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PRESS RELEASE

Rising fabric prices amid economic slowdown making garment exports unprofitable: AEPC

New Delhi, Nov 14 -- Rising cotton prices and consequent increase in fabric costs coupled with a severe economic downturn globally is taking a heavy toll on garment exports out of India, the Apparel Export Promotion Council (AEPC) said today.

Fabric prices have jumped dramatically in the past one month, forcing many exporters to cut production and honour contracted quantities at a loss, said AEPC chairman Rakesh Vaid.

"The rising prices of fabric, which constitute 55 to 60 per cent of export values, have increased between 23 to 42 per cent in the past one month," he said in letters to textile minister Dayanidhi Maran and finance secretary Ashok Chawla.

Giving specific details, Mr Vaid said the price of 48-inch super dyeing cotton voil grey 92/80 moved 32.5 per cent from Rs 20 per metre four weeks back to Rs 23 two weeks ago to Rs 26.50 at present.

Similarly, 48-inch 60 cotton cambric grey 92/80 is now trading at Rs 28.50 per metre, up 42.5 per cent from Rs 20 a month ago and Rs 24 a fortnight back. Also, the price of 48-inch cotton lining 70/90 moved up from Rs 10.50 four weeks ago to Rs 11.15 two weeks ago to Rs 13 now, showing an increase of 23.8 per cent.

"Any increase in input prices immediately impacts the entire planning of exporters," said Mr Vaid. "Hence, the government must immediately increase duty drawback rates from 8.8 per cent at present to 13.25 per cent of the FoB value to offset the losses."

Due to global economic recession and dropping retail sales in all importing countries, the Indian apparel export industry is already running on losses or at a wafer-thin margin of one to two per cent.

"The increase in duty drawback rates will give some respite to the industry while it waits for recessionary tendencies to recede," said Mr Vaid adding that the Cotton Advisory Board has reported lower estimates of cotton crop by 10 lakh bales.

This is fuelling domestic market speculation that fabric prices may go up further, he said while urging Mr Maran to take up the issue of duty drawbacks with the department of revenue on urgent basis to prevent collateral damage to the industry.

The AEPC chairman also supported recommendation by the Confederation of Indian Textile Industry (CITI) to ban cotton exports for stabilising yarn and fabric prices in the country.

Garment exports from India tumbled 7.32 per cent during April to September and levelled at 4.84 billion dollars as compared to 5.22 billion dollars in the year-on period.

The apparel export industry provides employment to 3.5 million workers directly and another three million indirectly. It earns foreign exchange to the tune of Rs 50,000 crore annually.

The AEPC represents about 8,000 small, medium and large garment exporters. India exports garments worth 10 billion dollars annually and ranks as the sixth largest exporter in the world.