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INTERNATIONAL NEWS

US economy shrinks at record pace in second quarter

The U.S. economy suffered its sharpest downturn since at least the 1940s in the second quarter, highlighting how the pandemic has ravaged businesses across the country and left millions of Americans out of work.

Gross domestic product shrank 9.5% in the second quarter from the first, a drop that equals an annualized pace of 32.9%, the Commerce Department's initial estimate showed on Thursday. That's the steepest annualized decline in quarterly records dating back to 1947 and compares with analyst estimates for a 34.5% contraction. Personal spending, which makes up about two-thirds of GDP, slumped an annualized 34.6%, also the most on record.

The decline in second quarter GDP reflected the response to Covid-19, as `stay-at-home' orders issued in March and April were partially lifted in some areas of the country in May and June, and government pandemic assistance payments were distributed to households and businesses, the Bureau of Economic Analysis said in the release.

The figures lay bare the extent of the economic devastation that resulted from the government-ordered shutdowns and stay-at-home orders designed to slow the spread of the novel coronavirus that abruptly brought a halt to the longest-running expansion.

While employment, spending and production have improved since reopening picked up in May and massive federal stimulus reached Americans, a recent surge in infections has tempered the pace of the recovery.

That surge, the result of America's failure to contain the virus, indicates that the US economy is likely to recover more slowly than places that have done a better job, such as the euro area. And the longer the pandemic lasts without a vaccine, the longer economic output will remain below pre-crisis levels, leaving permanent scars on many businesses and workers.

Source: thehindubusinessline.com – Jul 30, 2020

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German economy plunged 10% during 2nd quarter amid pandemic

Germany's economy, Europe's largest, took a massive hit during the pandemic shutdowns, shrinking by 10.1 per cent per cent during the April-June period from the previous quarter, the official statistics agency said Thursday.

It was the biggest drop since quarterly growth statistics began being compiled in 1970. The plunge far exceeded the previous worst-ever recorded performance, a fall of 4.7 per cent in the first quarter of 2009 during the global financial crisis.

Tough pandemic restrictions shut down everything from taverns to auto dealerships. The country has cautiously reopened and the economy has started bouncing back but economists say it is far from the pre-pandemic level and won't reach break even until 2022 at the earliest.

Economist Carsten Brzeski at the bank ING Germany said the recovery would be a long ride. This picture shows the deepest but also the shortest recession ever, Brzeski said. All monthly indicators since May have already pointed to a strong rebound of economic activity in the course of what has been the worst quarterly performance ever.

The government has enacted a multibillion-euro stimulus package of emergency loans, credit guarantees and tax breaks to cushion the impact. The German data release comes ahead of expected figures for Italy, France and the 19-country eurozone as a whole on Friday.

Those numbers are likewise expected to be dismal, although they are backward-looking and don't account for the rebound in activity after many of the toughest restrictions were lifted.

So far government support measures across the currency union have held the increase in unemployment in check, one factor that could help support the rebound. The jobless rate inched up to 7.8 per cent in June from 7.7 per cent in May, according to a separate report published Thursday.

Source: financialexpress.com– Jul 30, 2020

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Japan's MMF production falls by 18.80%: JCSA

According to a provisional data released by the Japan Chemical Fibers Association (JCSA), the Japanese production of MMF fiber in June '20 has fallen by 18.80 per cent on Y-o-Y basis to hit 54,919 tonne.

The production output in the same month of 2019 was 67,900 tonne. Of total output, cellulosic fibers contributed 13,915 tonne, noting 18.20 per cent yearly increase over June '19. On the other hand, synthetic fibers fell 26.60 per cent to give 41,004 tonne of output in June '20.

The synthetic fiber production in Japan majorly saw decline because of low output of nylon filament, polyester filament, acrylic staple fibre and polyester staple fibers, while, at the same time, production output got increased for polypropylene filament and polypropylene staple fiber.

As far as half-year period (January to June '20) is concerned, the total production of MMF fibers in Japan decreased 9 per cent to 378,751 tonne.

The production of cellulosic fibers noted 6.40 per cent growth in 6-month period of 2020 to 91,385 tonne, while synthetic fiber tumbled 13 per cent to 287,366 tonne.

Source: fashionatingworld.com– Jul 30, 2020

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Iran can export $150 million garments to Iraq: TPO

Farzad Piltan, Director-General,, Iran's Trade Promotion Organization (TPO)'s Office of Arabian and African Countries said that Iran has the potential for exporting $150 million of garments to Iraq per year.

The official made the remarks on the sidelines of the third meeting of TPO's Commodity-Country Desk on trade with Iraq, which was mainly focused on investigating the ways for increasing garments export to the Arab country.

Iraq imports $700 million of garments per year, while the share of Iran's garment exports to its neighbor is just $35 million, which can be increased at least to $150 million, Piltan noted.

Despite the re-imposition of U.S. sanctions against the Islamic Republic, Iraq has been getting closer to Iran both politically and economically.

There is also the same approach adopted by Iran, as many Iranian companies are now eager to conduct trade with Iraq, especially with the Kurdistan region where there is a great demand for Iranian products.

Source: fashionatingworld.com– Jul 30, 2020

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Primark launches new UK in-store recycling scheme

Primark has rolled out nation-wide recycling programme inviting customers to donate their pre-loved clothes, textiles, footwear and bags from any brand to be 're-loved' via its In-Store Recycling Scheme. Collection boxes will be available in its 190 stores across UK and all donated items will be reused, recycled or repurposed with nothing going to landfill.

Profits from the scheme will go to UNICEF, Primark's global charity partner, in support of its education programmes for vulnerable children around the world.

This new recycling scheme from Primark launches as recent research from WRAP (Waste and Resources Action Programme) estimates more than a third of the population have had a clear out of unwanted textiles and clothing while at home on lockdown. WRAP is also urging people to protect charity shops from an influx of donations, by contacting them before turning up with donations, and using other options including in-store collections like Primark's scheme being announced.

