

Hopping from one uncertainty to another



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The author has covered various issues that manipulated the Indian Garment Industry during 2012, published earlier in fibre2fashion. This article is a summarization of all the industry events.

Views expressed are the personal opinion of the author.

Perhaps, it is the time to go nostalgic at the end of the year that was. It is desirable, perhaps even necessary that we should pause for a while from the hot pursuit of the events that keep on happening, some of which are not too pleasant and others slightly better, but need to take the holistic look at the total scenario.

As per January 2011 review, I find the picture was far from rosy. Review of the year 2011 started with the bare, even though somewhat alarming, facts, stating, “The projected GDP growth has been revised by the Government of India from 9% as projected in the Budget for the current year to 7.5%..... Other indicators are : India’s average monthly inflation rate for the last seven month is 9.62%; upward revision of interest rates 13 times in the last 20 months; 16% fall in the Rupee’s value in terms of US dollar during the last two months; a sharp decline to 1.9% growth in factory output in September, the lowest in two years; Excise mop-up dips 6.5% when compared to corresponding period last year; lowest business confidence during the last 4 years and poor investment sentiment. To cap it all, there is utter sense of helplessness and drift on the part of the Government, which has been charged by India Inc. and of course by the Opposition of “Policy Paralysis.”

Where do we stand today? Are we are on a different ground? Yes, but only in terms of degree in terms of hopeless performance. There has been a seldom, if at all, year that has witnessed painfully consistent under-achievement in garment exports, month after month after month, as compared to last year, even when our performance was nothing to be proud of, then.

A journey back into year 2012 would bring out the broad contours of policy and of events to provide us with a “feel” of all that happened during the period.

JANUARY

In the Cover Story for the month, titled “Indian Garment Exports: Low on Hopes”, I summarized the situation then prevailing, stating “Though it is not our intention to be prophet of gloom, but it would also be naïve – and even dishonest – to turn a blind eye to the ground realities. How and how soon can the Government get out of the crisis that it has landed itself into and what would be garment export scenario for India, is something that the Commerce Ministry alone can make a guess, which could be widely off from our estimate of apologetic growth during 2011-12. Lately, in fact only the other day, the Commerce Minister has announced an export target of \$14 billion for the year

2012-13, to which we only agree to disagree as he has not disclosed the basis on which his eternal optimism is based since the Indian garment exports are low on hopes.”

Our feature on “Foreign Retailers Revisiting Their Strategies”, we discussed that the decision of the Government to hold back its Cabinet decision to allow 100% FDI in retail has turned many an apple cart of the international retailers who have started retooling their plans. WTO Director General, Pascal Lamy’s call for “Trade Openings should Continue Even as Global Economy Outlook Worsens” was both timely and appropriate, as discussed in our feature on the same title. We have covered in another feature that the US has unveiled a number of new initiatives to help textile and apparel industries in LDCs getting more benefits from the global trade. Another feature discusses “Falling Rupee Sinks to New Low; Fails to Cheer up Garment Exporters”.

We also highlighted “China’s Rush for FTAs”, which was indeed an important development, worth the attention of our valued readers. The feature that attracted maximum attention was on “Government Admits Putting out Wrong Export Figures; Promises New Methodology”, where the Government was caught pants down, for which the Government only blamed mis-classification and also error of double counting, passing on the buck to “computer software”.

In the international trade fair section, we previewed of Hong Kong Fashion Week and World Boutique and Tex-Trends India 2012. We also reviewed London Fast Fashion Tour, which was a huge hit. In this issue, we published an interaction between The Stitch Times and Dileep Kulkarni of TBM on why they have forayed into SME sector. We also covered Pearl Academy of Fashion hosting IFFTI Conference on Fashion without Frontiers.” An article on “The Problem of Plenty” by the Editor of The Stitch Times was highly appreciated by the embroidery fraternity. A case study of Lectra bringing in 80% improvement in productivity also was appreciated by our readers.

