bold thinking. The global economy is headed for a dark phase and it is our duty to rise to the challenge to secure the future of all Indians.

It is time to think big, bold and radical to pull our economy out of this crisis. This is India's moment for the equivalent of the "New Deal" that U.S. President Franklin Roosevelt launched in America after the Great Depression of 1929.

Source: thehindu.com- Mar 24, 2020

HOME

****

India as a driving force in new trade order

It can be a vanguard among Asian economies, having historically pursued free trade. Present protectionist thinking is unreal

In the first part of this article (BusinessLine March 18), I had argued that Bretton Woods Institutes (BWIs) are not in sync with emerging global economic realities of the 21st century.

A new global trade and economic architecture needs to be put in place and that India can play an important role in conceiving, designing and operationalising this institutional mechanism.

That the current global economic climate is full of severe uncertainty and unpredictability is amply evident today.

The combined negative impact of Covid 19 and collapse of global oil prices on top of rising protectionist tendencies can be traumatic for the world economy. This comes at a time when the global economy is already flooded with liquidity with debt-to-GDP ratio now at an all-time high of 250 per cent.

Reportedly, more than $11 trillion of debt currently earns negative yields. With the WTO already in limbo and the global economy on the verge of slipping into a recession, it is time to go back to the drawing board for designing a new global economic architecture.

Given the dynamism of Asian economies and their rising share in global economic activity, it is imperative that they play a predominant role in any effort for putting in place a new global economic architecture. India must be a part of this vanguard group.

Given the forthcoming India's presidency of G-20 in 2022, we can lead the way. India should announce its intention of making this an important agenda item for the future G-20 meetings and try and finalise the design by 2022. A good gift to the world on the 75th anniversary of India's Independence.

India will bring several strengths to the Vanguard Group that will work to designing the new architecture. These are, our vibrant private sector; commitment to global multilateralism; adherence to an open economy framework; hyperactive parliamentary democracy; continental size and extensive diversity of the country; and our well-recognised intellectual and negotiating talents.

Therefore, India could introduce this Vision of New Global Economic Architecture in the G-20 working agenda right away. The Vanguard Group could be established as a representative sub-set of the G-20 members.

Expand network

To be an effective member of this Vanguard Group, India will have to firmly establish its credentials as an open economy that is eager to connect with global and regional value chains and enlarge its share in global trade flows. Two immediate steps should be taken in this regard.

First, India must recognise that, like most other economies, India has always benefited from adopting an open and free trade economy stance. Indians have, for centuries, participated in and benefited from trade and commerce with other countries.

They used these opportunities to establish flourishing civilisations all over Asia. Bali, Jogjakarta, Ankgor Wat, central Vietnam and Bagaan in Myanmar, are living testimonies to the glorious benefits of open and free trade practised by Indian traders from coastal states. The negative consequences of trade were restricted to the period under British colonial exploitation. This can be seen as mere 90 year blip as opposed to centuries of positive open trade experience that stretched from Aden to Bali and also up to Rome via Tehran and Baku on the Southern silk route.

The short and nasty experience under the colonial regime cannot be allowed to determine our present and future policy stance. It is high time to bury the ghost of the East India Company and not resurrect it time and again to serve narrow vested interests.

Tariff levels

The positive legacy of 1991 reforms, which saw a sharp reduction in both our non-tariff and tariff barriers should not be reversed. Instead, we should try and bring our tariffs to global average levels. To achieve this we have to sharply focus on improving trade facilitation and logistics and removing unnecessary impediments for our exporters.

A mission mode has to be adopted to provide globally competitive infrastructure and intermediate services to our exporters. Care has to be taken to prevent any over-valuation of our exchange rate that puts the exporters at an immediate disadvantage vis-a-vis their competitors. We have also to ensure that we have sufficient range of effective domestic standards and regulations that eliminate imports of spurious and unwanted products.

We should not use tariffs to paper over our deficiencies in trade facilitation, weak logistics and excessive regulatory compliance burden.

