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INTERNATIONAL NEWS

S. Korea, China to discuss expanding scope of FTA

South Korea said Tuesday it will hold the seventh round of talks with China this week to discuss expanding the scope of their bilateral free trade agreement (FTA) to better cover the service and investment sectors.

The two countries will begin a four-day virtual meeting Tuesday to "speed up" the progress amid the new coronavirus pandemic that has virtually frozen global travel and economic activities, according to the Ministry of Trade, Industry and Energy.

The previous meeting was held in Beijing in November last year. Seoul and Beijing implemented the FTA in December 2015 to lower tariffs on goods. "South Korea will help local firms penetrate deeper into the Chinese market and make efforts to better protect their investments," a ministry official said.

China is the biggest trading partner of Asia's No. 4 economy, although the country's outbound shipments to China sank 16 percent on-year to $136 billion in 2019 amid the falling price of chips. South Korea has been making efforts to expand ties with China through other trade deals as well.

Seoul is currently under talks with Beijing and Tokyo to clinch a trilateral FTA, although the latest COVID-19 pandemic has delayed any progress. Their first official negotiations for the regional economic deal started in 2013.

In a separate move, the Association of Southeast Asian Nations and its dialogue partners -- South Korea, China, Japan, Australia and New Zealand -- are moving to finalize a mega Asia-Pacific trade pact, known as the Regional Comprehensive Economic Partnership (RCEP) this year.

The RCEP, the biggest trade deal ever signed by South Korea, is expected to help Asia's No. 4 economy diversify its export portfolio amid growing protectionism around the globe sparked by the Sino-American trade row.

Source: koreaherald.com- May 25, 2020

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Mexico posts largest trade deficit on record as exports collapse

Mexico on Monday posted its sharpest trade deficit on record in seasonally-adjusted terms as demand for its products abroad fell faster than imports, in a gloomy sign for Latin America's second largest economy struggling with the pandemic's fallout.

In April, Mexico posted a $4.293 billion trade deficit when adjusted for seasonal swings, the INEGI national statistics agency said on Monday. That compares to a trade surplus of $1.873 billion in March and surplus of $1.510 billion in April 2019.

The deficit posted in April was by far the largest on record, according to data dating back to 1991, as exports dropped 37.7% in seasonally-adjusted terms and imports fell 21.9%.

"Going forward we expect to see weak exports and imports driven by the sharp contraction of both global and domestic demand, lower commodity prices, and some supply chain disruptions due to extensive lockdown protocols," said Goldman Sachs economist Alberto Ramos.

Mexico's economic growth is seen crumpling, with JP Morgan projecting a steep 40% decline in the second quarter versus the prior quarter and 8.4% contraction overall for 2020.

INEGI data earlier this month showed Mexican auto production and exports collapsed, as the pandemic forced shut car manufacturing plants and sapped consumer demand for new vehicles. Production plunged 98.8% in April from a year earlier, while exports fell 90.2%.

In non-seasonally adjusted terms, Mexico posted a trade deficit of $3.087 billion. It was the biggest deficit in non-seasonally adjusted terms since January 2019.

Separately, the Bank of Mexico, the nation's central bank, reported a first quarter current account deficit $982 million, equivalent to 0.4% of gross domestic product, helped by rising migrants remittances and export income before global lockdowns began to bite.

That compares to a current account deficit of $11.1 billion, equal to 3.6% of GDP in the first quarter 2019.

Source: in.reuters.com- May 25, 2020

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China's economic recovery set to benefit ASEAN countries

Easing of restrictions, stimulus programs to help stabilization in Q2, economist says

China's economic recovery is set to benefit member states of the Association of Southeast Asian Nations, even amid continuing uncertainty over COVID-19, a leading Asian economist said.

"China is an important economic partner of ASEAN, and at a time when the developed economies are suffering from a sharp downturn, China is the only large source of demand that could still be growing," said Manu Bhaskaran, founding director and CEO of Centennial Asia Advisors, an economic consultancy in Singapore.

China has been ASEAN's largest trading partner for 10 years, according to the Ministry of Commerce. Meanwhile, in the first quarter of 2020, ASEAN replaced the European Union as China's largest trading partner, accounting for 15.1 percent of the nation's global trade volume during the period, according to the General Administration of Customs.

Noting the easing of restrictions and the stimulus programs to boost the domestic market, Bhaskaran told China Daily that the Chinese economy will be able to stabilize in the second quarter and then enjoy "a vigorous recovery".

"So far, the data seem to suggest that Chinese consumers are resilient and are stepping up spending, supporting demand," he said.

Despite the biggest GDP contraction in decades—the economy shrank 6.8 percent year-on-year in the first quarter—China's consumer market has shown signs of accelerated recovery. During the five-day May Day holiday, online sales of physical commodities witnessed a 36.3 percent year-on-year surge, according to the Ministry of Commerce.

With economic development a main topic at this year's two sessions, Bhaskaran sees some key issues that need to be addressed. "The employment situation remains tenuous and the sharp decline in global demand also points to continuing downside risks to the Chinese economy," he said.

China will prioritize stabilizing employment and ensuring people's livelihoods this year, aiming to create more than 9 million urban jobs, according to the Government Work Report delivered by Premier Li Keqiang on Friday.

More supply-side reforms will also help the Chinese economy sustain a recovery with good foundations, said Bhaskaran. As China undergoes a recovery, it can affect ASEAN economies through many channels, said Bhaskaran.

For instance, the rise of demand in China could spill over into rising demand for ASEAN's exports of commodities and manufactured goods, while commodity prices and business confidence could also be boosted, said Bhaskaran, noting prices for commodities such as iron ore, coal and copper are already rising in line with China's recovery.

As for the proposed Regional Comprehensive Economic Partnership, Bhaskaran said the pandemic has not had any impact on participating countries' desire to finalize the agreement according to the timeline.

The RCEP is a proposed free trade agreement between ASEAN and its six FTA partners: China, Japan, South Korea, India, Australia and New Zealand. In March, the Ministry of Commerce said China will continue to advance the signing of the agreement at the end of 2020 as scheduled.

In addition, Chinese investment either through private channels or via the Belt and Road Initiative could also contribute to investment in ASEAN, Bhaskaran said.

China is one of ASEAN's most important sources of foreign direct investment. In 2018, FDI flows from China to ASEAN reached $10.2 billion, or 6.6 percent of ASEAN's total FDI, according to Xinhua News Agency, citing a statement by economic ministers from ASEAN and China.

However, Bhaskaran said tourism, a key area for ASEAN-China exchanges, is unlikely to reemerge as a growth driver for some time to come, due to the pandemic.

Given the pandemic's continuing impact, Bhaskaran said relaxation of restrictions on cross-border travel, especially for tourism, remains uncertain. And the travel restrictions, which he expects to last till next year, will also make travel less enjoyable, he added.

Source: ecns.cn- May 25, 2020

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Bed Bath & Beyond to re-open stores & expand services

Bed Bath & Beyond has announced plans to re-open more stores and further expand store fulfilment services as part of its phased approach to re-opening stores across North America, subject to state and local regulations. The company plans to take the following steps by June 13, 2020. It sells a wide assortment of domestic merchandise and home furnishings.

The company plans to re-open approximately 600 additional stores to the public, including approximately 500 Bed Bath & Beyond stores across North America, as well as around 50 Christmas Tree Shop stores and around 50 Cost Plus World Market stores in the US.

In addition to Buybuy Baby and Harmon Face Values stores, which remain open to serve essential infant, health and personal care needs, this means around 50 per cent of the company’s total store fleet is expected to be open by June 13, 2020, the company said in a press release.

Expand contactless curb-side pickup services to approximately 1,350 stores in total, adding a further 600 additional locations. Contactless curb-side will be available at approximately 90 per cent of the company’s total store fleet across the US and Canada.

Bring approximately 11,000 associates back from furlough as stores re-open to the public and services are expanded across North America.

"Customers across North America are already taking advantage of the ease and convenience of Buy-Online-Pick-Up-at Store (BOPIS) and contactless curb-side pickup, and we're delighted to roll-out these services to over 1,000 store locations, as well as welcoming customers back into hundreds of our stores again as we start to re-open across the US and Canada. We're seeing strong online engagement from our loyal customers through this period.