Primark has partnered with Yellow Octopus to implement its recycling scheme. Yellow Octopus is a recycling specialist which has a 'no landfill' policy across the 21 countries it operates in, diverting around one million garments from landfill every month.

The company aims for as many donations as possible to be worn again, with the remainder being repurposed into new products such as insulation, toy stuffing and mattress fillers.

Primark's in-store recycling scheme is the latest step in the Primark Cares initiative, Primark's commitment to a more sustainable future. Work as part of the programme includes the expansion of its Sustainable Cotton Programme, to its knowledge, the largest of its kind managed by any fashion retailer in the world. It also includes investment in the use of sustainable fibres across all product ranges. Primark's famous brown paper bags have been on high streets since 2002 and all unsold clothing and samples have been donated to charity since 2010.

"We know people don't always find it easy to recycle their clothes, textiles and shoes. And we know people have had big clear outs during lockdown. Now is the perfect time to be launching our in-store recycling programme, making it convenient for customers to give a second life to items from their wardrobe that they no longer need. This will reduce waste going to landfill and help our customers to help the environment. With the profits going to UNICEF's important childhood education programmes we are also supporting our global charity partner in their work," said Katharine Stewart, ethical trade and environmental sustainability director at Primark.

"Our research shows most people prefer to donate or recycle their unwanted clothes, and often opt for charity shops as their favoured route. With shops just beginning to reopen, that can risk overwhelming charities with an influx of donations. Passing on clothes through retail stores is an effective and often underused way to donate clothes. Primark is a signatory of the Sustainable Clothing Action Plan, and this new in-store recycling scheme for clothes gives people even more options, and will help make recycling clothes easier with drop off boxes in stores on high streets and retail hubs across the UK," said Peter Maddox, director, WRAP:

"Now more than ever our collaboration with the private sector is critical. Coronavirus is affecting children's lives in almost every country and UNICEF is helping to tackle the impact of this new virus around the world. We are here for children always and we won't stop now. We are delighted that Primark has chosen to donate profits from their recycling scheme to us and help to keep children, particularly the most marginalised, learning," said Sue Adams, director of partnerships at UNICEF UK.

Primark's recycling partner in the UK, Yellow Octopus, a signatory of WRAP's Sustainable Clothing Action Plan (SCAP), underwent a rigorous selection process to ensure it met the standards in Primark's Code of Conduct. The Primark Code of Conduct is based on standards set by the

UN's International Labour Organisation (ILO) and covers workers' rights, health and safety and wages.

Last year (2019), Primark announced an expansion of its Sustainable Cotton Programme, committing to train 160,000 cotton farmers in India, Pakistan and China in more sustainable farming methods by 2022. The programme has been developed in partnership with agriculture experts CottonConnect and local implementing partners, to train smallholder farmers to help them reduce their use of water, chemical pesticides and fertilisers, while helping to improve their livelihoods at the same time. Cotton from the programme is already being traced directly from cotton farm to store, and is used in many of Primark's most popular products, such as jeans, pyjamas and bedding, at no extra cost to the customer.

For over 15 years Yellow Octopus has provided commercial sustainable solutions such as Recycling Services, Take Backs and Stock Exits for leading fashion brands and retailers. Yellow Octopus' infrastructure means it's capable of handling large volumes of post-consumer waste for major retailers across Europe. Yellow Octopus firmly believes the first step to making fashion circular is responsibly recycling unwanted products and making sure items don't end up in landfill. It is proud to support retail partners by providing services which help them and their customers make this important step towards a more sustainable future.

In July 2018 Primark announced a three-year partnership to contribute to UNICEF's work in both education and emergency response. Primark has committed $4.5 million to fund an education programme to enable vulnerable children to attend and stay in school in Cambodia. In addition, Primark has committed $1.5 million towards UNICEF's worldwide emergency response operations.
Over the past two years, this partnership has supported almost 9,000 children with disabilities or from ethnic minority groups to go to school, through multilingual, inclusive and special education programmes.

More than 8,500 children have also been able to stay in school through improved WASH and hygiene facilities and scholarships.

41,007 students in 130 schools across 3 provinces now benefit from the impact of positive discipline training and ending corporal punishment in classrooms.

Through Primark's emergency response operation fund, Primark has also supported UNICEF to respond to crises in Indonesia, following the earthquake in 2018 and Mozambique following the cyclone in 2019.This year our emergency response support will help fund UNICEF's response to Covid-19.

Source: fibre2fashion.com– Jul 30, 2020

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The first virtual Home Textiles Sourcing Expo drew some big-name visitors

Held last week in tandem with the Texworld USA and Apparel Sourcing USA shows, the events attracted more than 4,000 virtual buyers over the three-day run, including home participants from over ten countries. Key companies visiting the show included: Target, Macy's, TJX, Ralph Lauren and Nordstrom.

Together, more than 460 international suppliers from 16 countries exhibited virtually. A highlight of the Expo was a full online webinar program focused on home textiles that featured sessions on design trends, sustainability, branding and technology. Speakers included Walter Bridgham of Lenzing, Loftex Home CEO Charles Gaenslen, former Macy's executives Donna Vance and Janee Ries, Regan Iglesia of WestPoint Home, trend expert Tom Mirabile and designer Stacy Garcia.

"The industry was searching for an alternative solution to reach global suppliers during these challenging times and as evidenced by the tremendous support from high quality independent designers, buyers and brands, Home Textiles Sourcing is helping meet that need," said Jennifer Bacon, show director, fashion and apparel for Messe Frankfurt North America, which co-sponsored the event.

Other parts of the virtual platform included AI-powered matchmaking that calculated and recommended the most relevant connections, live chats and virtual networking.