My second proposition is that we should more actively engage with all the plurilateral negotiations that are currently going on within the WTO. We have to participate in these negotiations because that will ensure that India earns the needed legitimacy and the recognition to be within the vanguard group for redesigning the global trade architecture.

China has pursued this strategy of being a member of a maximum number of global and regional negotiations, whether multilateral or regional, in its attempt to ensure that it is among the rule-making rather than the rules-accepting group of countries.

We have to do the same. It will require not only a change in our mindset but also substantial ramping up of negotiating capacity.

The present mindset of India being a large economy and not in need of global markets is simply unreal. With an economy of less than $3 trillion or 3.7 per cent of the global economy, we are indeed a small economy and need to take maximum advantage of global demand to increase exports and eliminate our structural current account deficit.

Therefore, it is clear that India, having gotten its own act together, should be ready to play an effective role in designing the new institutional architecture. A redesigning of global trading order has today become necessary. Without such an effort, we will not be successful in expanding global trade flows and sustaining global economic growth. These are the necessary conditions for affording a decent life for all.

Source: thehindubusinessline.com- Mar 23, 2020

HOME

****

Textile units in Tamil Nadu to stop production from today

Exporters assn. urges State to extend financial support to pay wages to workers

Garment exporters in Tiruppur and home textile exporters in Karur have decided to stop production from Tuesday. Textile mills in the State will decide according to their order positions.

Raja Shanmugam, president of Tiruppur Exporters Association, said Tiruppur Collector K. Vijayakarthikeyan had a discussion with the industry heads in Tiruppur on Monday and instructed them to stop production activities. Based on it, the units decided to down shutters till March 31.

Tiruppur has over 1200 exporters and thousands of supporting units. Together the industry employs nearly six lakh workers. The entire chain, including industries supplying to the domestic market, will come to a halt from tomorrow, he said.

Mr. Shanmugam added that industries were facing severe financial crisis and hence Government should extend financial support to pay wages to the workers for this period.

The market is also not accepting the goods. The District Administration has also given orders to stop all trading activities in the district, he added. It is estimated that the goods worth ₹750 crore will not be produced from Tuesday for eight days.

M. Nachimuthu, president of Karur Exporters' Association, said about 500 exporting units that employ nearly two lakh workers in Karur have decided to stop production from March 24 to 31. The units will pay wages to the workers for these days.

The annual export turnover of Karur is nearly ₹5,000 crore. Just 20 % of the buyers are willing to take the orders placed. However, exporters face challenges in sending these goods too, he said.

The Southern India Mills' Association has communicated to its members, who are mainly textile mills, that many industries have suspended their operations and shut down the units till March 31 or till normalcy is restored to prevent the spread of COVID-19.

Those units that are not in a position to operate the mills are advised to provide lay off to the workers. But, in the case of lay off, 50 % of the wages need to be paid, till suspension is revoked.

M. Senthil Kumar, head of the Palladam Hi-Tech Weaving Park, said several weaving units in the State have already stopped production.

But the units will need to pay wages to the workers. And, continue to pay fixed charges and taxes. So the Government should come out with announcements on supporting the industry financially.

Source: thehindu.com- Mar 24, 2020

HOME

****

Covid-19: Rupee slide no relief as exporters see crash in orders

As the coronavirus cases jump in the EU and the US, India's top two outbound shipment destinations, exporters of both goods and services see their fortune plummet in FY21, despite a depreciating rupee.

While the rupee has weakened by almost 4% against the greenback in March, the currencies of competitors such as Indonesia and Malaysia have depreciated at a sharper pace, by over 11% and 5%, respectively. In software services exports, roughly 28% of payments are made in currencies other than the dollar.

Although the Bangladeshi rupee has held steady and Vietnam's currency has weakened only less than 1% against the dollar in March, they enjoy much greater cost advantage than India in labour and logistics. Also, Bangladesh has duty-free access to the US and the EU markets in garments, while Vietnam, with its attractive incentives, has already emerged as a major electronics export hub, leaving India far behind.