Over recent weeks in the US, traffic to our Bed Bath & Beyond website and mobile app is up approximately 30 per cent and digital sales have doubled. Customers are also responding well to the launch of BOPIS and contactless curb-side pickup, with these services accounting for a meaningful percentage of our Bed Bath & Beyond US digital sales in the last week, and we anticipate continued growth as we expand the service to more stores in the coming weeks," Mark Tritton, president and CEO said.

Bed Bath & Beyond also announced a $10 million plan to donate essential items to those affected by COVID-19 this week. The Bringing Home Everywhere programme will deliver products that provide home comfort and essential support to communities and those on the frontline of the pandemic across the US and Canada.

While the company continues its measured approach to re-opening stores, it expects around half of its stores across its retail banners to remain closed to the public through June 13, 2020.

In conjunction with the decision to further extend temporary store closures, Bed Bath & Beyond will also extend the furlough of the majority of store associates and a portion of corporate associates until at least June 13, 2020.

As stores re-open during this period, the company expects to bring approximately 11,000 associates back from furlough. The company will continue to pay 100 per cent of the cost of healthcare premiums for all furloughed associates who currently participate in the company's health plan, until further notice.

Source: fibre2fashion.com- May 25, 2020

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Global trade of artificial staple fibres falls in 2019

The global trade of artificial staple fibres (carded, combed or otherwise processed for spinning) of have shown a slight drop in 2019 after considerable rise in 2018. Total trade increased 4.76 per cent from $55.36 million in 2017 to $57.99 million in 2019, according to data from TexPro. The total trade declined 3.79 per cent in 2019 over the previous year.

The trade of artificial staple fibres is further anticipated to increase to $62.19 million in 2022 with a rate of 7.24 per cent from 2019, according to Fibre2Fashion's market analysis tool TexPro.

The global export of artificial staple fibres was $29.21 million in 2017, which grew 5.62 per cent to $30.85 million in 2019. Total exports fell 6.69 per cent in 2019 over the previous year and is expected to move up to $33.49 million in 2022 with a rate of 8.55 per cent from 2019.

The global import value of artificial staple fibres was $26.15 million in 2017, which increased 3.79 per cent to $27.14 million in 2019. Total imports decreased 0.27 per cent in 2019 over the previous year and is expected to rise to $28.70 million in 2022 with a rate of 5.75 per cent from 2019.

China ($8.86 million), Austria ($6.20 million), Germany ($6.11 million) and Italy ($2.80 million) were the key exporters of artificial staple fibres across the globe in 2019, together comprising 77.70 per cent of total export. These were followed by Turkey ($1.64 million), Spain ($1.55 million) and US ($0.77 million).

From 2016 to 2019, the most notable rate of growth in terms of export value, amongst the main exporting countries, was attained by Austria (136.35 per cent) and China (9.38 per cent).

Italy ($4.77 million), Belgium ($4.10 million), China ($2.78 million) and Czech Republic ($2.15 million) were the key importers of artificial staple fibres across the globe in 2019, together comprising 50.84 per cent of total import. These were followed by Honduras ($1.88 million), Portugal ($1.46 million) and Bulgaria ($1.28 million).

From 2016 to 2019, the most notable rate of growth in terms of import value, amongst the main importing countries, was attained by the China (204.57 per cent), Czech Republic (176.35 per cent) and Belgium (90.14 per cent).

Source: fibre2fashion.com- May 25, 2020

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US brands Columbia, Lululemon, TJX reopen stores

Several renowned brands in the US are reopening stores as lockdown rules are relaxed. After Columbia and Hudson's Bay announced reopening of stores early, athletic apparel retailer Lululemon is slowly reopening its stores and welcoming the shoppers.

The retailer reopened over 150 stores across North America, Europe, Asia, Australia and New Zealand on 21 May, around 200 more stores are all set to reopen over a period of next two weeks.

It is ensuring all local Government and public health authority guidelines and instructions are followed while reopening the stores in a phased manner.

TJX, which owns TJ Maxx and Marshalls, too has reopened over 1,600 stores across the globe.

While, the brand has reopened its stores fully or partially in 25 US states, in other countries such as Germany, Austria and the Netherlands, the stores are fully operational. Stores in the UK are still closed.

TJX will also reopen stores in phased manner following all social distancing protocols. The brand hopes to reopen majority of its stores by the end of June.

Source: fashionatingworld.com- May 25, 2020

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Digitalisation the way forward for global apparel makers in post-coronavirus era as bankruptcies reshape industry

Hong Kong-based TAL Apparel, which makes one in six dress shirts sold in the US for such brands as Brooks Brothers and Lacoste, held a virtual meeting with 1,000 of its top employees in March, after the World Health Organisation declared the Covid-19 as a pandemic.

During the meeting, chief executive Roger Lee warned of an ominous shift in the global apparel industry as the company projected a 50 per cent plunge in demand over the next 12 months. Since then, TAL has decided to close two plants in Malaysia it invested in since the 1980s, and furlough 5,000 staff, or 20 per cent of its 25,000 employees.

“We will close down [operations in] Malaysia permanently [as] we do not need the capacity for a while,” said Lee, part of the family of CC Lee, known as The Textile Man, who built the enterprise from 1946. “We have factories in Vietnam and Ethiopia, which are newer [where] we can add more capacity if needed.”

Apparel companies across the world have been hit hard, as one country after another has imposed lockdowns to curtail the spread of the coronavirus, severely affecting global economic activity, throwing dozens of industries into turmoil and sending the unemployment rate soaring.

In the fashion industry, billions of dollars worth of orders placed with manufacturers around the world have been cancelled, while some big fashion retailers such as JC Penney and J Crew have filed for Chapter 11 bankruptcy protection in the US.

The suppliers meanwhile are looking for ways to stay afloat and mitigate credit risks that could arise from future crisis. Industry players said a prolonged supply chain disruption for textiles and the unprecedented lockdown could see manufacturers and retailers switch from in-store to online, further shorten the design-to-delivery cycle, and move to digital supply chain processes, such as virtual samples production and approval.

Coronavirus: global textile industry braces for sharp downturn as orders dry up

Lee said that the next 12 months will be painful for the industry, including the company, as “a lot of business and a lot of factories will seek Chapter 11 bankruptcy protection”.

TAL started off as textile manufacturer, and later on diversified into garment making, exporting shirts, blouses, trousers, suits, and outerwear to the US and European markets. Apart from Vietnam and Ethiopia, it also has production facilities in China and Thailand.

Many of TAL’s clients have told the company not to ship goods held in its factories because of the unforeseen circumstances. Lee said a few have deferred payments, while others have been downright nasty, ignoring and walking away from the issue, saying “it’s your issue, you guys deal with it”.

The painful experience with some of TAL’s trusted clients has prompted the company to change the payment modalities to mitigate credit risks.

Financial payment terms are definitely going to change to prevent clients walking away from deals without paying, said Lee. Orders will be covered by letters of credit to serve as a guarantee for payments, he added.

Stanley Szeto Chi-yan, chairman of Hong Kong-listed apparel supply chain manager Lever Style, said letters of credit are an effective way to mitigate credit risks and he expected more manufacturers to follow.

Some 90 per cent of Lever Style’s business is covered by credit protection, such as export credit insurance, upfront deposits from customers and bank guarantees.

“J Crew was our number one client eight years ago, but when credit insurers stopped covering them, we could no longer carry on with the same credit terms,” he said. “In the past decade, while the global economy was good, some factories have taken on excessive credit risks.”

Source: sg.news.yahoo.com- May 24, 2020

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It’s time we prioritize the textile and apparel industry in Kenya

COVID-19 pandemic has caused an unprecedented disturbance on social, political and economic structures all over the world. World leading economies have been brought to an almost complete halt.

International Monetary Fund (IMF) has warned of a recession that is expected to be as bad or worse as that experienced during the global financial crisis of 2008. Measures that have been put in place by countries to mitigate the spread of Coronavirus include lockdown that has brought global business to its knees.

As the spread of Coronavirus is picking up speed, countries not only need to prepare strategies to combat COVID-19 but also effectively plan for life after the virus. IMF has already suggested that one of the measures to fight against COVID-19 must include a plan for recovery that will reduce potential scarring effects of the pandemic through policy action.

