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PRESS RELEASE

### **Garment exports tumble over 15 per cent in first quarter of current fiscal year**

New Delhi, Aug 4 -- Continuing recession in global markets is taking a toll on garment exports out of India with the latest figures showing a 15.4 per cent fall in first quarter of current fiscal year.

Data for April to June 2009 released today by the Apparel Export Promotion Council (AEPC) shows the country exported clothes worth 2.41 billion dollars compared to 2.85 billion dollars in the same period of last year.

In June alone, garment exports totalled 870 million dollars -- down 10.15 per cent from 968 million dollars in June 2008. In May this year, garments worth 765 million dollars were exported -- down 11.35 per cent from 863 million dollars in May 2008. In April, the figure was 809 million dollars -- marking a decline of 8.71 per cent from 886 million dollars in April 2008.

The downturn was more pronounced in exports of silk garments which tumbled 29.31 per cent to 82 million dollars in April to June this year from 116 million dollars in the first quarter of last year. It followed a 27.2 per cent fall in exports of clothes made from manmade fibres which totalled 190 million dollars compared to 261 million dollars in April to June 2008.

Exports of cotton garments slipped 14.13 per cent to 1.86 billion dollars (2.17 billion dollars in April to June last year) while wollen garments tumbled 7 per cent to 93 million dollars from 110 million dollars in April to June last year.

Apparel made from other textiles saw a decline of 5.5 per cent to 189 million dollars in April to June this year from 200 million dollars in the corresponding period of

last year. "Thus the erosion was spread across all categories," said AEPC chairman Rakesh Vaid.

In 2008-09, apparel exports out of India were 14 per cent short of the 11.62 billion dollar target and levelled at 10.17 billion dollars -- barely 4 per cent above 9.68 billion dollars in the previous year.

The slowdown in garment exports from India started in mid-2008 when retail orders from advanced economies in north America and Europe began to feel the impact of the most devastating economic meltdown worldwide since World War II, causing widespread unemployment and altering consumer spending behaviour. Many economists predict that recovery will be agonisingly slow.

In the 373 billion dollar global clothing industry, India's share has fallen over the years from 3.3 per cent to 2.8 per cent to 2.6 per cent now. To retail the current share of 2.6 per cent, India needs to export 18 billion dollars worth of clothes annually which will require 2.7 million additional manpower and investments of 30 billion dollars.

The unit value realisations have also contracted. For example, the realisations for garments to the United States fell from 3.6 dollars a piece in 2007 to 3.4 dollars in 2008 and to 3.3 dollars this year.

On the other hand, India's cost disability of about 20 per cent has resulted in smaller economies like Bangladesh surpassing by huge margins. The AEPC has thus called for following measures to be included in the forthcoming foreign trade policy:

- duty-free scrips which are currently worth two per cent of the export values for the United States and the European Union should be increased to five per cent
- the scheme available till September should be made co-terminus with the foreign trade policy for 2009-14
- apparel should be included in the focus product scheme
- import of industrial garment machinery including machinery required for inserting accessories should be allowed at zero duty from three per cent at present
- import of specialised fibres, yarns and fabrics not produced in India besides trimmings and embellishments should be allowed duty free
- facility of permitting import of consumable spares at concessional rate of five per cent flat customs duty should be restored.