The US, the EU and China made up for 40% of India's merchandise exports. Importantly, as the pandemic has forced lockdown in key cities in the EU and the US, services exports, too, have got a hit. The US (and Canada) and Europe made up for 61.2% and 25.6%, respectively, of India's software services exports worth $118 billion in FY19, according to a recent Reserve Bank of India (RBI) report.

Interestingly, the euro made up for 9.6% of India's software services export payments in FY19, while the pound 6.7%. The rupee has depreciated just 0.8% against the euro in March, while it has, in fact, appreciated against the pound, which will negate the currency advantage proportionately. Of course, the dollar still is the preferred currency, with a 72% share.

However, the much bigger worry for exporters is the potentially massive demand slowdown due to the pandemic. In such a case, the currency relief is hardly any solace, they stress. Ravi Sehgal, chairman of the engineering exporters' body, EEPC, said: "A sharp rise in the dollar value due to a flight of capital into safe assets would be of no benefit to our exporters," as hardly any exports are taking place.

The exporters that FE spoke to had last week warned of a 10-15% drop in merchandise exports in FY21 if the situation persisted until the first half of the next fiscal. The decline may be more pronounced if the situation worsens, they warn now.

Global supply chain has been hit hard, cargo movement has been affected, shipping lines altered and warehouse capacity stretched, they say.

Ferro alloys, steel, automobiles exporters have reported a halt in shipments, according to EEPC's Sehgal. "In the face of continuing uncertainty as to how long the global crisis would last, no fresh orders are forthcoming and even if some odd enquiries are made, prices being quoted are very low." Engineering goods are the largest segment, making up for over a quarter of the country's export basket.

According to Phamaceuticals Export Promotion Council director general Udaya Bhaskar, several consignments of exporters are getting held up at ports. The US makes up for over a fourth of India's pharma exports. Up to February this fiscal, pharma exports grew by 10.8% year-on-year, when overall goods exports contracted by 1.5% to $293 billion. Analysts say goods exports this fiscal may fall to around $320 billion, against $330 billion in the previous year.

Already, as many as 58% of the 103 respondents in a survey by CARE Ratings suggest exports will contract in FY21 following the covid-19 outbreak, with sectors such as tourism, aviation, auto, electronics and metals facing the maximum risk. The Federation of Indian Export Organisations (FIEO) has already projected a $5-billion loss in earnings from foreign tourist arrivals in 2020 following travel bans imposed by India and others.

FIEO president Sharad Kumar Saraf said: "The MSMEs particularly in employment intensive sectors like carpets, handicrafts, apparels, footwear, gems and jewellery, marine and perishable with their major market in Europe and the USA are likely to be worst affected particularly in first quarter of FY21, as per the current trend."

Lack of adequate credit flow to exporters remains a sticky issue. Export credit contracted almost 23% y-o-y as of January 31, even though overall priority-sector lending rose 4%.

Meanwhile, both the World Trade Organization and the IMF have said global goods growth will remain weak in 2020, mirroring the broader slide in economic growth.

Source: financialexpress.com- Mar 23, 2020

HOME

****

Coronavirus quarantines India Inc!

As if economic slowdown was not enough, the coronavirus or COVID-19 outbreak has brought India Inc. to a standstill. The continuously increasing number of confirmed cases in India and other countries – is resulting in consumption slowdown across various sectors. Along with the stock market crash, fear of the economic damage from coronavirus pandemic is at its peak.

The NSE Nifty 50 index, on Wednesday, showed early gains but then slid 2.8 per cent to 8,714.25, while the benchmark S&P BSE Sensex dropped 2.86 per cent to 29,705. Most Indian equities, which rebounded from a steep fall on Friday on hopes of coordinated stimulus measures to combat the impact of the virus, have been kept in check this week mostly by losses in financial stocks.