Economic recovery after this fatal disease is only possible by 2021, as predicted during an emergency meeting by G-20 nations to develop strategies for combating the effects of COVID-19. Most nations have already been hit by a recession that has seen close to 80 countries requesting financial help from the IMF.

Kenya has so far been granted a total of Sh84.6 billion, 5.3 billion in April (used in the production of sanitizers, protective gear for medical workers and scaling up bed capacity for Coronavirus patients) and an additional Sh79.3 billion in May to help fight COVID-19.

Various sectors have already experienced a strain in both demand and supply due to the broken global supply chain caused by the virus. The health sector is one of such sectors that has been most hit. Rising demand, panic buying, misuse and hoarding of personal protective equipment (PPE) has seen a disruption in worldwide supply.

This has prompted the World Health Organization (WHO) to appeal to governments and industry to increase the manufacture of PPE by 40 per cent.

The government of Kenya through the Kenya Fashion Council and Kenya Association of Manufacturers recently sent out an appeal to local textile and apparel industry players to provide information on their production capacities to make PPEs such as face masks, scrubs, surgical gowns, headgear, footwear, and gloves.

Through the cabinet secretary Ministry of Trade and Industry, the government disclosed that the Kenyan textile industry has risen up to the task and is currently able to produce as many masks as required including PPEs. It is estimated that material in stock among local manufacturers as of April 3 was sufficient to make approximately 60 million masks.

This, therefore, demonstrates the importance of the textile industry in healthcare. It also shows the potential of existing local textile industries considering that most of these textiles were being imported before the pandemic.

The textile and apparel industry remains among the most labor-intensive manufacturing industries with geographically disperse production that rapidly adapts to market-driven changes.

International Labor Organization (ILO) identifies it as having the potential for providing millions of employment opportunities especially to women, therefore significantly contributing to the economic and social development of a country. It was one of the leading manufacturing sectors in Kenya both by employment and size after independence.

The success of the textile industry was pegged on government policy then that ensured backward integration of textile mills. The government assisted cooperative societies’ buy ginneries, fixed producer prices, controlled marketing margins and invested heavily in textile mills. Imposing 100 per cent duty on imported textile products also protected the local textile industry.

During this time, the local textile industry had an average production capacity of close to 70 percent. In the late 1980’s, new government policies made it difficult for the country’s textile industries to operate competitively on the international stage. Around this time, massive dumping of used clothes (mitumba) and liberalization of the Kenyan economy undermined competitiveness and growth prospects of the textile and apparel sector leading to a reduction in production by about 50 per cent.

During the development of policies to support the textile industry, the government needs to provide tailored support and incentives that prioritize technological upgrading, workforce development and backward linkage. Kenya apparel and textile industry report published in 2016 estimates that there are about 52 textiles mills, with only 15 that are currently operational at 45 percent of total capacity.

This is occasioned by outdated technology and a lack of skilled labor. High equipment cost and low financial capabilities to expand for textile firms and raw material producers is also a major bottleneck. Existing incentives need to be reviewed, their effectiveness measured and tailored to suit different stakeholders.

Government institutions that support the growth of the textile industry need to be facilitated to ensure university-industry linkages are strengthened to meet the demands of the sector. Financial and technical support should be provided for domestic manufacturers.

The government also needs to take advantage of Global trends favorable to the textile industry in Kenya, such as partnering with stakeholders with programs that seek to address key challenges in the textile and apparel sector especially in Africa.

The government through relevant state departments needs to determine the sub-sector of the textile value chain with the most activity and investigate reasons why other sub-sectors are lagging behind for the overall growth of the entire value chain.

Apart from the development of policies, a review of policies to align them with current developments and constraints locally, regionally, and globally needs to be undertaken regularly. These policies should be performance-based to enable measurement of their effects on the Kenyan textile and apparel sector.

For example, measures such as the ban on importation of used clothes and shoes by Kenya Bureau of Standards (KEBS) in March to mitigate against the spread of Coronavirus need to be considered long-term to enable the country to promote local textile production.

Plans and projects set out by the government need to be adequately facilitated, monitored and evaluated to ensure they achieve the intended outcome. For example, the Kenya textile and clothing value chain roadmap of 2016-2020 needs to be thoroughly reviewed to elucidate key achievements, constraints, and ways forward to guide the next phase of planning.

As the government plans for life after this pandemic, it is important that they hasten the revamping of textile and apparel industries in Kenya, a manufacturing sector that is currently playing a key role in the fight against COVID-19 and is core in the governments Big 4 Agenda.

Source: the-star.co.ke- May 26, 2020

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Bangladesh: Keep export activities normal: BKMEA

BKMEA has advised the apparel industry to keep its export activities normal to keep the wheel of the economy turning during the COVID-19 crisis. The association has paid its workers 65 per cent of their salary and has also given bonus. According to BKMEA, journalists and law enforcers have been most affected by Covid-19 while carrying duties.

It stated that building Nasim Osman Bridge on Shitalakshya River, turning Khanpur Hospital into a medical college, setting up a Knit Palli (knit village) at Shantirchar have remained stalled even after getting permission asthere is no discussion about these.

Bangladesh Knitwear Manufacturers and Exporters Association or BKMEA is a national trade organization of knitwear manufacturers in Bangladesh and is located in Dhaka, Bangladesh.

Source: fashionatingworld.com- May 25, 2020

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Bangladesh clothing makers say Philip Day owes them £27m

Bangladesh clothing manufacturers are threatening to halt production and deliveries to billionaire Philip Day's Edinburgh Woollen Mill group in a battle over alleged £27m in unpaid bills.

About 30 suppliers to Day's empire, which includes more than 1,000 outlets including Peacocks, Austin Reed and Jaeger, arranged a letter from the Bangladesh Garments and Manufacturing Association trade body which accuses Edinburgh Woollen Mill and its agents of taking "undue advantage of the Covid-19 situation".

They say Day's retail group and its agents demanded hefty discounts, cancelled orders or withheld payment for goods already shipped or manufactured for the company.

The letter demands payment for goods already handed over to Edinburgh Woollen Mill's shipping agents by 29 May and payment by 5 June for orders that are already in production. It says any discount requested by the retailer "beyond permissible limits" could lead to legal action.

"The demand for the discounts will not only be financially catastrophic, but will also expose our members to various claims and liabilities from regulations, banks and other third parties, which will eventually legally implicate the buyers themselves," the letter seen by the Guardian says.

It also warns : "We will have no option but take the decision to place an embargo and blacklist the buyers and their agents who do not comply with our instructions, which will prevent them from conducting business with our members in the future either directly or indirectly."

Fiona Gooch from campaign group Traidcraft Exchange said the letter was an "unprecedented response" from manufacturers who were under severe financial pressure because wealthy British retailers were not paying up.

"There are more than tens of thousands of workers in the suppliers to Philip Day's UK businesses, and these young women and their families are at risk of becoming destitute if their wages are not paid. Philip Day is a billionaire, valued at £1.14bn, who can well afford to pay for what he has ordered,," Gooch said.

A spokesman for EWM group said it not had a chance to consider the proposals or respond.

“When this global crisis hit, we had already paid for the majority of future stock, and we have since had productive discussions with individual suppliers about remaining stock,” the spokesman said. “We have engaged with all our individual suppliers with openness, honesty, and the best of intentions, even when the circumstances are difficult.

“We firmly view this to be a reasonable approach in the face of a collective and global industry challenge, which isn’t just disrupting a single link in the supply chain.

“Our discussions with the vast majority of suppliers have been positive, and they have understood that we are trying to find a balanced way forward that matches the immediate, urgent challenges faced by high street stores nationally and those of suppliers.”

Source: theguardian.com- May 25, 2020

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NATIONAL NEWS

Covid effect: MSME definition to be widened further, here’s what Centre planning

Days after announcing a new set of criteria to define micro, small and medium enterprises (MSMEs) on which various official benefits will be extended, the government is considering a proposal to widen the definition again — a crucial move that will potentially benefit several thousands of firms.

MSME and transport minister Nitin Gadkari told FE his ministry is floating a proposal to raise the annual turnover limit for a medium enterprise to Rs 250 crore from Rs 100 crore.