"We are committed to supporting the home textile sourcing community and were extremely pleased to have utilized a virtual platform that enhanced our ability to provide international suppliers with a means to reach the U.S. market successfully," Bacon added.

Source: hometextilestoday.com– Jul 29, 2020

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Bangladesh: RMG's challenges to be sustainable

After the incidents of unrest for a few years, mainly for wage hike for the 4.4 million workers, the garment sector witnessed a peaceful and stable environment in the year 2019. However, the garment sector, which typically contributes 84 percent to the national export in a year, experienced a negative trend of shipment since August.

In the first 11 months, between January and November in 2019, Bangladesh exported garment items worth $30.14billion, according to data from the Export Promotion Bureau (EPB). In the year 2018, Bangladesh exported $32.93 billion worth of apparel items, the data also said.

The slowdown in export growth is apparently a reflection of the diminishing competitiveness of Bangladesh's RMG industry. Bangladesh's export earnings from the corona virus-hit apparel sector are likely to fall by around $10 billion in 2020 from $33 billion in the previous calendar year.

As a result, the country is surely going to face a massive shortfall in meeting its target of exporting $38.2 billion worth of apparel products in the current fiscal year.

Bangladesh earned $34.13 billion by exporting clothing items in the 2018-19 fiscal. The global apparel consumption had been decreasing for the last few years. Covid-19 pandemic has added to this declining trend. Our fear is the export figure may not be more than $23-24 billion in 2020. The pandemic has worsened the already declining trend in global apparel consumption, and we also do not know what the post-pandemic situation will be.

Apparel manufacturers also have no idea as to what will happen in the next three to four months as the time for placing orders for those months are already over but most factories have received orders equivalent to less than 50 percent of their production capacities. According to BGMEA data from

May 1 to May 19 this year, the country's apparel export has dipped by 55.7 percent as compared to the corresponding period the previous year. In April, the export saw an 85-percent negative growth. Considering the present situation, we have to look at some specific areas of development which will be of help to confront this mountain of challenges on the sustainability issue in the RMG sector.

PRODUCT CATEGORY & BACKWARD LINKAGE DEVELOPMENT: We have passed almost 40 years in RMG exports but still we have been producing and exporting low price category products only. We have failed to draw the attention and trust of buyers about the fact that our capacity in all respects have now reached the level to produce high category products.

Our competitors like China, Cambodia, Vietnam and India are still making pricey category of products and they have set up ery strong backward linkages whereas we are still very weak in backward linkages except circular knits.

For woven fabrics, laces and other accessories, we have to depend basically on China. It's a matter of concern for me that we need to set up all kinds of backward linkages to achieve the said targets, otherwise our dreams will remain a mere dream.

And we have to strengthen our negotiation skill with buyers for better pricing. The failure to diversify products and explore new markets are proving to be a major factor behind the loss of competitiveness with other exporting countries like Vietnam, Cambodia, India, & Pakistan, They added.

We are focusing on 5 items which occupy over 80.0 per cent of the capacity. This shows we have more capacity on low value items. This type of over-concentration of the industry into a few items in the lower tier of price range and over-concentration of markets are also among the top-rated challenges. Diversification of the industry is one of the most important priorities now and we need special incentives to encourage product and material diversification and innovation.

For long term business sustainability, Vietnam is honing in on Bangladesh's position as the world's second-largest apparel supplier by focusing especially on product diversification.

IMPROVING EFFICIENCY: Low efficiency and relatively higher cost of doing business are the significant drawbacks affecting our trade competitiveness. The garment industry has to increase its efficiency at least by 30 percent if it wants to be more competitive globally. The sector can obtain efficiency through efficient management of practices, technology selection and product and market diversification, lack of efficiency and weak productivity have become critical factors, as a result of which average production cost goes up unnecessarily.

The rising wages is another factor relevant to the sector's competitiveness. The average monthly wage of a garment worker in the country was US$ 35 a decade ago. But the wage has risen substantially since then. It is likely to rise even further in the coming months, which will lead to entailing additional expenses by the entrepreneurs. But the buyers are not interested in paying additional money to their suppliers. In that case, there is no alternative to improving productivity and product development if the growth trend is to be sustained.

INFRASTRUCTURAL DEVELOPMENT: The government needs to increase its aid to the owners in all aspects. Gas, electricity, port facility, carries facility and others support have to be provided for 24 hours whenever needed on an urgent basis.

Bureaucratic red-tapism need be stopped totally in getting permission for new factories, getting connection of gas, power lines etc. The government needs to set up more industrial Export Processing Zone for local and foreign investors on demand basis. It should increase cargo loading and unloading capacity.

Until the Seaport's capacity is not increased or it is modernised, the $50 billion export target will remain in dream only. It's time we placed our demand to the government to set up a special one-stop service center to provide all kinds of support to the businessmen and investors. Deep Sea Port is also necessary to support the export and draw the international buyers' attention.

SKILLED WORKFORCE DEVELOPMENT: It is known to us that RMG industries are not driven by automated machines. It is dependent on manpower and mostly run by female workers. These female and male workforces are the souls of those industries. Production, productivity, quality and export rhythm depend on their happiness and activities. To achieve the $50 billion export target within 2021 will doubtlessly need doubling the strength of the industries as well as their workforce. It's a must to educate the workforces on different matters to face the challenges. But every year, an unlawful increase in house rent, increase in essentials prices, increase in electricity rent, cooking gas charge and so on are putting them under huge pressure.

The government and the RMG owners have no control over the price and cost increases. And that is why when the workers cannot manage with the salaries they get, then the find no other alternative but to go for demonstration for a salary hike. And then international competitors plot to take advantage of the situation and things get out of control and draw media attention. We need huge improvement in production capacity and skills. We need to focus on quality, not just quantity. We need to fully utilise our existing training institutions to impart training to our workers. We also need to create new training facilities to meet our increased demand for skilled manpower. We need to improve our bargaining skills. BGMEA should team up with universities to introduce courses on negotiation skills which is critical for ensuring fair price of products.

