

India's Textile and Clothing Export Posts 6.1 per cent CAGR During 1996-2006

Indian textile and clothing industry is a major contributor to the country's export earnings. The textile and clothing exports cover a wide range of items containing cotton yarn and fabrics, manmade yarn and fabrics, wool and silk fabrics, made-ups and a variety of garments. According to a paper recently published in the Journal of the Textile Association, Indian textile and clothing (T and C) export has grown at a compound annual growth rate (CAGR) of 6.1 per cent during the period from 1996 to 2006. The total value of T & C export was \$ 9.55 billion in 1996 and it rose to \$ 17.08 billion in 2006.

Although Indian T & C export has maintained a reasonable growth, it was much lower in comparison with that of China. While during the period from 1980 to 2006 Indian T & C export moved with low and stagnant share in the world export, China is stated to have performed aggressively and raised its share in world textile



export from 4.6 per cent to 22.3 per cent and that in world clothing export from 4.0 per cent to 30.6 per cent. In comparison, India's share in world textile trade posted a moderate increase from 2.4 per cent to 4.3 per cent and that in world clothing trade from a meagre 1.7 per cent to 3.3 per cent.

The value of export of various textile and clothing items by India during five years from 2001-02 to 2005-06 is reported to have been as under :

Textile and Clothing Export								
(In million dollars)								
Year	RMG	СТ	MMT	Others	Total			
2001-02	5004	3051	1086	1581	10722			
2002-03	5705	3370	1421	1949	12445			
2003-04	6248	3609	1826	1848	13531			
2004-05	6559	3543	2050	3069	14021			
2005-06	8403	4493	2000	2182	17078			

Note : RMG - Readymade garments; CT - Cotton Textiles; MMT - Man-made Textiles; Others include Silk Textiles, Wool and Woollen Textiles and Jute, Coir and Handicraft.

It will be seen that during the five-year period from 2001-02 to 2005-06, the total export of textile and clothing posted a growth of about 59 per cent. The maximum growth of 84.2 per cent was recorded by man-made textiles followed by readymade garments at about 68 per cent. Export of cotton textiles grew by a lower but reasonable 47 per cent.

RBI Hikes CRR

One of the steps taken by the Reserve Bank of India (RBI) in its third quarter review of the monetary policy is to hike the cash reserve ratio (CRR) i.e. the proportion of the total deposits which the banks have to park with the RBI, by 0.75 percentage points to 5.75 per cent from the existing 5 per cent. This measure is expected to take Rs. 36,000 crore out of the banking system. It is not, however, likely to affect the availability of funds for lending since the banking system is said to be awash with surplus liquidity. The present step by the RBI had been widely expected as a measure to contain inflation.

While for some time now, the policy of RBI had been directed towards managing the economic

Per Capita Cloth Availability Risen by Nearly 50 per cent During Last Decade

Although there has been steady expansion in the country's population, it appears that cloth production has outpaced this growth resulting in an appreciable rise in the per capita availability of cloth, the data published by the Textile Commissioner reveal. The year-wise data in this regard for the last ten years are given below :

Per Capita Cloth Availability (sq. mtrs.)									
Year	Cotton	Non	Blended	Total					
Cotton									
1998-99	13.07	10.99	4.13	28.19					
1999-00	14.16	11.91	4.48	30.55					
2000-01	14.22	11.96	4.50	30.68					
2001-02	14.82	12.46	4.69	31.97					
2002-03	14.40	12.59	4.38	31.37					
2003-04	13.41	13.09	4.51	31.01					
2004-05	14.08	15.32	4.11	33.51					
2005-06	16.37	15.41	4.32	36.10					
2006-07	17.90	17.01	4.69	39.60					
2007-08	19.01	18.03	4.81	41.85					

It will be observed that between 1998-99 and 2007-08, per capita availability of cloth registered a rise of 48.5 per cent from 28.19 sq. meters to 41.85 sq. meters. A fibre-wise study shows that the maximum increase was in the non-cotton segment which went up by 64 per cent during the period. The increase in the per capita availability of cotton cloth was also appreciable but quite lower at 45.4 per cent. The growth was much lower at 16.5 per cent in the case of blended cloth.

crisis, the main focus now is said to be to manage the country's economic recovery. It is claimed that any increase in interest rates could have affected economic growth in 2009-10 which the RBI now expects to be 7.5 per cent as against 6 per cent projected earlier. Hence, the Central bank has left the interest rates untouched, with the repo rate and reverse repo rate retained at 4.75 per cent and 3.25 per cent respectively. Repo rate is the rate at which the banks borrow from the Central Bank and the reverse repo rate is the rate at which banks can keep their surplus fund with the RBI. The RBI Governor is quoted to have stated that his focus has been on maintaining an interest rate environment consistent with price stability and financial stability.