Similarly, the investment limit to qualify as a medium enterprise could be raised to Rs 50 crore from Rs 20 crore announced earlier this month. This proposal is subject to clearance by the finance ministry, he added. The Rs 250-crore turnover limit may also exclude export realisation of an entitiy.

“The move is aimed at giving benefits to many such businesses. It is going to transform the MSME sector. It will also enable them to make more investments,” Gadkari told FE in an interview.

There were about 6.34 crore MSMEs in India, of which 6.3 crore are micro units, while 3.31 lakh were small businesses and 5,000 medium enterprises, according to the NSS survey during 2015-16.

The MSME status brings businesses certain assorted benefits — including the mandatory 25% official procurement and loans under the priority sector lending scheme — apart from periodic government and regulatory relief. For instance, subject to the conditions, they will be eligible for the recent package, including additional, collateral-free working capital loan (up to 20%) with a cap of Rs 3 lakh crore (with official guarantee), subordinate debt of Rs 20,000 crore and Rs 50,000-crore fund of funds to bolster the equity base of MSMEs that have growth potential and need some handholding. Just the collateral-free loan move is expected to help 45 lakh units, the government has said.

Also, promoters of MSMEs who are not willful defaulters can bid for their stressed assets under the insolvency law, while those of large companies can't. There will also be a special insolvency framework for MSMEs.

Central public-sector enterprises procured products worth as much as Rs 33,264 crore from 42,458 small and medium businesses in FY19. This was 30% of their procurement in FY19, according to the MSME ministry data.
Announcing the details of the Rs 21-lakh-crore relief package, finance minister Nirmala Sitharaman had announced that the definition of MSMEs would be tweaked on the basis of both investment and turnover, and not just investment, as had been the practice.

According to the definition announced by her, a micro unit is one where the investment does not exceed Rs 1 crore and annual turnover limit Rs 5 crore, while a small enterprise is one where the investment is between Rs 5 crore and Rs 10 crore and a turnover limit of Rs 50 crore. A medium enterprise is one that has an investment of between Rs 10 crore and Rs 20 crore and a turnover limit of Rs 100 crore. Even this definition marked a substantial jump in the investments limit from the earlier definition.

Elevated investment limits will enable the MSMEs to scale up without bothering about the loss of assorted government benefits if they grew in size, in sync with the idea mooted in the Economic Survey for FY19 that had argued against incentivising "dwarfs". The Centre also proposed to end any distinction between manufacturing and services MSMEs.

According to the earlier definition, a micro unit is one where the investment does not exceed Rs 25 lakh, while a small enterprise is one where the investment is between Rs 25 lakh and Rs 5 crore and a medium one has an investment of between Rs 5 crore and Rs 10 crore. In case of services, a micro enterprise must invest up to Rs 10 lakh in equipment. A small enterprise will have to invest between Rs 10 lakh and Rs 2 crore, while those investing from Rs 2 crore to Rs 5 crore will qualify as medium services enterprise.

In its FY19 annual report, the MSME ministry said these businesses had created 11.10 crore jobs in FY16. They also made up for 29% of GDP.

Highlighting policy anomaly that helps create "dwarfs", the Economic Survey for FY19 had suggested that the government set a sunset clause of less than 10 years for all size-based incentives.

While dwarfs (firms with less than 100 workers despite being more than 10 years' old) make up for over a half of all organised firms in manufacturing by number, their contribution to employment is just 14% and to productivity a mere 8%.

In contrast, large firms, with over 100 employees, account for three-quarters of such employment and close to 90% of productivity despite accounting for about 15% by number.

Source: financialexpress.com– May 26, 2020

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CAI trims cotton output estimates to 330 lakh bales

Farmers avoid last picking of cotton crop to take up rabi cultivation

India's cotton production has been revised downward to 330 lakh bales (each of 170 kg) for 2019-20, which is 24.5 lakh bales (lb) lower from the earlier estimate and about 18 lb higher than the output estimate of 2018-19.

Releasing its cotton crop estimate for the season October 2019 to September 2020, Cotton Association of India (CAI) said the farmers preferred rabi crop sowing over continuing with the existing cotton crop and uprooted cotton plants, which were due for the fourth or last picking around January.

Rabi advantage

"Due to better availability of water for the rabi crops, many farmers preferred rabi cultivation and uprooted their cotton plants without waiting for the last picking. This will result in reduced output of cotton," said Atul Ganatra, President, CAI.

Amid lower realisations from the fibre crop and pest (pink bollworm) menace in some pockets, farmers in Gujarat turned to rabi crops, which included spices, pulses and wheat.

The CAI also noted that due to the lockdown, ginning factories remained shut from March 23 to April 30 and thereafter, they were operating at 20 per cent capacity. "This has resulted in huge production loss," it said.

Labour shortage

It also stated that labour shortage has hit the ginning and pressing activity big time. “Even now, there is labour shortage in ginning factories due to the lockdown. The monsoon is expected to begin on June 10 or 15. Due to this, lots of kapas (raw cotton) will be carried forward in the hands of farmers for the next season,” CAI said.

State-wise impact

The maximum reduction in cotton production will be seen in Gujarat at about 11 lb, followed by Maharashtra with a decline of 8.5 lb, Karnataka with 2 lb, Andhra Pradesh and Haryana with one lb each and Punjab and Upper Rajasthan with a decline to the tune of 50,000 bales each.

“Gujarat gets 15-20 lakh bales of cotton from States, but because of direct procurement by the Cotton Corporation of India at MSP rates in these States, cotton arrivals from there to Gujarat will be impacted,” CAI said in a statement.

Ganatra said domestic cotton prices have been lower than the international prices. This has improved India’s prospects for cotton exports. CAI has increased cotton export projections by 5 lb to 47 lb from the earlier estimate of 42 lb on favourable currency situation and domestic cotton prices.

On May 22, COTLOOK A index was quoting equivalent to ₹40,073 per candy (each of 356 kg of ginned cotton), as against the domestic price range of ₹33,000-36,000 per candy.

Per trade estimates, cotton shipments of 32.5 lb have already been shipped, while another 4-5 lb are expected to happen by the month end and some more quantities will get exported by June taking the advantage of the favourable currency situation.

However, there is no clarity about how much crop is currently held with the farmers. Of the total estimated 330 lb of the fibre crop, CAI has estimated total arrivals during October 2019 to April 2020 at 285.09 lb.

The closing stock as on September 30, 2020 is estimated by Crop Committee of the CAI wil be 50 lb.

Source: thehindubusinessline.com– May 26, 2020

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CBIC clears Rs 11,052 cr GST refund claims since April 8

The Central Board of Indirect Taxes (CBIC) on Monday said it has sanctioned GST refund claims worth Rs 11,052 crore in 47 days. In a tweet, the CBIC said it is “committed to ensuring liquidity to GST taxpayers especially MSME sectors during the lockdown”. The tweet added that 29,230 refund claims amounting to Rs 11,052 crore disposed of between April 8-May 24, the CBIC added.

Refunds have been sanctioned while ensuring work from home, it added. The finance ministry had on April 8 said that to provide relief during COVID-19 it has been decided to issue all pending GST and custom refunds which would benefit around 1 lakh business entities, including MSME.

The total refund granted will be approximately Rs 18,000 crore, it had said. The CBIC had earlier asked its field officers to avoid asking for physical submission of documents from entities who are claiming GST and Customs refunds and instead use official email for all communication.

The CBIC had said that the decision to process pending refund claims has been taken with a view to provide immediate relief to the taxpayers in these difficult times even though the GST Law provides 15 days for issuing acknowledgement or deficiency memo and total 60 days for disposing off refund claims without any liability to pay interest.

Source: financialexpress.com– May 25, 2020

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India becomes second largest supplier of PPE in world

Starting from practically nothing, India has now become the world's largest supplier of Personal Protective Equipment (PPE) in just 60 days. In two months, the industry has grown 56 times. Over 600 companies in India are certified to produce PPE and the country today manufactures 4.5 lakh pieces of PPE a day.

India is now well-positioned to seize a share of the global market, which will be $60 billion by 2025, according to a report on 'Personal Protective Equipment in India: A ₹7,000-crore industry in the making', produced by Invest India, a company set up by the Indian government for investment facilitation.

PPE includes goggles, face-shields, masks (surgical and N-95), gloves (surgical and examination), coveralls and gowns, head cover and shoe cover. There are three broad customer categories for these products—industrial (for workers), healthcare (for doctors, nurses and attendants) and general consumers.