DEVELOPING HOLDING WELFARE FACILITIES FOR WORKERS: We need to ensure garment workers' freedom of association and bargaining. Building relations with workers and social dialogue are two important ways to involve the workers in the journey towards US$50 billion export target. The owners need to respect workers as a partner. Another important issue is that the garment factories are reluctant to employ workers aged above 40. How can the garment industry be a sustainable business model where a worker has to retire at an early age? We need to improve the working environment of the factories in such a way that a worker can continue working for a longer period. We need to establish low cost hospitals and other health facilities near the factories.

BGMEA SHOULD HAVE GOOD NEGOTIATIONS WITH THE GOVERNMENT: BGMEA should provide the government with an exact account of their required services. For example, they should clearly mention what amount of power they need for the next five years. It will give the government a clear picture of what it needs to do for the RMG industry. Small factories are facing the challenges of maintaining competitiveness and compliance.

They need support from the low-cost funds to survive. The low-cost funds should remain low-cost. The compliance standard should also be enforced in other countries so that the global market remains competitive. Our development partners should consider this issue seriously.

BGMEA has enough political clout to talk to the government and ask whether we can have a ministry or not, whether we can have a separate department or not but let us have a high-powered inter-ministerial committee for five years. It will help us to reach the target. May the Honorable Prime Minister can head it herself.

With her blessings, it is possible to have an inter-ministerial committee with the power to respond to all the needs of BGMEA and enable the sector to reach the US$ 50 billion export target. Workers must own this target as much as the owners of factories. And only in that collective ownership we will get the energy and spirit to reach our goal.

PRODUCT DEVELOPMENT STRATEGY: To Develop R&D With the exception of a handful of cases, most garments manufacturers in the country lack any research and development (R&D) set-up. But the R&D teams in the factories of competitor countries are usually stronger. The local factories usually take three to four months for product development (from design to sample preparation).

But countries like China spend only 15 to 30 days for this purpose. However, in the past, our entrepreneurs engaged workers after installing garment machinery, and then automatically received purchase orders from the buyers. Now it is the turn of the entrepreneurs to make offers to the buyers. Product development and diversification have therefore become crucial as the fashion trends worldwide undergo changes frequently.

INVESTMENT IN PRODUCING HIGH-END TEXTILE : At present around 50 percent of the demand for woven fabric in local RMG factories have to be met through imports. It's time-consuming and costly. The lead time for RMG manufactures would have decreased considerably if the fabric was produced locally through enhanced investments in the sector.

The value addition in RMG would also have increased as a result. So, it makes a good case for focusing on product development in the textiles sector as well. The local factories will have no option but to continue importing high-end textiles from abroad if appropriate investments are not made for producing high-end textiles locally. This is neither desirable nor cost-effective, and the government as well as textile entrepreneurs should take initiatives on an urgent basis for attracting investments in the sector.

Source: thefinancialexpress.com.bd– Jul 30, 2020

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NATIONAL NEWS

Commerce Ministry working for early resolution to MEIS restrictions: Goyal

Says Centre is working with States for easier labour law, soft launch of land bank portal, single window clearance for investments

Commerce and Industry Minister Piyush Goyal has assured industry that his department is in dialogue with the requisite authorities to sort out concerns on the Finance Ministry's decision to limit benefits under the popular Merchandise Exports from India Scheme (MEIS) for exporters to just ₹9,000 crore for the April-December period of FY21, and is looking for an early solution.

Listing the on-going initiatives to increase ease of business in the country, the Minister said that the Centre is working with States on labour law regulation based on the Uttar Pradesh model at a pan-India level, an early soft launch of land bank portal and a single window clearance system for investments. Decriminalisation of laws was also an on-going exercise and all departments were examining various laws in their domain to take it forward.

The Minister was speaking at the 'National Digital Conference on Easing Doing Business for Atmanirbhar Bharat' organised by CII on Thursday.

On the issue of industry concerns related to limiting MEIS payments to ₹9,000 crore, as opposed to the outgo of ₹40,000 crore, Goyal said a solution that would not seriously affect government finances is being sought.

Solutions sought

"It is not that the MEIS scheme is going away. It is more of a cash flow issue. All are aware that Covid-19 has had a significant impact on government revenue. We are trying for early solution which can be win-win for both sides," Goyal said

The MEIS scheme provides incentives in the form of duty credit scrip to the exporter to compensate for his loss on payment of duties.

On the need for flexible labour laws to help the industry deal with the Covid-19 crisis, Goyal said that the Centre is in touch with 16 States and all UTs and had received proposals from them. “We are trying to commonalise their ideas. We are looking at how States can offer easy to implement the labour law ecosystem...We are working on labour law regulation, like Uttar Pradesh, on a pan-India level,” he said.

In May this year, the UP government approved an ordinance exempting all establishments, factories, and businesses from the purview of most labour laws for three years.

Goyal said that the worries on availability of land for industry in India are unfounded, as thousands of hectares of land had already been identified. He said that the Centre is planning a soft launch of the land bank available with States and will create a land bank portal; six States have already shared the data for this.

On the proposed single window system for investments, Goyal said that the government’s effort is to try and bring all good practices on one platform and the single window is genuine with no back-doors. He said his team is in constant touch with State departments to ensure that the single window gets expedited.

Source: thehindubusinessline.com– Jul 30, 2020

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Cotton Corporation sees gradual pick-up in demand on easing lockdown

Cotton Corporation of India (CCI) said the prices of the fibre crop have bottomed out and expects the demand from the spinning mills to pick up gradually on easing of lockdown.