FEBRUARY

We tried to superimpose optimism in an otherwise somewhat depressing scenario leading to constant and quick downward revision of GDP growth; from 9% to 7.5% to 7.3% and then to 7%. It was observed that our important export destinations of US and EU hardly offered any solace to us due to their continuing problems at home. IMF tells that while the world has not come out of 2008 recession, another recession is building up which could be more damaging than the earlier one. One also finds a restricted Government role and the RBI doing precious little to curb violent fluctuations in value of Indian Rupee. India external debt rose to a high level of \$326.6 billion which outpaced forex reserves of \$293.54 billion. We could find only a little comfort (if that word can at all be used) in manufacturing industry picking up to 4% from the rock bottom of 1%+ and inflation moving downwards to a single digit. RBI also did its little bit by reducing Cash Reserve Ratio (CRR) by 0.5%, thereby inducting Rs. 32,000 crore in the market but the good news ends there, without any relief on any front. On realization that it would be foolhardy to expect the Government to anything substantial the Cover Story suggests the garment exporters to fend for and look after themselves.

The views and suggestions of Pascal Lamy, Director General WTO to address macro-economic imbalances through co-operation were published in a feature, in which he shares his deep concern about unsustainable and socially unacceptable unemployment levels. The misgivings of international retailers on the conditionality of 30% sourcing from Indian SMEs, while participating in FDI in retail business were discussed in another feature. In yet another feature, the question whether China's textile exports can withstand pressure to maintain growth in 2012, has been discussed threadbare. India has the potential to be world leader in handmade textiles was another important topic discussed in this issue.

A number of international trade fairs like China Import and Export Fair also known as "Canton Fair" was previewed with special reference to textiles and garments, which were to be covered in phase 3 of the fair. Hightex and ITM Texpo Eurasia 2012 to be held on 21-24 April, 2012 was to have a special focus on technical textiles. This message was important and appreciated by our readership. GT Expo's preview revealed fiercer competition on productivity and cost cutting. Review of Heimtextil 2012, held on 11 January, 2012 boasted of 70,000 quality visitors and big orders. New Trends for 2012-13 at Heimtextil were very well received by our readers. Review of Hong Kong Fashion Week and World Boutique confirms that both the shows won accolades. Tex Trends India 2012 brought global textile players on one platform.

Amidst all this, IMF report saying that risk to global economy is "more dangerous than ever" caught the attention of our readers. An article on Lean Management, with the caption "Business as Unusual – Trash to Cash" was highly appreciated. "Spinning – by its tail" article from C.S. Sathyanarayanan, Partner BDO Consulting Private Ltd. was found interesting by our readers.

MARCH

The [Central Budget](#) which has generally been presented on last working day of February got delayed this time. It was announced in March, 2012. This issue which was published on the eve of Budget surveyed the expectations of trade and industry, as reflected in the memorandum that the trade bodies submitted to the Finance Minister for consideration. AEPC wanted re-introduction of tax incentives under Section 10A/10B of Income Tax to the exporters, apart from continuing DEPB till introduction of GST. FIEO wanted interest rate for MSMEs to be capped at 7% and inclusion of export in priority sector lending. CITI wanted import duty and 4% special additional duty on man made fibres to be abolished and CST to be reduced to 1 per cent pending operationalisation of GST. GEA said the Budget should make exports more competitive by combating rising inputs costs, tight liquidity conditions. CII was for aggressive policy stance like increasing depreciation rate on plant and machinery, introducing investment allowance, fast-tracking implementation of 100 mega projects, among others. FICCI wanted operationalisation of Direct Taxes Code (DTC), suitable mechanism for expeditious refunds of taxes. ASSOCHAM seemed quite happy with recommending broad policy direction on need for new impetus to manufacturing sector. The Stitch Times, in its conclusion, wanted "out-of-box" thinking by postponing some of new social sector schemes and going slow on on-going social sector schemes to avoid fiscal deficit.

In International trade fair section, we previewed ITM 2012, announcing that French machinery manufacturers are likely to show up in a big way at ITM. Another preview declares, “Latest Technology for Textile, Clothing and Footwear Gathers at Dongguan in March 2012. Back home, second edition of InFashion was likely to be much bigger than the previous one, our preview said. Review of GT Expo brought out the fact that the latest technology on digital printing was the focus of the event. This issue also published an interview of Vinod Krishnamurthy, CEO, Mimaki, who focused on digital printing, which needs to be known more about technology. To add glamour to this issue, we published a report on Wills Lifestyle India Fashion Week, which took fashion to the next level.

This issue also covered an interview with A. Sakhtivel, who seeks level playing field for Indian garment exports. An article on Lean Management was also published with the title, “Leaders must be the change you want to see.” There were some interesting stories like “invisibility is the goal for truly smart fabrics” and innovative yarn for sportswear and leisurewear.