The authors of the report, Mishika Nayyar and Remya Lakshmanan Strategic Investment Research Unit, Invest India, say that India has an inventory of 15.96 lakh PPE kits and another 2.22 crore kits are being manufactured against firm orders by the industry.

The report notes that Bengaluru has become a major PPE hub where half the production happens. The rest of it is spread across the country—Tiruppur, Coimbatore, Chennai, Ahmedabad, Vadodara, Ludhiana, Bhiwandi, Kolkata, Noida and Gurugram.

The textile biggies, such as Arvind Mills, JCT Mills and Welspun, are all into this business now. Businesses are gearing themselves up for an explosive growth in the market.

For example, South India's cotton knitwear capital, Tiruppur, has stepped-up production. The Tiruppur Exporters Association estimates the market to be ₹10,000-15,000 crore this year alone. The Association has been "pushing the (member) units to improve products" to meet global standards, to meet the rising global demand.

Not only the private industries, but even the Railways, Navy and Ordnance factories are now into PPE manufacturing. The Navy, for instance, is making PPEs with fabric that allows air flow through it, a product tested and approved by the Institute of Nuclear Medicine and Allied Services (INMAS), part of the Defence Research and Development Organisation. As for railways, over 17 of its workshops are committed to producing PPEs.

The Invest India report says that for India to milk this opportunity, the country would need to "re-evaluate" some of the current bilateral and multilateral trade agreements.

Source: thehindubusinessline.com– May 25, 2020

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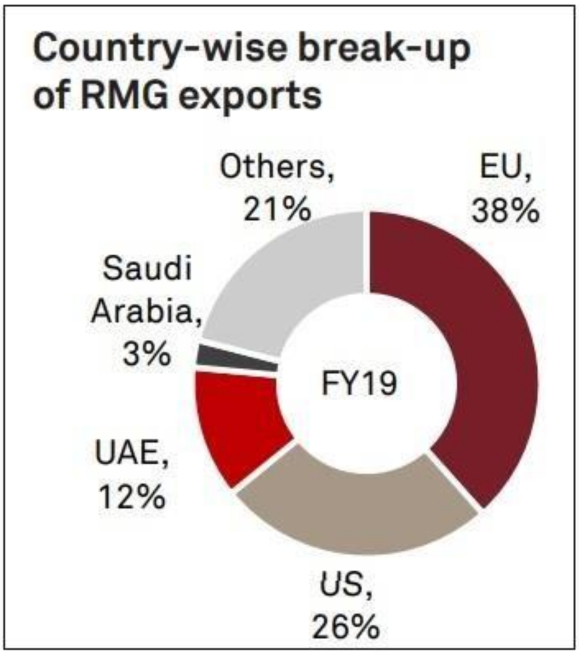
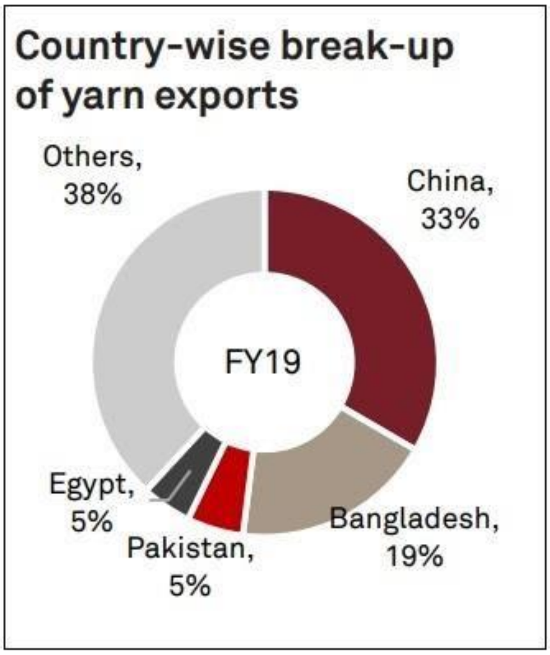
India's yarn exports to slide 35-40% this fiscal: Crisil

India's yarn exports are estimated to have nosedived 80-90 per cent in April and are not expected to revive in a hurry. Yarn exports to major buyers like China and Bangladesh have declined due to the COVID-19 pandemic.

Consequently, yarn exports are likely to slide 35-40 per cent yar-on-year during the ongoing fiscal 2020-21, according to Crisil Research.





Source: Ministry of Commerce India, CRISIL Research

"Indian merchandise exports fell 13 per cent (in dollar terms) in the quarter ended March (on-year), and a steep 60 per cent in April as the COVID-19 pandemic and shutdown of national borders slammed global trade," Crisil said in its latest 'Covid Corollaries'.

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, the report said.

In the quarter ended March 2020, India’s yarn exports contracted 30 per cent 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, the report added.

Crisil projects India's readymade garment (RMG) exports to dive 30-35 per cent this fiscal. In the March quarter, India’s garment exports slipped ~16 per cent and in April, the fall was a drastic ~91 per cent.

"The US and the European Union, which together account for 64 per cent of India’s RMG exports, are staring at a recession. 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," the report said giving the reasons for the projected 30-35 per cent fall in RMG exports in fiscal 2020-21.

Source: fibre2fashion.com– May 26, 2020

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Weak rupee leads Indian trade body to lift cotton export estimate

India's cotton exports could rise to 4.7 million bales in 2019/20, up 12% from the previous estimate, as a fall in the value of the rupee to a record low made shipments competitive, a trade body forecast.

Higher exports by the world's biggest cotton producer could put pressure on global prices, which are trading near their highest level in more than two months.

Indian exports could also limit shipments from rivals such as the United States, Brazil and Australia to key Asian buyers such as China, Bangladesh and Vietnam.

The rupee's fall has made Indian cotton the cheapest in the world and attractive for Asian buyers, Atul Ganatra, president of the Cotton Association of India (CAI) said.

Indian cotton was sold at around 62 cents per pound on a cost and freight basis (C&F) to Asian buyers such as Bangladesh, while the supplies from the United States were available at around 70 cents, Ganatra said on Monday.

The South Asian country exported 4.2 million bales in 2018/19, the lowest in a decade. India is expected to produce 33 million bales in the marketing year ending Sept. 30, down 7% from the previous estimate, the CAI said.

"Sowing of winter crop was possible this year due to availability of water. Many farmers did not wait for the last picking of cotton. They uprooted cotton plants to make space for winter crops," Ganatra said.

Despite lower production and higher exports, India will have ample surplus due to a steep fall in the consumption, which the CAI said could drop to 28 million bales in the current year, down 15% from the previous estimate.

(1 Indian bale = 170 kg)

Source: in.reuters.com– May 25, 2020

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Export units may tap credit facility offered to MSMEs

The emergency credit facility was announced by finance minister Nirmala Sitharaman on May 13 as a part of the first tranche of the Aatmanirbhar Bharat Abhiyan (Self-Reliant India Initiative).

Export units, trading firms and hospitality ventures may also tap the ₹3 lakh crore credit facility offered to micro, small and medium enterprise (MSMEs) under the recent economic stimulus package even if they are not registered as MSMEs, but meet the eligibility criteria, two government officials said, requesting anonymity.

The emergency credit facility was announced by finance minister Nirmala Sitharaman on May 13 as a part of the first tranche of the Aatmanirbhar Bharat Abhiyan (Self-Reliant India Initiative). It provides an additional working capital loan at a concessional rate of interest to an existing borrower who is not a defaulter.

The scheme offers additional working capital finance of 20% of the outstanding credit as of February 29, 2020 in the form of a term loan to units with up to ₹25 crore outstanding loans and revenue of up to ₹100 crore.

The National Credit Guarantee Trustee Co. Ltd (NCGTC) issued the operational guideline of the Emergency Credit Line Guarantee Scheme (ECLGS) for financial institutions on Saturday, the two officials said. NCGTC is a wholly owned company of the Union government formed in March 2014 to act as a trustee for multiple credit guarantee funds.

The Union finance minister said on May 17 that the ₹3 lakh crore emergency working capital facility scheme was 100% guaranteed by the federal government and it would benefit more than 4.5 million MSMEs.