The State-run CCI, currently the biggest stockholder of cotton in the country, has sold about nine lakh bales over the past one month, said Chairman and Managing Director, PK Agarwal.

“The overall demand, which looked dull a month ago, is gradually improving. The easing of lockdown norms and return of migrant labour are helping mills to restart operations. Mills need cotton and they have started covering. By first week of August, we are expecting more sales in the domestic market," Agarwal said.

Alternatively, CCI is pushing for cotton exports to major consuming countries such as Bangladesh and Vietnam through the government channel. "We are trying for a big deal with Bangladesh," Agarwal said. Due to its proximity, India has a logistic advantage in selling to Bangladesh, a major cotton consumer. Bangladesh needs about 90 lakh bales (of 356 kg each) per year of which 30 lakh bales go from India.

Prices and Sales

In June, CCI had heavily rationalised the sale price of cotton to bring them on par with the market and push sales. "There is no question of further reduction in prices.

We have increased the price by ₹200 per bale as the international market has also improved and prices have moved up to 63 cents per pound from a low of 59 cents," Agarwal said.

Over the past one month, CCI has sold nine lakh bales including 1.5 lakh bales from the 2018-19 season. Agarwal said though the response from mills for its discount sale was not on expected lines, sales were still better than the previous month.

At present, CCI is holding a stock of 105 lakh bales, of which 98 lakh bales were procured from the current season and 7 lakh bales from 2018-19. In the current 2019-20 season, CCI has made a record procurement of 105 lakh bales and the purchases at minimum support price (MSP) were still going in parts of Maharashtra and Andhra Pradesh.

Procurement

CCI expects to stop the procurement from August 1 due to tapering of arrivals and pick-up in rainfall. Agarwal said the daily market arrivals are in the range of around 25,000 bales.

CCI's current daily procurement is very nominal at around 1,000 bales in Maharastra and about 2,000 bales in Andhra. CCI may restart procurement from September, if required.

Trade body Cotton Association of India recently revised upwards its crop estimates for the 2019-20 season to 335 lakh bales of 170 kg each from the earlier 330 lakh bales. Sowing for the 2020-21 season is up 22 per cent at 118 lakh ha as on July 24, brightening the prospects for a good crop in the year ahead.

Source: financialexpress.com– Jul 29, 2020

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Nearly 80% businesses expect post-Covid recovery by June 2021: PwC India survey

India Inc is optimistic about economic revival despite near-term challenges on both demand and supply due to the Covid-19 pandemic, a PwC India survey has revealed.

Nearly 80 per cent of the 225 respondents to its 'Value Conservation to Value Creation Survey', which explores Corporate India's journey through the Covid-19 crisis, expect their businesses to recover by June 2021, with early signs expected to be visible from September 2020.

They attribute this resilience to operational flexibility, robust crisis management and process/product innovation. For many, this is a result of work done in the pre-Covid era.

Sanjeev Krishan, Partner and Leader Deals, PwC India, said: "Business leaders have adapted well to this unprecedented situation and are optimistic of recovery. We noticed a pragmatic progression in the steps taken by CXOs from 'repair' to 'rethink' to 'reconfigure' in future. In this tougher business environment, digital enablement has become key for remaining competitive and resilient.

He added: "We also expect a higher level of collaborations across the value chain. Value creation has become even more critical and deal-making is going to be an important lever. The crisis has brought resilience to the fore and we expect boardrooms to take due cognisance of it."

The 225 survey respondents were a mix of CXOs and senior management from various industries in India.

Revenue expectations

As for the impact on revenue, 73 per cent expect a decline in revenues in FY21. However, only 15 per cent see the decline extending to FY22. The remaining 27 per cent of organisations expect to see similar or higher revenues in the current fiscal.

The sectors that are most resilient amid the Covid-19 crisis are pharma, consumer essentials, ITeS, telecom and utilities. The most impacted sectors are infrastructure and real estate, industrials, retail, hospitality and media and entertainment.

An overwhelming 77 per cent of the respondents would like to accelerate digital enablement. Other significant interventions anticipated by the respondents include localisation of manufacturing/supply chains; development of newer logistics models; collaboration to add capabilities and navigate bottlenecks; and development of newer products and services centred around emerging themes and affordability.

Forty-five per cent of the respondents are keen to consider acquisitions, whereas 20 per cent are considering divesting non-core businesses. Twenty-six per cent of the respondents would be looking to raise funds.

The survey indicates that the ‘repair’ and ‘rethink’ phases would last until mid-2021, post which the ‘reconfigure’ phase is likely to commence.

While it is encouraging that a very large percentage of the respondents expect to recover over the next 9-12 months, according to the International Monetary Fund estimates, Covid-19 is likely to shrink global and Indian economies by 4.9 per cent and 4.5 per cent respectively in 2020.

The anticipated de-growth in Indian economy could be attributed to the sluggishness of the past and further delay in the revival of the capital investment cycle.

Source: thehindubusinessline.com– Jul 30, 2020

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Demand slump to reduce readymade garment makers revenues by 25%-30%

The prolonged lockdown and lower discretionary spending are expected to reduce the revenue of readymade garment (RMG) makers by 25% to 30% this fiscal. For exporters, the drop will be bigger because of tepid discretionary spending in the US and European Union which account for 60% of India's RMG exports, an analysis of over 180 Crisil-rated RMG manufacturers, representing revenue of around Rs 40,000 crore, shows.

A sharp fall in both domestic and exports demand because of the Covid-19 pandemic, lower profitability, and elongation of working capital cycle are expected to impair the credit profiles of RMG makers this fiscal. The impact will be felt more by exporters owing to higher revenue de-growth and stretched receivables, it says.

Gautam Shahi, director, Crisil Ratings says, "Over the past five fiscals, revenue growth of RMG makers was supported by domestic demand even as exports were muted. This fiscal, with domestic demand also falling significantly, revenues are expected to be materially impacted. Consequently, their operating margins are expected to contract 250-300 basis points (bps) to 7-7.5% for the sample set despite softer cotton prices and cost-reduction initiatives."