CITI's Plea to Centre for Working Capital for Cotton Purchase

In a letter to the Union Finance Minister, the Chairman of the Confederation of Indian Textile Industry (CITI) is reported to have made a plea to the Centre to provide working capital liberally for purchase of cotton by mills. It is claimed that this would increase the consumption of cotton and also help the textile as well as farming sectors. As against the current 25 per cent, the request has been to reduce the margin to 10 per cent. Also, the interest rate has been requested to be brought down to 7 per cent while the period has been requested to be increased to 9 months instead of 3-4 months as at present.

The CITI Chairman has reportedly pointed out that there has been a huge increase in cotton prices consequent on the hike in the minimum support prices (MSP) and also because of the global shortage of cotton. The textile industry has been running into losses for two years now and as a result, mills do not have resources for purchase of cotton especially at the current high prices. Therefore, the Centre has to make provision for working capital for cotton purchase, he is quoted to have urged the Government.

Further, the CITI Chairman reportedly stated that on the export front, Indian textile and clothing products have become uncompetitive not only because of the high cost of production in the country but also because the competing countries in Asia have provided huge incentives in their export of textile products. In order to improve the competitiveness of Indian products he reportedly pleaded that export credit for textile and clothing units may be provided at a uniform rate of 5 per cent interest both for pre-shipment and postshipment credit.

SUPPLY AND DISTRIBUTION OF COTTON February 01, 2010							
Years Beginning August	1	rebruury	01, 2010		Million Metric Tons		
	2005/06	2006/07	2007/08	2008/09Est	2009/10Proj.	2010/11proj.	
BEGINNING STOCKS							
WORLD TOTAL	11.611	12.271	12.601	12.029	12.28	10.53	
China(Mainland)	2.622	3.991	3.653	3.321	3.85	3.12	
USA	1.196	1.321	2.064	2.187	1.38	0.94	
PRODUCTION							
WORLD TOTAL	25.646	26.766	26.037	23.413	22.18	24.12	
China (Mainland)	6.616	7.975	8.071	8.025	6.80	7.40	
India	4.097	4.760	5.219	4.930	5.10	5.33	
USA	5.201	4.700	4.182	2.790	2.70	3.36	
Pakistan	2.194	2.147	1.894	1.960	2.11	2.23	
Brazil	1.038	1.524	1.602	1.214	1.20	1.30	
Uzbekistan	1.210	1.171	1.206	1.000	0.95	0.96	
Others	5.290	4.488	3.864	3.494	3.32	3.54	
CONSUMPTION							
WORLD TOTAL	24.985	26.434	<i>26.484</i>	23.282	23.93	24.53	
China (Mainland)	9.439	10.600	10.900	9.000	9.32	9.55	
India	3.655	3.908	4.050	3.863	4.13	4.34	
Pakistan	2.532	2.633	2.637	2.452	2.55	2.63	
EU, C.Eur. & Turkey	2.117	2.087	1.751	1.433	1.42	1.44	
East Asia & Australia	1.884	1.869	1.843	1.690	1.71	1.73	
USA	1.278	1.074	0.999	0.781	0.74	0.70	
Brazil	0.973	0.992	1.007	0.974	0.96	1.01	
CIS	0.633	0.682	0.664	0.602	0.59	0.58	
Others	2.473	2.589	2.632	2.485	2.52	2.56	
TRADE IMBALANCE 1/	-0.124	0.084	0.031	0.045	0.00	0.00	
STOCKS ADJUSTMENT 2/	0.123	-0.086	-0.157	0.076	0.00	0.00	
ENDING STOCKS							
WORLD TOTAL	12.271	12.601	12.029	12.281	10.53	10.11	
China (Mainland)	3.991	3.653	3.321	3.850	3.12	3.03	
USA	1.321	2.064	2.187	1.379	0.94	0.98	
ENDING STOCKS/MILL USE (%	5)						
WORLD-LESS-CHINA(M) 3/	53	57	56	59	51	47	

1/ The inclusion of linters and waste, changes in weight during transit, differences in reporting periods and measurement error account for differences between world imports and exports.