Industry had, asked the government to expand the scheme to exporters, traders, the hospitality sector and other MSMEs. India has about 65 million MSMEs.

"It seems that there is some ambiguity that needs to be clarified appropriately," one of the officials said.

PHD Chamber of Commerce and Industry president DK Aggarwal said the association had submitted a representation to the ministries of finance and MSMEs, seeking a specific clarification on inclusion of businesses such as export units, traders, hospitality ventures, and media and entertainment houses.

"The Chamber is optimistic the government will consider the representation and make the necessary amendment to boost the morale of the grief-stricken Indian Industry and help then resume and revive," he said.

Federation of Indian Export Organisations (FIEO) director general Ajay Sahai said: "All businesses whether traders or merchants exporters should also be extended the benefit of the guaranteed emergency credit line. This will ease out liquidity at their end, helping them to bring slowly their businesses on track; else a fairly large number of them may not be able to see revival."

"The survival of merchant exporters is needed as they add value to exports, do exports consolidation and do aggressive marketing for products manufactured by MSMEs. Traders' contributions to economy cannot be undermined particularly as our household shopkeeper were at the forefront of our corona fight, second only to our health workers," he added.

Source: hindustantimes.com– May 25, 2020

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India has surplus capacity, may allow export of masks in a week: Sources

The final decision is expected within a next few days as mask manufacturers have requested the government to allow them to export their surplus capacities.

"A webinar is planned with the ministry of textiles on Tuesday. We will be discussing about the surplus production and the idle capacity available with manufacturers here. A decision on allowing exports is likely to be taken soon," said a senior government official. He further added that the government is taking a cautious approach before allowing exports as it wants to gauge if there is any sudden demand spike in the domestic market.

"With the lockdown easing and flights resuming, there can be a spike in demand for face masks in India too. We want to monitor the situation a bit and then take a call," he added.

Exports of personal protective equipment (coveralls) may be considered next as soon as export restriction relaxations go.

The industry, too, had presented its case through lobby groups. The umbrella association of medical device makers in the country, the Association of Indian Medical Device Industry (AiMeD), had written a letter to pharma secretary P D Vaghela, who is also the chairman of the empowered committee of essential medical equipment. They requested him to intervene for opening up exports of surgical three-layer masks and N95 respirator masks as the country now has a surplus capacity.

CAPACITY BUILDING

Category of masks	Manufacturing capacity (pcs/ annum)	Current spare capacity (pcs/ annum)*	Current allocated export capacity
2-layer	84.7 mn		7 mn
3-layer	1.5 bn	532.03 mn	36.85 mn
4-layer	59.4 mn	1.9 mn	4.5 mn
N95 masks	31.2 mn	1.05 mn	1.05 mn
Reusable/ washable mask	16.78 mn	5.05 mn	3 mn

Source: AiMeD

"These manufacturers are stopping or slowing down production since the last 15-20 days as they have unsold inventory amid falling demand. Prices are falling as clients in public and private health care are preferring to buy lower cost 2 and 3 layer masks or non-standard quality without nose clip," Rajiv Nath, forum coordinator of AiMeD, had said in the letter.

India had banned the export of all kinds of masks in March. In mid May, however, the director general of foreign trade allowed the exports of non-medical category masks like those made of cotton, silk, wool and knitted materials.

"There is some confusion among manufacturers as to who can export and who cannot. However, export of surgical masks is still banned," said an industry source, who claimed many manufacturers are sitting on inventories of tens of thousands of masks.

Sudhir Reddy, promotor of Lesure Industries, said he has created capacity to make about 100,000 masks per day and was now waiting for exports to re-open.

Meanwhile, the industry said the government needs to stress on proper certifications for masks and other protective gear as export of sub-standard quality products can earn a bad name.

Source: business-standard.com– May 26, 2020

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India manufacturing of 3 lakh PPEs, N95 masks per day! Provides around 111.08 lakh N95 masks and 74.48 lakh PPEs so far

India has significantly ramped up its production capacity of PPEs and N95 masks with three lakh units each being manufactured daily and their quality is being ensured through stringent protocols, the Union health ministry said on Monday. The statement comes following some new reports expressing concern about the quality of personal protective equipment (PPE) coveralls.

“There are some reports in a section of the media expressing concern about the quality of personal protective equipment (PPE) coveralls,” the ministry said, clarifying that the products referred to in the reports have no relevance to the procurement being made by the central government. HLL Lifecare is the procurement agency for hospitals and healthcare organisations under the Ministry of Health and Family Welfare.

The ministry said that the PPE coveralls are being procured from manufacturers/suppliers only after getting them tested and approved by one of the eight labs nominated by the Ministry of Textiles (MoT) for testing the same.

“It is only after their products qualify in the test prescribed by the technical committee (JMG) of the Ministry of Health that they are procured,” the statement stated.

Further, the HLL is also undertaking random sampling of the supplies being made for which a testing protocol has been devised, it said. “In case of any failure, the company is being disqualified for any supplies,” the ministry said.

All the states and UTs have been asked to ensure procurement which is being carried out at their level after following the prescribed testing for PPEs from the labs nominated by the MoT.

In addition, manufacturers who have got their products qualified from these labs are also being on-boarded on Government e-Marketplace (GeM). The manufacturers who have got PPEs qualified have been advised by the MoT to on-board on to the GeM so that the procurement by states can be carried out accordingly.

For the private sector also, the dynamic information of manufacturers whose products have qualified the tests is available on the MoT website. "India has significantly ramped up its domestic production capacity of PPEs and N95 masks, and the requirements of the states and UTs are being sufficiently met.

Today, the country is producing more than three lakh PPEs and N95 masks per day," the ministry said. It said that states and UTs as well as central Institutions have been provided with around 111.08 lakh N95 masks and around 74.48 lakh PPEs.

Source: financialexpress.com– May 25, 2020

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Coronavirus impact: Exporters face cash crunch as buyers demand double the credit to 120 days

Many firms especially small and medium enterprises (SMEs) are bearing the brunt of plummeting global demand with buyers insisting for longer payment cycle of upto 120 days. Payment terms vary from supplier to supplier and generally range from 0-60 days. Federation of Indian Export Organisations (FIEO) has advised its members to deal with buyers in countries where governments have come out with fiscal stimulus to revive demand.

"We are telling our members that when you are looking into the markets, focus on those where government of the country has given demand-led stimulus. For example, take US, it has given $3.2 trillion stimulus already in the form of cash subsidy in hands of the people. Similarly, European Union, despite each country giving its own stimulus, has given 500 billion euro stimulus. So, the point is if you are giving stimulus which leads to demand, the importer when he imports goods would find it easy to sell," FIEO Director General Ajay Sahai said. "It (focusing on countries that have announced demand-led stimulus) will, therefore, be very good strategy that will work," he added.

As impact of coronavirus pandemic deepens, liquidity has become a major problem in both domestic and international markets. Demand has slumped worldwide and export cycle is expected to get elongated. Domestic exporters are already feeling the heat as buyers ask for longer payment cycle while placing fresh orders. Some exporters say their customers are sticking to previous payment terms. Pankaj Bansal, Director of Delhi-based auto-parts trader TMA International says he has not seen any change in payment terms so far either in case of export or import.

"Very few companies give you letter of credit (LC). It is now all by open terms. You supply the goods and you will get paid after 40 days or 60 days. So, these are pre-fixed and only on very few occasions you can negotiate. Even old purchase orders where shipment is yet to go, the buyers are asking for extended terms. They send you a mail and you give your acceptance," said Animesh Saxena, General Secretary, Garment Exporters & Manufacturers Association. Amit Sethi, Joint Managing Director at NCR-based Orient Fashions says that payment terms vary from order to order but on an average payment terms have increased by 30 to 60 days.

"This is happening with most of the people. People are accepting that as they have no choice," Sethi noted. Companies are facing inordinate delay in getting payments and coronavirus-afflicted lockdown has accentuated the problem. The worst affected among them are micro, small and medium enterprises (MSMEs).

While there is no official estimate of the total dues, Angel Broking in a report last week said that total outstanding payments to MSME units could be in excess of Rs 4.95 lakh crore. Further, the central government ministries and departments, state governments and public sector units owe MSMEs more than half of this amount.