The principal tourist sites and financial hubs are closed to curb the spread of the virus – that has only hit the consumer demand from cars to clothes. The global supply chain has taken a big hit due to stalled exports and imports. “There is no positive news, there is no clarity about the impact of the virus, until there is data-backed positive news a rally won’t sustain itself,” said Neeraj Dewan, director, Quantum Securities told Reuters.

Coronavirus risks pushing small businesses into extinction

MSMEs – the backbone of Indian economy – are on verge of facing massive blow from the coronoavirus outbreak. According to All India Manufacturer’s Organisation (AIMO) study, India is home to over 75 million MSMEs and contributes 30 per cent of the GDP.

If the lockdown due to COVID-19 stretch further beyond four weeks, most of the businesses have to close operations. While a staggering 43 per cent will shut shop, if the panic extends beyond eight weeks. There is uncertainty among small business owners, who are worried about the whole scenario. A Lucknow-based small business owner, VK Agarwal says that the situation is very complex and it's not clear which all businesses are going to close.

"I can't predict and can't vouch for the same because it is difficult to judge such figure but definitely MSMEs will incur losses," he believes. The government has issued advisory to close schools, college and offices and to halt all social activities and gatherings, further adding to the woes. According to Agarwal, a lot will depend on how the government is handling the issue. He, however, thinks that the government is in panic more than the people.

Meanwhile, an apex body of the business community of India the Confederation of All India Traders sees the fear of virus outbreak gripping the commercial market. CAIT national president BC Bhartia states, "The footfall of customers is going down each day precisely because of prevailing panic and fear.

Delhi is the largest centre for distribution of trade in the country. About 5 lakh traders from other states visit Delhi daily for procurement of their stores. This number of 5 lakh has gone down considerably to about one lakh and consumer is avoiding visiting markets." CAIT estimates that business to the tune of 30 per cent is so far affected because of lower turnout of consumers in the markets due to the COVID-19 fear.

Tiring times for apparel exporter

Apparel industry is panicking over the order cancellation by European buyers. EU consumes almost half of India's textile and garment exports worth US$ 40.4 billion in 2018-19 – half of which is estimated to comprise of the ready-made garment (RMG) sector.

Major brands such as H&M, Zara and Mango have started cancelling orders or holding shipments, informs Animesh Saxena, president of Federation of Indian Micro and Small & Medium Enterprises (FISME).

The apparel exporters have urged the Reserve Bank of India (RBI) to support the sector in managing financial viability as they are facing severe crisis due to the coronavirus outbreak. In this regard, requesting immediate relief, the Apparel Export Promotion Council (AEPC) has written a letter to the RBI Governor Shaktikanta Das flagging concerns facing apparel exporters due to coronavirus.

AEPC Chairman A Sakthivel says, “Apparel trade which is deeply integrated with the global value chain has been impacted by the disruption in both imports and exports. Further, this is going to impact the working capital condition of the apparel exporters.” The AEPC has urged RBI to facilitate faster clearance of banking and packing credit to the industry.

In addition, as the orders have been postponed by three to six months, the Council has requested to extend the packing credit period for existing loans up to a period of 360 days from the existing period of 270 days.

Domestic cotton spinners in a fix

Domestic cotton spinners, on the other hand, are feeling the heat too. The virus spread in China and the consequent lockout in parts of China has resulted in shutdown of production units in the country, trickling down to lower demand for the yarn.

As per rating agency ICRA, the domestic cotton spinning industry is highly dependent on exports, particularly to China, with ~30 per cent of the cotton yarn produced in the country being exported and China accounting for nearly one-third of the exports in recent years.

The domestic cotton spinning sector is already facing negative growth sentiments in current fiscal amid multiple headwinds. However, the recent developments could prolong tough times for the spinners.

With no meaningful recovery in sight and continued uncertainty on the extent and duration of the impact of the coronavirus outbreak, ICRA said it is maintaining the ‘Negative’ outlook on the cotton spinning sector, assigned in August 2019.

“There has been a visible weakening in credit profile of domestic cotton spinners in the current fiscal, corroborated by a credit ratio (upgrade to downgrade) of ~0.6 times in YTD FY 2020,” says Jayanta Roy, senior vice president and group head, corporate sector ratings, ICRA.