34

59.15

30

72.90

43

61.20

33

72*

32

2/ Difference between calculated stocks and actual; amounts for forward seasons are anticipated.

3/ World-less-China (Mainland) ending stocks divided by world-less-China (Mainland)'s mill use, multiplied by 100.

4/ China (Mainland)'s ending stocks divided by China (Mainland)'s mill use, multiplied by 100.

42

56.15

5/ U.S.Cents per pound

CHINA (MAINLAND) 4/

Cotlook A Index 5/

The price projection for 2009-10 is based on the ending stocks/consumption ratio in the world-less-China in 2007-08(estimate), in 2008-09 (estimate) and in 2009-10 (projection), and on the ratio of Chinese net imports to world imports in 2008-09 (estimate) and 2009-10 (projection), and on the average price for the first six months of 2009-10 95% confidence interval: 66 to 78 cents per pound

<u>S N I P P E T S</u>

The exports of man-made textiles have grown steadily during the last few years. It is now reported that their exports reached an all-time high of Rs. 15,767 crore during 2008-09 from Rs. 5693 crore in 2001-02. It is stated that massive capacity expansion in recent years has made the man-made textile fibre industry quite self-sufficient with State-of-art machinery and technology. The industry pays great importance to quality and productivity, adds the report.

Farmers in China, the world's top consumer of cotton, plan to grow less this year as lower returns shift more acreage to grains and fruits instead, a survey by an influential academy. Cotton areas in 2010 were likely to fall by 4.9 per cent from 2009 to about 4.78 million hectares, according to the survey polling nearly 4,000 cotton farmers in 16 major growing provinces by the China Cotton Research Institute.

Lower output in China, the world's largest importer, could prompt more imports next year.

China has already increased import quotas this year after domestic output fell by more than 10 per cent last year.

The Government stockpile of 2.72 million tonnes of cotton from farmers has resolved their difficulty in selling their harvest, but failed to boost their incomes, the report posted on China Cotton Association's website. Higher input costs have given farmers 20 per cent less in returns as compared with grains. Grain farmers benefit more from Beijing's subsidies, it said.

In Xinjiang, the country's largest cotton area, farmers have already shifted large cotton fields to grow fruits, which can generate much higher returns. The Institute urged Beijing to raise cotton subsidies to promote planting of high-yield seeds and take measures to reduce labour costs. China's cotton imports in 2009 fell 28 percent to 1.5 million tonnes, of which 40 percent came from the United States.

UPCOUNTRY SPOT RATES (Rs./Candy)										
Official quotations for standard descriptions with				SPOT RATES (UPCOUNTRY) 2008-09 CROP						
basic grade and staple in Millimetres based on Upper Half mean Length under By-law 66 (A)(a)(4)			30th	Ja 1St	nuary - Fe 2nd	bruary 20 3rd	10 4th	5th		
04.ICS-103	23mm	Jayadhar	4.0-5.5	19	22000	22000	21800	21800	21800	21800
		0	200	9-10 C	CROP					
01. ICS-101	Below 22mm	Bengal Deshi (RG)	5.0-7.0	15	22500	22500	22300	22300	22300	22300
02. ICS-201	Below 22mm	Bengal Deshi (SG)	5.0-7.0	15	23300	23300	23100	23100	23100	23100
03. ICS-102	22mm	V-797	4.5-5.9	19	19100	19100	18900	18900	18900	18900
05. ICS-104	24mm	Y-1	4.0-5.5	20	24000	23700	23500	23500	23500	23500
06. ICS-202	25mm	J-34	3.5-4.9	23	25000	25000	24800	24800	24800	24800
07. ICS-105	25mm	NHH-44	3.5-4.9	22	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
08. ICS-105	27mm	LRA-5166	3.5-4.9	24	25000	25000	24600	24600	24600	24600
09. ICS-105	28mm	H-4/ MECH-1	3.5-4.9	25	25100	25100	24900	24900	24900	24900
10. ICS-105	29mm	S-6	3.5-4.9	26	26000	26000	26000	26000	26000	26000
11. ICS-105	31mm	Bunny/ Brahma	3.5-4.9	27	26300	26300	26100	26100	26100	26100
12. ICS-106	33mm	MCU-5/ Surabhi	3.3-4.5	28	27200	27200	27000	27000	27000	27000
13. ICS-107	35mm	DCH-32	2.8-3.6	31	40000	40000	39500	39500	39500	39500
14. ICS-301	26mm	ICC	3.7-4.3	25	25100	25100	25100	25100	25100	25100