As per government guidelines, payments of MSMEs are to be cleared within 45 days but in reality it takes much longer. In a private survey carried out by industry body FISME and Skoch Group in April-end, nearly 23% respondents said that it took over 180 days to get receivables while 36.1 percent said they get payments between 90 to 180 days.

Only 40.1 percent respondents said they get payments within 90 days. While payments is a major problem, MSMEs have been grappling with slump in demand in both domestic and export markets adding to their woes. The government has announced a slew of relief of measures including Rs 3 lakh crore collateral-free loan for the sector but the pain is set to continue at least in the short term.

Source: businesstoday.in– May 25, 2020

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New industrial policy likely from June

Gandhinagar: To boost the industry in the state and attract investment amid the major slowdown due to the Covid-19 outbreak, the Gujarat government plans to announce a new industrial policy for 2020-2025 in June, to attract fresh investment and generate jobs.

The term of the industrial policy 2015-2020 ended in December-January, but was extended by six months until June this year. The new policy is likely to be announced soon on the basis of reports filed by various sectoral sub-groups and suggestions received from industry associations and trade bodies.

The policy will also incorporate inputs from the Hasmukh Adhia-headed expert advisory committee (EAC) formed to revive the state's economy after the Covid lockdown.

Manoj Das, principal secretary to the chief minister and in-charge principal secretary of the industry and mines department said, "The CM directed the administration to announce the new industrial policy as soon as possible after wide consultations, covering the situation before and after Covid-19. We are likely announce the new policy in June."

Listing the focus areas of the new policy, Das said, "Our focus is clearly on the renewable energy industry as well as other emerging industries. We are focusing on strengthening our core competence of manufacturing as well as on emerging opportunities in the service sector.

We are focusing heavily in attracting Japanese, American and European industries which are trying to shift base from China. We will focus on providing plug and play facilities for these industries. With the help of GOI, we are aggressively trying to attract these industries," he added.

Sources in the government said one common bit of feedback from industry has been that land costs are exorbitant in Gujarat. Also, clearances regarding land take too long. "The government, in the new policy, has decided to offer large chunks of land on long-term leases at nominal rates. This will help industries begin production quicker," an official said.

The state government is also expected to continue a number of benefits offered in the current industrial policy.

Source: timesofindia.com– May 26, 2020

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UP maps migrant skills, aims to clones textile story of Vietnam, Bangladesh

Amid the influx of migrants from domestic textile centres of Gujarat, Punjab and Maharashtra following covid-19 lockdown, the Uttar Pradesh government is looking to replicate the success of Vietnam and Bangladesh in becoming major textile manufacturing and exporting hubs.

With the state starting the process of skills mapping of incoming workers, more than 12,000 workers have so far, in the first phase of enlisting, been found to be trained in garment making and tailoring.

Presiding over a review meeting here today, chief minister Yogi Adityanath said if Bangladesh and Vietnam could emerge as major textile hubs, there was every reason that UP could achieve the same status, especially with the growing availability of trained manpower returning to the state.

"The CM has directed the officials to prepare a roadmap for developing the state as a leading textile hub," UP additional chief secretary Awanish Kumar Awasthi said this evening. He said the skills mapping of the migrants had shown that they possessed vocational skills in different segments, including electronics, electrical, real estate, data entry, furniture, carpentry, auto mechanic, mobile phone repair, garment etc, which could now be harnessed locally.

The state government has decided to involve the district level employment exchanges in the process of providing jobs to these workers by sharing their skills database. Yesterday, the state had announced to set up a Migration Commission for the welfare of migrants. The government has named the panel as Kaamgar/Shramik (Sevayojan evam Rozgar) Kalyan Aayog.

“Apart from regular employment, we are aiming to create a system of apprenticeship, training and stipend to the migrants,” he added. The Commission will also take steps for insurance cover to the migrants.

Besides, the government is planning to leverage the central stimulus package to provide housing facilities to the migrants.

Under the comprehensive Rs 20 trillion economic stimulus package to overcome the covid-19 challenges, the Centre has announced a scheme to help the migrant labourers in getting residential accommodations. The central government will provide affordable rental housing to the migrants and urban poor under the flagship Pradhan Mantri Awas Yojana (PMAY) scheme.

o far, more than 2.3 million workers have returned to UP from different states, including Gujarat, Maharashtra, Punjab, Delhi, Karnataka, Tamil Nadu, Uttarakhand etc. On an average, more than 150,000 migrants are coming back every day due to lockdown.

The government has already arranged for 1,361 Shramik Special trains to ferry UP workers, of which 1,174 trains have already arrived carrying nearly 1.6 million labourers. Besides, estimated 6.5 million migrants had also returned either on their own or ferried by the roadways buses from mainly Haryana, Madhya Pradesh, Rajasthan, Uttarakhand etc.

Meanwhile, the ASHA (accredited social health activist) workers have surveyed more than 0.85 million migrants and reported 892 suspected cases to the state medical department.

Source: business-standard.com – May 25, 2020

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States' labour reform moves hit hurdle; Centre may say 'no' to key changes

The plan by some states to usher in key labour law relaxations in the wake of the job crisis created by Covid-19 may hit a wall. A senior functionary with the Union labour ministry told FE that suspension of labour laws by the states under the Factories Act can't last for more than three months at a time.

The person asserted while states are within their rights to make certain specified changes like enhancing working hours to 12 hours from 8 hours to deal with crises like the current one, many of the proposed modifications, including suspension of substantive provisions of the Industrial Disputes Act for all establishments, might not stand scrutiny by the Centre.

So, the proposal of Uttar Pradesh to give employers freedom to hire and fire and hold in abeyance workers' rights to lockout and strikes for up to three years might not be accepted by the Centre. However, since relevant orders issued by Madhya Pradesh and Gujarat seek to suspend the provisions of the Act only for 'new establishments', these might get the concurrence of the Centre. Also, any ordinance in this regard would need to be issued by the Centre after securing Presidential assent, the source added.

"If they (states) change labour laws, they can do it for three months (under Factories Act). Let their proposals come to us, and then we will deliberate on them and take a call. However, if any ordinance has to be promulgated, the Centre will do that, and not the states," the official said. "On its own, the Centre has no plan to bring in labour-law ordinances," said the official.

"If any proposal (from a state) contains something for which approval was given to any other states earlier, the labour ministry approves that proposal almost immediately. But, in cases where there is something new, which is not legally correct and is too extreme, the ministry analyses such proposals and give its comments to the Ministry of Home Affairs. The MHA then takes a call and gives it views to the President, who can only promulgate ordinance. This is the procedure," the official explained.

"Before any ordinance to take effect, it requires various approvals. We are deliberating on Uttar Pradesh's proposals," said the official. Following a rap from the Allahabad High Court, the UP government withdrew its order in which it had diluted certain sections of the Factories Act 1948, exempting factories from the 8-hour shift per day and allowing them to extend the shift to 12 hours for three months, beginning April 20.

Rajasthan, Punjab, Himachal Pradesh and Gujarat have amended Factories Act via notifications to increase the work time to 12 hours/day and 72 hours/week, in place of 8 hours/day and 48 hours/week.

“Labour law amendments by the state governments is a continuous process and follow a standard procedure. Whenever a proposal is received from any state government, the same is examined thoroughly with respect to its legality and also as a policy decision. If the central government does not agree with the proposed policy, comments are given to the state government,” the official said.

Within the power vested with states under Section 5 of the Factories Act, Madhya Pradesh has already issued a notification to make changes in provisions like enhancing working hours from eight hours to 12 hours. Following the Factories Act, MP has also entitled workers to get paid at double the regular wage rates for the extra work time.

“States are empowered to enhance working hours from 8 to 12 and can do it through notification only. And for overtime, factories and establishments need to pay at double the wage rate under the Factories Act,” the official said.

Gujarat’s proposals have been received by the labour ministry, but the state has not done anything which could be dubbed as “extreme”, the official added.

Source: financialexpress.com – May 26, 2020

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RBI's moves may not really help revive credit

In yet another monetary policy offensive that was surprising for its speed if not its direction, the RBI has announced a three-pronged package to provide economic relief from Covid-related distress. Hoping to revive appetite for credit and consumption in a demand-deprived economy, it announced a further 40-basis point cut in repo rates by the Monetary Policy Committee (MPC), taking the aggregate rate cuts since the onset of Covid to a significant 115 basis points.

