



PRESS RELEASE

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Indian garment exports hit due to falling sales in US

New Delhi, Oct 29 – Exports of readymade garments from India tumbled 6.59 per cent in September over the same period last year as a direct consequence of global economic slowdown, the Apparel Export Promotion Council (AEPC) said today.

“The market sentiment is very weak,” said AEPC’s secretary general Vimal Kirti Singh. “There is a drop of 20 to 25 per cent in the business of winter apparels from India. A large number of stores in the United States have been closed or are in the process of being closed. Many buyers have filed for bankruptcy due to low demand and economic crisis,” he said in a letter to joint secretary at the ministry of commerce P.K. Dash.

In April 2008, apparel exports jumped to 878.32 million dollars (Rs 3,515 crore), up 26.82 per cent in dollar terms (20.42 per cent in rupee terms) from 692.53 million dollars (Rs 2,919 crore) in the same period last year.

The upswing fluctuated in next three months. In August this year, however, exports dropped marginally to 783 million dollars, down 0.63 per cent from 788 million dollars in August 2007. But last month saw a sharp decline of 6.59 per cent with garments worth 651 million dollars being exported compared to 697 million dollars in September 2007.

Due to rupee depreciating against US dollar, the results were positive in rupee terms with apparels worth Rs 2,980 crore being exported in September (up 5.97 per cent from Rs 2,812 crore last year) and Rs 3,360 crore in August, up 4.41 per cent from Rs 3,218 crore last year).

During April to September 2008, readymade garments worth 4.87 billion dollars were exported from India, up 7.04 per cent from 4.56 billion dollars in the corresponding period of previous year. In rupee terms, the figures work out to Rs 20,760 crore, up 11.47 per cent from Rs 18,631 crore in April to September 2007.

“There is a gradual deterioration in the growth of readymade garments sector,” said Mr Singh in response to the commerce ministry’s queries on the impact of global recession on India’s exports.

Customers like Steeve and Barry’s along with Mervyns have filed for bankruptcy. Pacific Sunwear has closed 150 stores while Lane Bryant, Fashion Bug and Catherines are closing 150 outlets which are under-performing. Foot Locker is winding up 140 stores and Ann Taylor is closing 117 outlets. Many others like Eddie Bauer, Cache, Talbots, J Jill, Gap Inc, Foot Locker, Goodbye Levitz, Home Depot, Macy’s, Pep Boys, J C Penney, Lowe and Office Depot are scaling down operations as well due to falling sales.

As a result, said Mr Singh, many Indian exporters have shut their manufacturing units. A leading exporter in Mumbai has temporarily shut down two factories and laid off 2,000 workers.

The falling rupee has not helped either. A large number of exporters had hedged their exposure and though the rupee is hovering between 49 and 50 against the dollar now, the actual realisation is between Rs 41 and 42. “The export contracts for which foreign remittances are being received now were signed in May or June. In the absence of an alarm system for conversion rate, exporters could not anticipate the exact exchange rate,” said Mr Singh.

Overseas buyers are now renegotiating contracts due to depreciating rupee. So freight-on-board (FoB) values are falling, he added.

On the other hand, neighbouring countries like China and Pakistan are helping their industries with export incentives. On August 1, China's ministry of finance and the state administration of taxation increased export tax rebate on some textiles and apparels from 11 to 13 per cent. The move was expected to fetch additional profit of 2.6 billion dollars to the industry.

The rebate will be raised to 14 per cent on November 1, said Mr Singh. A total of 3,486 products involving labour-intensive and value-added items will benefit from the move. Chinese export-oriented companies, especially small and medium-sized firms, have seen their earnings decrease sharply due to falling overseas demand, rising yuan as well as surging raw material and labour costs.

Pakistan has reintroduced research and development assistance at six per cent for garments to boost exports. The move will ease operating pressure on companies and enhance their competitiveness.

In India, however, the government cut duty drawback rates from September 1. The rate for cotton apparel declined from 11 per cent to 8.8 per cent, for blended apparel from 11.2 per cent to 9.8 per cent and for synthetic apparel from 11.5 per cent to 10.5 per cent.

In other words, the rates have been reduced by 20 per cent in case of cotton garments, 12.5 per cent in case of blended garments and 8.7 per cent in case of man-made fibre garments.

Nearly 78 per cent of garments exported from India are cotton-based. The AEPC official called for 14.64 per cent duty drawback rate for cotton garments from September 1.

Almost 80 per cent of inputs required for the Indian apparel industry are sourced domestically compared to 50 per cent in China. India's readymade garment exports totalled 9.69 billion dollars in 2007-08.

The AEPC represents over 8,000 small, medium and large exporters in India. The country ranks as fifth largest exporter of readymade garments globally.

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