Further, their working capital cycle has elongated because of higher inventory and stretched receivables. Last fiscal ended with 20-25% higher inventory as the Covid-19 pandemic took hold and lockdowns began in late March. With demand depressed in the first half of this fiscal, inventories will remain high. Adding to the woes of exporters will be weakening credit profiles of some large global brick & mortar retailers, which will stretch receivables.

Kiran Kavala, associate director, Crisil Ratings, says : "A sharp fall in profits means RMG makers will not have sufficient cash accruals to meet repayment obligations in the first half of this fiscal. But they are expected to utilise the cushion available in their working capital facilities, and will be helped by the moratorium on loan repayments, the government relief package to micro, small and medium enterprises, and the Covid-19 emergency credit lines."

Cash flows are likely to improve in the second half of this fiscal due to pick-up in demand from the third quarter as the festive season begins in India and fall / winter season begins in the export markets. That would put RMG makers in a better place to service debt obligations.

But given the material impact of weak business performance in the first half, the ratios of net cash accrual to loan repayments, and interest coverage will still be significantly weaker at 1.4-1.7 times and well below 3 times expected this fiscal, compared with 2.4 times and 4 times, respectively, in fiscal 2020.

The depreciation of the rupee against the dollar and the euro, and increase in incentive structure for exporters – which can help moderate the fall in profitability – will be the key monitorables, says Crisil Ratings.

Source: financialexpress.com– Jul 31, 2020

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Readymade garment makers to see 25-30% fall in revenue in FY21: Crisil

Readymade garment (RMG) makers are likely to witness a 25-30 per cent decline in revenue in ongoing financial year due to the prolonged lockdown and lower discretionary spending, according to a report by Crisil Ratings.

A sharp fall in both domestic and export demand because of the COVID-19 pandemic will crimp garment makers' revenue by 25-30 per cent, Crisil Ratings said.

For exporters, the fall will be more because of tepid discretionary spending in the US and European Union, which account for 60 per cent of India's RMG exports, it said.

The working capital cycle of RMG makers has elongated because of higher inventory and stretched receivables, which is expected to impair their credit profiles, the report said.

The last fiscal ended with 20-25 per cent higher inventory as the COVID-19 pandemic took hold and lockdowns began in late March.

With demand depressed in the first half of this fiscal, inventories will remain high, which will add to the woes of exporters and will weaken credit profiles of some large global brick-and-mortar retailers, which will stretch receivables, it noted.

"Over the past five fiscals, revenue growth of RMG makers was supported by domestic demand even as exports were muted. This fiscal, with domestic demand also falling significantly, revenues are expected to be materially impacted," Crisil Ratings Director Gautam Shahi said.

"Consequently, their operating margins are expected to contract 250-300 basis points (bps) to 7-7.5 per cent for the sample set, despite softer cotton prices, and cost-reduction initiative," he added.

Crisil Ratings Associate Director Kiran Kavala said a sharp fall in profits means RMG makers will not have sufficient cash accruals to meet repayment obligations in the first half of this fiscal.

"But they are expected to utilise the cushion available in their working capital facilities, and will be helped by the moratorium on loan repayments, the government relief package to micro, small and medium enterprises, and the COVID-19 emergency credit lines," she added.

Cash flows are likely to improve in the second half of this fiscal due to pick up in demand from third quarter as the festive season begins in India and winter season begins in export markets. It would put RMG makers in a better place to service debt obligations, the report said.

However, given the material impact of weak business performance in the first half, the ratios of net cash accrual to loan repayments and interest coverage will still be significantly weaker at 1.4-1.7 times and well below 3 times expected this fiscal, compared with 2.4 times and 4 times, respectively, in FY20, it added.

Source: economictimes.com– Jul 30, 2020

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India's US envoy discusses trade, investment with Wisconsin governor

India's US Ambassador Taranjit Singh Sandhu has discussed trade and people-to-people relations with Wisconsin governor Tony Evers, highlighting the investment opportunities in India for win-win outcomes.

Sandhu, during a virtual meeting with Evers, discussed strategies to tap the potential in the agriculture, infrastructure and manufacturing sectors common to India and Wisconsin that would lead to win-win outcomes for both, the Indian Embassy here said in a statement on Wednesday.

During the meeting, the Indian envoy briefed the governor about the initiatives India has taken in healthcare and education and discussed collaboration in these sectors.

India and Wisconsin share a robust trade and investment relationship.

The total trade between India and Wisconsin is over $1 billion. Many Indian companies in the IT, engineering services, medical equipment and manufacturing sectors have invested in the state.

These companies have invested close to $185 million in Wisconsin, creating over 2,460 jobs, the embassy said, referring to the recent reports.

These companies also add value to local economies and communities through their Corporate Social Responsibility (CSR) initiatives.

Similarly, Wisconsin-based companies in the automobiles, electrical equipment, financial services and technology sectors have established a strong presence in India. They include Harley Davidson, Rockwell Automation Inc, ManPower Group among others.

The Indian community has a vibrant presence in Wisconsin, which is also an important destination for Indian students.

Close to 1,500 Indian students are studying in educational institutions in Wisconsin. India has a strong education connection with Wisconsin. The tradition of Indian studies started on the University of Wisconsin campus in the mid-1880s, when a Professorship of Sanskrit was established.

Renowned bio-chemist Dr Hargobind Khorana received his Nobel Prize in 1968 for research he conducted at the University of Wisconsin-Madison, where he was on faculty.

During the meeting, the Indian envoy underscored the need to revive and strengthen the university-to-university linkages between India and the US, including in the fields of research and development and bio-health.

