

Mumbai: Rupa Naik, Sr.Jt. Director, World Trade Centre, Mumbai, shares her candid views on the existing scenario in Mumbai, and market amid lockdown,



Hi Aleem this is Rupa Naik
How are you?
I am fine madam

1. Aleem Shaikh : How do you rate the current scenario in the market amid the lockdown and Covid-19 pandemic?

Rupa Naik: The worldwide lockdown witnessed following the outbreak and spread of Covid-19 is historic and it will have colossal impact on trade and commerce. Around 90% of the global economy is in some form of lockdown too.

The world economy is expected to contract 3.2% in 2020, which is the steepest decline seen after the great depression period of 1930s, according to the United Nations.

World Trade is projected to fall between 12% to 32%, according to World Trade Organisation.

These forecasts are only preliminary and subject to revision based on the evolving situation.

USA, the world's largest economy is witnessing job loss of more than 30 million people because of the lockdown.

China, the world's largest manufacturing hub, has suffered worst economic contraction since 1970s. The country's economy is estimated to have contracted 6.8% in Jan – Mar 2020 quarter.

Most other countries are also facing similar effects on economic activity and employment.

2. Aleem shaikh : How will Covid-19 impact the Indian market?

Rupa: Before the Covid-19 outbreak, Indian economy was expected to grow 5-6% in 2020. However, with the outbreak of Covid-19 , economists are expecting almost zero growth in the worst scenario or 1-2% growth in the best case scenario.

There are estimates which suggests that one day of complete lockdown in entire India leads to Rs 30,000 to Rs 40,000 crore of lost economic activity.

However, we have passed the stage of complete nationwide lockdown. Indian economy is going through the fourth phase of lockdown and we expect the lockdown to continue in many districts with gradual relaxation in the weeks to come.

Based on the severity of the Covid-19 disease, India's districts are divided into red (severely affected), orange (moderately affected) and green (unaffected).

Out of 733 districts in India, 130 are in the red zone, where economic activity is largely restricted. Unfortunately, India's major economic hubs of Mumbai, Delhi, Chennai are on the red districts.

In the days to come, the government may relax restrictions in red districts by limiting complete lockdown to only those areas in the district where the situation is grim. The other parts of the district may be allowed to exit lockdown gradually.

Considering this evolving lockdown strategy, it is premature to estimate the impact of Covid-19 on economic activity for the current financial year.

3. Aleem shaikh : How do you look at future of the Indian market post Covid-19?

Rupa Naik : Although there are short to medium term plan in terms of loss to economic output, shortage of labourers and raw materials,we are confident that the crisis will eventually make India more resilient in the long run.

Indian enterprises will learn to adapt to the changing situation,both in the local and global market. Companies will start conserving cash, rationalise their cost structure, reduce unnecessary expenditure, diversify their source of raw materials and look for new markets.

We hope India's policy makers will take progressive reforms to attract foreign investment into the country and improve ease of doing business for existing enterprises.

Overall, we are optimistic that the dynamism of India's entrepreneurship, abundant Human resource and the instinct of the policy makers to reform in a crisis will together bode well for the future of India.

4.Aleem shaikh : Your candid views on the effect in the Trade industry Post Covid-19?

Rupa: Immediately following the Covid-19 crisis, there will be pressure on enterprises to resume activity and repay their loans along with accumulated interest during the moratorium period.

Exporters may face weak demand from overseas because of slowdown in global markets immediately after the Covid-19 pandemic.

Reports suggest that the global IT spending may decline in 2020 amidst economic slowdown. This may, however, affect India's software exports.

Labour intensive sectors such as footwear, textile, gems and jewellery may also face the impact of weak global orders.

In the medium to long run, however, we expect the global demand to normalise and India's exports to pick up.

Similarly, India may face decline in foreign direct investment (FDI) in the short run. However, in the medium to long run, we may see increase in FDI flows as MNCs in China start looking for alternative locations.

5. Aleem Shaikh : Your suggestions on the existing crisis?

Rupa Naik: This crisis will test the competitiveness of enterprises in the medium term. The fittest ones will survive, while the weaker ones will be taken over by stronger players.

I suggest local entrepreneurs to stay competitive, reduce unnecessary expenditure, adopt digital technologies, explore new markets through e-Commerce platforms and diversify supply chain.

Exporters should meet overseas orders mostly under letter of credit or through documentary collections method to avoid default of payment by importers. Exporters should also take adequate insurance from ECGC to cover payment defaults and other risks arising in foreign trade.

My suggestions to policy makers are to improve ease of doing business and follow the principle of minimum government, maximum governance in spirit.

6. Aleem Shaikh : As a Sr. Director of WTC how you are facing this crisis, and how you do you plan to come out from it?

Rupa Naik : MVIRDC World Trade Center Mumbai is following all the standard operating procedures laid out by the administration for running our buildings and facilities.

We have adopted digital technology to minimise disruption in our regular activities.

We are conducting virtual trade programmes to help our members share their grievances and seek redressal from policy makers, financial institutions and government agencies.

We are also conducting virtual trade dialogues with ministers and other government functionaries to promote exchange of ideas between policy makers and industry.

Being a part of the global network of World Trade Center, we are contributing to all the emergency response measures taken by the World Trade Centers Association to navigate through this crisis.

We are confident that our organisation will become more dynamic and resilient as we pass through this crisis.

Aleem Shaikh: Thank you Ms. Rupa Naik for your candid views and suggestions on the present scenario following the outbreak of Covid-19, the subsequent lockdown and the overall impact of the pandemic in the market.

News Edit by K.V.Raman