Steel industry faces meltdown

Steel industry is facing low consumption and decline in exports to China. ICRA report states, China’s export HRC (hot rolled coil) prices, after increasing to $496 per metric tonne in January 2020 from $428 per metric tonne in end-October 2019, have witnessed a 6 per cent fall since mid-

January due to a slowdown in China's steel consumption, following the corona virus outbreak.

Elaborating further, Roy from ICRA said, "Domestic steel prices are currently trading at a discount of 7 per cent to landed cost from China and at a discount of 3 per cent to landed cost from Japan.

While this provides headroom to domestic steelmakers to increase steel prices, rising number of confirmed cases of corona virus in India remains a concern. And, the same along with continuing macroeconomic headwinds could affect domestic steel consumption and pressurize steel prices in the coming months."

Consequently, ICRA estimates the domestic steel consumption growth to remain 4 per cent to 5 per cent in FY2021, as against the November 2019 forecast of 6.5 per cent.

Given the risk of delayed deliveries due to bottlenecks in production, logistics, port handling capacities, as well as the risk of transmission from import consignments [resulting in stringent scrutiny from port customs authorities], India's steel imports are likely to remain low in the coming months.

Amid COVID-19 scare, here's what the industry and exporters want

The MSMEs particularly in employment intensive sectors like carpets, handicrafts, apparels, footwear, gems and jewellery, marine and perishable with their major market in Europe and the USA are likely to be worst affected particularly in first quarter of FY 2020-2021, as per the current trend, asserts Federation of Indian Export Organisations (FIEO) president Sharad Kumar Saraf.

Click here for more details

Source: smefutures.com- Mar 23, 2020

HOME

****

Covid-19: Govt tells companies to protect wages, not terminate workers

The Central government has asked all companies to ensure that workers, especially contract labour, who take leave as a precaution towards the coronavirus pandemic (Covid-19) should be treated to be 'on duty' and their salaries should not be deducted.

"In the backdrop of such challenging situation, all the employers of public or private establishments are advised to extend their coordination by not terminating their employees, particularly casual or contractual workers from job or reduced their wages, Union labour and employment ministry joint secretary Kalpana Rajsinghot said in a letter dated March 20 sent to employers' associations, adding, "If any worker takes leave, he should be deemed to be on duty without any consequential deduction in wages for this period."

A labour ministry official explained that if workers are considered to be 'on duty', they will be entitled to wages and other benefits.

The advisory further stated that "if the place of employment is to be made non-operational due to the Covid-19, the employees of such unit will be deemed to be on duty." This means that if any establishment is closed due to a positive case of Covid-19 virus in the premises then the employees will be considered to be 'on duty' and not on leave.

The government's advisory stated that the companies may look to terminate the contract of workers "on the pretext" of the COVID-19 coronavirus or may force their employees to go on leave without pay.

"The termination of employees from the job or reduction in wages in this scenario would further deepen the crises and will not only weaken the financial condition of the employee but also hamper their morale to combat their fight with this epidemic," the labour ministry's letter stated.

The Employees' Provident Fund Organisation (EPFO) will continue to provide essential services to workers related to their provident fund claims and pension disbursement, according to an EPFO official. The EPFO will further send an advisory to employers to ensure that they pass on provident fund dues to their workers during the pandemic, the official added.

State government such as Maharashtra and Delhi has ordered closure of all establishments or factories as a matter of precaution so that the virus does not spread further. Prime Minister Narendra Modi had said in a public address on Thursday that employers should allow employees to 'work from home' as much as possible and appealed to them to not deduct their wages during this period, especially those in the unorganised sector.

All the sectors of the economy are under severe stress as fallout of the coronavirus outbreak, especially the airline companies as travel curb is being imposed on flights. Recently, low-cost airline GoAir asked some of its employees to go on short-term leave without pay. Many companies had to also shut down as some positive cases of coronavirus emerged among their employees.