It has permitted lenders to extend their three-month loan moratoriums beyond end-May, while allowing interest dues during this period to be converted into fresh loans. It has also thrown a lifeline to exporters by giving them a line of credit via Exim Bank and extending the applicability of pre- and post-shipment credit, while freeing up resources for State governments to service earlier debt.

While some of these moves will provide relief to existing borrowers whose incomes have taken a battering from the pandemic, whether they will resurrect spending or stoke renewed appetite for credit, is moot. With a 43-basis point decline in lending rates since March, banks have no doubt begun to more quickly transmit lower policy rates to borrowers, nudged by the RBI, by effecting steep cuts to their deposit rates.

But credit flow to industry growing at less than 1 per cent according to latest RBI data, and banks parking record sums in the reverse repo window, point to a continuing aversion on bankers' part to take on any borrowers beyond top-notch large corporates. In the bond markets, while the RBI's interventions have had the effect of sharply moderating treasury yields and yields for PSU borrowers in the last couple of months, spreads for most corporate borrowers have widened sharply indicating the markets' aversion to credit risks in any form.

These trends effectively prevent most businesses from benefiting from repo rate cuts. Given that RBI's ploy of steep cuts in reverse repo rates is not deterring banks from parking record sums with it, perhaps alternatives — such as limiting the reverse repo accommodation, or further credit guarantees — can be considered. Credit guarantees can prove effective to address risk aversion too, if the identity of the guarantor and provisioning-related issues cited by MSMEs are sorted out.

More important than these measures though, is the RBI's frank acknowledgement that the economic impact of the pandemic is turning out to be graver than it initially anticipated, with GDP growth likely to turn negative in FY21. In contrast to the Centre which has been frugal with its fiscal stimulus — ostensibly to keep powder dry for when things get much worse — the RBI seems to believe that the time to act is now. It is good that it has been able to prevail upon the MPC to substantially ease monetary conditions, despite the uncertain inflation outlook. The Centre would do well to take cues from this proactive approach.

Source: thehindubusinessline.com – May 25, 2020

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India can seize manufacturing opportunity amid US-China row: Mark Mobius

Mark Mobius believes that there is a big opportunity for India in the manufacturing sector given souring US-China trade relations.

Businesses are thinking of diversifying to India as a manufacturing base as a part of their business continuity plans, said Mobius. India stands to benefit, provided the conditions are suitable, and the labour regulations and other regulatory changes the government is planning to introduce take shape, he added.

The founder of Mobius Capital Partners, regarded as the father of emerging markets, said this at a 'virtual fireside chat' with angel investor and venture capitalist Kapil Khandelwal. The event, organised by EquNev Capital, Toro Finserve, UnoLigo and Microsoft, was attended by fund managers, bankers, industry executives, lawyers, chartered accountants and academia.

Advantage India

There is opportunity for India to move into manufacturing outsourcing, as it has the advantages of resource and low-cost labour, said Mobius. "This conflict (US-China) is positive; India benefits from it," he said.

The Indian government's recently announced production-linked incentive (PLI) policies in manufacturing would provide a boost, he added.

Mobius is betting on sectors such as healthcare (pharma, hospitals), education, IT companies, manufacturing and related infrastructure. Sectors that are fast transforming their business models to digital are going to recover quickly and grow faster, he predicted.

“The sectors in India that have already moved into digital transformation of their business models will do better in recovery,” he said.

Learn from Sweden

Mobius is of the view that India can learn from Sweden, where social distancing was enforced at workplaces rather than going for a lockdown, which impacts economic growth. Covid-19 cases in places like Mumbai have shown no signs of abating despite a lockdown, he added.

“India and some other emerging markets have not carefully considered alternatives to manage the economy and industry, balancing the epidemic risks,” he said.

In this backdrop, Mobius believes that businesses with good cash flows will do well. “Companies which were already struggling should not be allowed to continue and doled out packages. Those doing well already should be supported even though politically it maybe difficult to do so,” he said.
Infrastructure push

Further, in order to revive the Indian economy, an infrastructure push must be made to generate jobs and in turn kickstart the economy, said Mobius. Joint ventures with the private sector are needed, including global tie-ups, he said.

Source: thehindubusinessline.com – May 25, 2020

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Coir, coir product exports weather Covid disruptions

India's coir and coir product exports seem to have weathered the Covid-19 crisis, even as several other sectors have taken a hit in the global markets.

"Coir and coir products could fetch an export revenue of ₹2,400 crore till February and we will, in all probability, close the numbers (this year) almost similar to last year's ₹2,800 crore. The final figures up to March 31 in FY20 are yet to be scrutinised," said M Kumararaja, Secretary, Coir Board.

"In the Covid period, we have seen some 10 per cent decline in export orders due to cancellations because of emergencies in overseas destinations.

However, the situation has now started improving with exporters receiving full-fledged orders for coir pith, coir fibre and mats and mattings," he told BusinessLine.

Recessionary trends in the overseas markets have not deterred coir exports, as the sector continues to register performance like in the past, he added.

An exporting company in Kerala confirmed it has received orders for 3.5 lakh pieces of doormats from a leading furniture firm in Europe for immediate delivery.

According to Kumararaja, China continues to be the major importer, with a share of 26 per cent in FY19, followed by the US with 22 per cent, and Europe and South Korea.

To boost the potential of coir products both in the domestic and overseas markets, he said the Board is focussing more on mattings and mattresses, coir pith (which is mainly used for making greenhouses), and coir geotextiles for the construction of rural road networks. "Eco-friendliness is the USP of coir products and it doesn't need any further introduction in overseas markets," he added.

Going forward

VR Prasad, Managing Partner, Travancore Mats and Mattings Company, said the Covid-19 situation had had an impact on the export market to a certain extent, with shipment delays in Lockdown 1.0, but the sector is now slowly recouping, with several enquiries. However, ensuring consistent quality, quantity, timely delivery and reasonable pricing would be imperative in the present competitive environment, he added.

He also emphasised the need for modernisation of the coir sector through technology, especially in fibre extraction and spinning without breakage. Indian coir products hold a dominant position in the global markets even though there is competition from China, Sri Lanka, Philippines etc, he added.

Export of coir and coir products

Value in ₹ cr

Product	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Coir pith	432.95	688.09	905.39	1018.47	1232.08	1147.26
Coir fibre	419.23	417.67	539.14	701.78	601.64	454.8
Coir doormats	636.74	665.95	697.59	682.03	741.36	675.57
Geotextiles	32.70	35.32	44.81	39.97	59.73	57.71
Coir yarn	30.01	28.21	29.48	24.58	26.42	21.76
Curled coir	37.32	25.10	24.19	23.16	31.37	25.39
Handloom matting	18.35	19.69	15.35	13.95	14.36	11.59
Other products	23.04	21.4	25.7	28.34	21.09	17.18
Total	1630.34	1901.43	2281.65	2532.28	2728.05	2411.26

Source: Coir Board

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Karnataka notifies increase factory working hours; trade unions allege foul play

Karnataka has notified 10-hour work shift per day, up from eight hours before, for a period of three months.

The notification was issued by the State Labour Department under Section 5 of the Factories Act that allows the it to make changes in "emergency" situations.

"In an exercise of powers conferred under Section 5 of Factories Act, 1948, the Government of Karnataka is pleased to order that all the factories registered under the Act shall be exempted from the provisions of Section

51 (weekly hours) and Section 54 (daily hours)," the government notification read.

It further said that no adult worker would be allowed or required to work in a factory for over 10 hours a day or 60 hours a week, "The provisions of Section 59 regarding overtime wages shall continue to be applicable without any change," the notification said.

Nine trade unions under the umbrella of Joint Committee of Trade Unions (JCTU) have opposed the plan to to increase working hours and amendments to labour laws.

The JCTU, comprising of INTUC, AITUC, HMS, CITU, AIUTUC, AICCTU, TUCC, HMKP and GATWU, had alleged that under the pretext of the pandemic and the lockdown, employer's bodies lobbied with the State government to increase the working hours to 12 hours per day (and 72 hours per week).

"Employers are also pushing for other anti-worker amendments such as permitting industries with less than 300 workers to announce lay-off, termination and closure without prior permission and exemption for contract labour registration," it alleged.

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