Sandhu and Evers agreed to further strengthen the multifaceted engagement between India and the state of Wisconsin, the statement added.

Source: timesofindia.com– Jul 30, 2020

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Rating models for MSMEs need to be revisited amid Covid-19 crisis: Experts

The credit rating models for micro, small and medium enterprises should be revisited in the wake of the coronavirus crisis as these companies are currently facing the problem of capital erosion, financial experts said on Thursday.

Speaking at a webinar organised by Indian Chamber of Commerce, credit information company TransUnion CIBIL managing director and CEO Rajesh Kumar said the MSMEs play an important role in the economy and their rating models should be looked into afresh.

"All rating models have to be revisited in the present scenario arising out of the pandemic. This is more so because capital erosion of the entities has taken place," Kumar said.

He also called for the availability of data from the GST system and payment history of the MSMEs, which would help the rating firms to estimate the probability of defaults.

According to him, access to GST database will be helpful in getting the invoices and understanding the production cycles, supplies, cash flows and bank statements.

"All this information will help estimate the probability of default," he said.

Of the 50 million MSMEs in India, only ten million are registered with the GST system, he said.

CIBIL has already come up with MSME rankings, Kumar said.

Central Bank of India managing director and chief executive officer Pallav Mohapatra said rating parameters should undergo change due to the coronavirus pandemic.

"When there is no realisation of sales proceeds by the MSMEs, their cash flows get affected. In such a case, the parameters used for ratings during the pre-COVID period and now should not be the same," he said.

Mohapatra said the working capital cycles of MSMEs are shorter than that of the large companies and they rely largely on borrowed funds.

Tata Capital MD Rajiv Sabharwal said that the MSMEs have been adversely impacted and they need fund for their businesses.

He said Tata Capital is also lending to these entities but the cost of funds is not cheap as compared to banks.

Source: business-standard.com– Jul 30, 2020

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Time for a national policy on migrant labour

The photograph of a migrant worker, who had alighted from a Shramik Express in Bihar, kissing the ground was telling. It reflected his anger at the way he was treated by the governments, not to mention his employer/contractor and the resolve to never leave his home State again in search of work.

In fact, he should count himself among the lucky 6.3 million people who got a train ride back home. Thousands of migrant workers had to walk home hundreds of kilometres, many with their children in tow.

Insecurities — job, income and food — coupled with a fear psychosis forced migrant workers to panic and return home, defying the lockdown. The reverse migration that ensued brought to light many aspects of guest workers that the country conveniently choses not to see.

Though they are said to account for 20 per cent of the total workforce — this puts their number anywhere between 100 million and 140 million — and are said to be responsible for 10 per cent of GDP, migrant workers get a raw deal.

They are paid less and are denied formal contracts even though they work harder and put in longer hours. They are not given gratuity or medical benefits and are not entitled to any leave with pay.

When at work, they do not have adequate occupational safety and out of work, they lack a social safety net. Their living conditions are often appalling. They lack political support as they are disenfranchised (they rarely get an opportunity to cast their vote). The local population hates them as they are seen as job-stealers.

Even under these circumstances if they continue to migrate for work, it is because they earn much more than what they can back home. Despite the relatively poor pay, they manage to save and wire money back home to supplement the family's income.

But the traumatic experience they were subjected to post-lockdown, many feared, would be the last straw which will deter them from migrating in search of work again.

Coming to terms with reality

With lockdown easing across the country and manufacturing picking up pace, industry is beginning to miss the migrant workers. Some companies in host States have already sent buses all the way to Odisha, UP and other home States to fetch the workers.

Migrant workers, on their part, have come to terms with reality. Their initial anger has given way to pragmatism. They have realised that there is no way they can earn enough staying back in their villages. The demand for jobs under MGNREGS is far more than what is being offered.

The textile sector is Coimbatore and Tiruppur is getting 'frantic' calls from migrant labour asking the companies to arrange e-passes and get them back to work. According to labour economists, as much as two-thirds of the migrant labour will eventually return to work.

While their return is critical for the country's rapid economic revival post-Covid, it is only fair that when they do come back, they are treated with the respect they deserve. After all, they are playing a significant part in nation-building. Many will be surprised to know that there is already a law — Inter-State Migrant Workmen Act, 1979 — to prevent exploitation of migrant labour. It calls for registration of all establishments employing migrant labour and licensing of contractors.

Contractors are mandated to provide details of immigrant labour they have deployed to the relevant authority. That apart, contractors should ensure regular payment, suitable accommodation, no discrimination, free medical facilities and protective clothings.

There is a reason why this law has remained just on paper. It is onerous to implement and makes the cost of hiring a migrant labour more than a local. Yet another case of an over-enthusiastic bureaucrat defeating the very purpose for which the law was made. As things stand, there is no information on the number of migrant workers with any State.

Protecting their interests

What is needed today is a national policy on migrant labour. It should accept that migration is inevitable as there will regional inequalities in development. It should ensure that a migrant worker's economic, social and political rights are protected. They should not be discriminated against when it comes to pay and other benefits that regular workers get.

They should be registered and given an ID which can be linked to their Aadhaar and Jan Dhan account. Once this is done, the government can use direct benefit transfer to send them benefits (experts admit that lack of such a facility caused the large-scale reverse migration now).

The Government's plan to have a one nation-one ration card will help them source their entitlements from whereever they are based. Similarly, their voter ID card has to be made portable. This will ensure that they can participate in the democratic process and gain strength as a vote bank.

These measures will help in integrating the migrant workers with their place of work. As Chinmay Tumbe, an expert on migration, puts it: presently "migrants get economic security in the city and social security in their villages".

The policy should also ensure that contractors and the employers are made accountable when they employ migrants. This alone will prevent exploitation. Efforts should be made to skill/re-skill the labourers and a national registry created for them based on their skills. This will help them find jobs independently. Today, they are beholden to their contractor for the next job.