Companies in the organised sector have the option of laying off their workers, which is a form of temporary retrenchment, after giving them statutory dues. But in India, around 90 per cent of the workers are in the unorganised sector and do not come under the purview of the labour laws related to social security.

Source: business-standard.com- Mar 23, 2020

HOME

****

Govt plans to waive trait fee on Bollgard II variety of Bt cotton

The government is planning to scrap the trait value charged on the Bollgard-II variety of Bt cotton seeds and will soon issue a notification, a senior officer from the farm ministry said.

A trait fee is paid by manufacturers to a company that holds patent over a product for the use of the technology. Indian seed makers pay the royalty to the US-based Monsanto Technology (now called Bayer AG), which holds the patent on Bt cotton seeds. In 2019, the price of Bollgard-II cotton seed was fixed at 730 rupees per packet, which includes 20 rupees as trait value.

"Farmers were paying exorbitant prices for this variety of Bt cotton and there was a need to waive the royalty value," the official said.

There is also a growing discontent against the Bollgard-II variety of Bt cotton seed as many say it is no longer resistant to attack by pink bollworm. "There is no meaning of paying trait fee on the Bollgard II variety as it isn't resistant to pink bollworm," the official said.

The technology is not as effective as claimed against pink bollworm and charging trait fee on this variety is questionable, National Seed Association of India Program Director for Policy & Outreach Indra Shekhar Singh said.

Monsato Technology, however, refused to offer a comment. "It is premature to comment on that. We will come with our statement once the notification is issued by the government," an official with the company said.

The seed company Monsanto Technology has charged around 70 bln rupees to the domestic seed makers for the Bollgard II variety, the official said.

The Bollgard II variety of Bt cotton is widely used by farmers in India. According to the Indian Council of Agricultural Research, farmers are cultivating the Bt cotton variety in more than 87% of cotton area.

The government had earlier scrapped the trait fee on BG-I Bt cotton and also lowered the trait fee on BG-II Bt cotton.

MONSANTO HEADWINDS

Monsanto Technology has faced several headwinds in India. The company had threatened to exit the country, after the Centre imposed price controls. It was involved in legal fights with companies in India with regard to its claim over the patent.

Monsanto fought a legal battle with an Indian seeds maker Nuziveedu Seeds, which uses Monsanto's Bt Cotton technology. Monsanto had alleged that Nuziveedu Seeds and its subsidiaries used its patented technology despite termination of their sub-license agreement in November 2015, and were, therefore, in violation of intellectual property rights.

The Supreme Court, on January 8, 2019, upheld Monsanto's patent over genetically-modified BT cotton seed Bollgard II. In 2016, Monsanto had withdrawn an application seeking regulatory approval from Genetic Engineering Appraisal Committee for the next generation of genetically modified cotton seeds Herbicide Tolerant BT in India amid a debate with the government on royalty fees.

SEED PRICES

Notwithstanding the government's plan to scrap the trait fee, various seed companies have requested the Centre to raise the price of the Bt cotton seed from current level to adjust for inflation, the farm ministry official said.

The seed prices in India are regulated by the government. A committee fixes maximum sale price of Bt cotton seed every year, considering the seed value, recurring trait value, and trade margin.

"We have asked the government to increase at least 10% of price of the Bt cotton seed," The Federation of Seed Industry of India Director General Ram Kaundinya said. This price does not include the trait fees. This includes all varieties of Bt cotton.

The companies are suffering because of lower seed prices and the government should do a fair analysis as labour, fuel and other agri input charges have risen more than prices of seeds. The government should declare the new increased price of the seed before the commencement of sowing season, Singh said. Farmers started cotton sowing from early June.

According to data by the farm ministry, the overall area under cotton was 12.7 mln ha this year, including 0.8 mln ha under the non-Bt variety. The ratio of Bt cotton to the non-Bt variety is also at a record 93% in the current kharif season, the data showed.

Source: cogencis.com- Mar 23, 2020

HOME

****