Some baby steps have been taken by two large home States — Uttar Pradesh and Madhya Pradesh. They have set up a Migrants Commission. This is not enough. They should discuss with host States such as Maharashtra, Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, Kerala and Gujarat to ensure that migrant workers are treated well.

A smarter way is to start economically developing their States and creating local employment. If they do so, supply of workers to host States will reduce and employers will be forced to treat them better. But what some home States have instead done is to dilute or dispense with their labour laws. That will go against the interest of migrant workers.

Source: thehindubusinessline.com– Jul 30, 2020

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Date to file revised, belated income tax returns for FY 2018-19 extended to September 30

The government has formally extended the date to file revised, belated income tax returns for the financial year 2018-19, to September 30, 2020 from the earlier date of July 31, 2020. It has also provided relaxations for senior citizens on interest payments on self-assessment tax.

The Central Board of Direct Taxes issued a notification to the effect dated July 29. The finance ministry had announced the relaxation among several others on June 24.

"Provided also that for the purposes of the second proviso, in case of an individual resident in India referred to in sub-section (2) of section 207 of the Income-tax Act, 1961 (43 of 1961), the tax paid by him under section

140A of that Act within the due date (before extension) provided in that Act, shall be deemed to be the advance tax," the Board said.

For senior citizens not having business or income from profession will not be required to pay advance tax, in accordance with Section 207 for assessment year 2020-21, assuming original due date July 31, 2020.

Officials said that if there's a shortfall in tax to be paid is upto Rs 1 lakh as on April 1, 2020, it can be paid before filing return of income on or before November 30, 2020. In this case, no interest will be charged under section 234A, but interest will apply if the amount is more than Rs 1 lakh.

"However interest will not apply if self-assessment tax is paid by July 31, 2020 that reduces the shortfall to Rs 1 lakh and then return is filed by Nov 30, 2020," the official said. The extension will reduce hardship of taxpayers, said experts, amid challenges faced by taxpayers in meeting the statutory and regulatory compliance requirements across sectors due to the outbreak of Covid-19.

Source: economictimes.com– Jul 30, 2020

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And now, anti-viral fabrics?

With the onset of Covid-19, and the focus on health on one hand and the increased use of home furnishing with more time spent at home, on the other, has positioned us on another pivotal juncture. As it is, today health experiences will be in demand, and conversely all experiences will be viewed through a health lens. Home fabrics will be no different.

One may ponder the relation between textiles and health. Textiles provide a large hosting surface for bacteria and viruses that allow them to remain active from days to months. This makes them not only an unsafe surface, but also a source of contagion.

Nikita Desai, Vice President - Strategy and Business Excellence, D'Decor, writes, "But what if the fabric you wear, or the fabric you sleep on has the capability to combat viruses such as the coronavirus, influenza and swine flu? Technology has been constantly terraforming the textile landscaping allowing D'Decor to bring flame retardant, water repellent, and stain resistant and spill proof fabrics to Indian consumers, without compromising on the promise of aesthetic beauty. And in the current environment, we find it incumbent on us, to see that our fabrics provide our customers with as complete a solution for a safe home environment as possible.

The textile industry across the globe is witnessing rapid advancement to cater to this demand. Scientists and technologists are working together to develop 'smart fabrics' that will not just create beautiful spaces at home but have the functional properties of being antiviral, antibacterial and even air purifying.

Such ground-breaking technologies are nurturing new commercial partnerships that will enhance the common fabric to provide a solution that is not just visually appealing but comes with a scientific assurance of a healthier world.

One such partnership can be seen between D'Decor Home Fabrics and HieQ, a Swiss textile innovation company. Recently, HeiQ has launched HeiQ Viroblock NPJ03. It is an antiviral and antibacterial textile treatment – a unique combination of silver and vesicle technologies designed to significantly reduce viral and bacterial infectivity on treated surfaces.

The Viroblock is suitable for all fiber types, from medical nonwovens to fabrics for clothing and home textiles and can last at least 30 gentle washes. Homes, like any other high contact environment, can be fraught with unhygienic and disease spreading agents like microbes, viruses and volatile organic compounds of all kinds.

However, if it is not visible to the naked eye, then it is non-existing in the minds of the consumers. Drawing parallels from the water purifier industry, the category has shifted from being a luxury to a necessity in the upper middle class houses at least.

Clean water meant pure water, however with rise in diseases, water purifiers could find a place in Indian kitchens. For home textiles, the current pandemic has provided the context in an already increasingly health conscious world, that will shorten the cycle and see acceptance from consumers.

Source: newindianexpress.com– Jul 29, 2020

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Textile units told to submit details on migrant workers daily

The state labour department has ordered all the textile units in Surat to submit detailed list of the migrant workers reporting on duty on daily basis.

About 20 industrial estates housing powerloom weaving units, embroidery units and textile dyeing and processing units have been asked to prepare daily reports mentioning the name, mobile number, address of the migrant workers with the details on their antibody and antigen tests.

According to the labour department's order, it is mandatory to update the details of migrant workers on the official email id of the department on daily basis. The unit owners have been told to maintain register of the workers employed in their units.

A senior officer in the labour department told TOI, "Violation of the order would invite action under Gujarat State Epidemic Disease Act, 1897 and Disaster Management Act against the unit owner."

Mayur Golwala, leader of powerloom industry told TOI, "Antibody and antigen tests of the migrant workers is going to be a costly affair for the powerloom weavers. The migrant workers, who had gone to their native places, are yet to return. But, once they start coming, there will be a deluge."

Ashish Gujarati, president of Pandesara Weavers Association said, "Less than 10% units have been able to restart post-lockdown. Even if the workers arrive in the city, it is going to be a difficult task for the unit owners to maintain their details as the units are yet to start."

Source: timesofindia.com– Jul 31, 2020

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