APRIL

The Cover Story, captioned: “[Cotton Exports: Industry Totally Shocked](#)” analyses the flip flop cotton export policy. First the Government imposed a ban on cotton exports on 5 March, 2012 and then within one week, the ban was lifted to the utter dismay of Indian textile industry. This did result in creating a crisis in the textile and garment industry, because making full use of this policy, the multinational foreign traders made huge purchases and exports, leaving the Indian textile industry starving for cotton. There was China element too, who had protested against ban. The genesis of the problem, the turns it took and our suggestions has been discussed in detail.

I had also commented on the [Budget Proposals for 2012-13](#) in considerable details and recorded the views expressed by different trade bodies like AEPC, CITI, GEA, CMAI, SRTEPC and FIEO, apart from our analysis thereof and ending up with suggestions. Our conclusion rightly summed up the Budget exercise, that the Budget Proposals have been crueler than kind, much against the promise of the Finance Minister of presenting a “kind Budget”.

Reflecting the determination of Obama Administration for “Insourcing” jobs, a number of steps were taken which potentially impacted the US economic and trade relations. Our feature on “President Obama Announces New Initiative for “Insourcing” Jobs deals with those steps and the likely impact thereof. Another feature on apparel exports clocking 18.9% growth in February 2012 discusses this increase threadbare.

International trade fair previews included JIAM, where the bookings were fast pouring in despite the event being still 6 months away. Screen Print India 2012/ASGA India exhibition offers several attractions, which were lapped up by the industry. In our Review Section, we continued our report on GT Expo which focused on latest technology on digital printing. Another important event was InFashion 2012, which has been hailed

as South Asia's only textile and ingredient innovation show, rapidly grew in stature with 182 brands participating in the event. Yet another review found that FESPA Digital 2012 made huge incremental gains with 50% first-time visitors.

MAY

[Indian Monetary Policy for 2012-13](#) announcements took everybody by surprise. Nobody ever thought of any possibility of the bonanza that was offered by Reserve Bank of India. Repo rate under liquidity adjustment facilities by 50 basis point and greater reduction of Reverse Repo rate by 100 basis points made stock market ecstatic and euphoria in industry and trade circles. The Cover Story deciphers the contours of the monetary policy, its expected outcome on Indian economy with risk factors. While appreciating this gesture on the part of RBI, we had also stated that the gravity of the situation on the ground calls for many actions, since one act is not enough, as the title of the Cover Story carries.

JUNE

The sudden and serious fall of India from a success story to a failing country, which manifested itself in a number of indicators, was too fast and too shocking. [Indian Rupee](#) nosedived by almost 20% in value with continuing uninhibited free fall almost on daily basis, Current Account Deficit showing up a yawning gap of \$116 billion, GDP declining from 9.4% in Jan-March 11 to 5.9% in corresponding period in 2012, IIP plummeting from 5.3% in April, 2011 to -3.4% in March, 2012 with similar steep declines in FII investment all were read as signs of "policy paralysis". Of all these factors, free fall of Indian Rupee was taken for in-depth study. However, the only silver lining was that a depreciating rupee could help promote Indian exports.

JULY

The announcement of Annual Supplement for 2012-13 to the Foreign Trade Policy 2009-14 brought some cheer to otherwise depressing scenario of Indian economy. Basically, the announcement was largely extending the 2% interest subvention scheme, which was also extended to ready-made garments, extension of zero duty EPCG up to 31 March, 2012, allowing the zero duty EPCG even after availing of TUFs and SHIS schemes, among others. The policy was welcomed by the trade and industry. However, our view was that the sheer gravity of the situation within the country, as reflected in lowest growth of 5.3% in nine years, sluggish industrial of a mere 0.1 per cent, rupee losing its value and sheen by over 25% during last one year read along with the global economic scenario would render all of our heal-hearted and naïve efforts meaningless.

In our Features section, we published a number of features including "EU GSP Scheme to Reduce Number of Beneficiary-countries from 176 to 75", "Mexican Way of Avoiding Wrong Invoicing Textile, Apparel and Footwear Imports", "Rising Costs in China Create Opportunities Abroad", "France Still for EU Carbon Tariff on Imported Goods", "BRIC Nations Poised to Support Global Lingerie Industry", "Burma's Clothing Industry has a Hard Road Ahead" and "Indian Garment Exports Sliding", among others.

“Brimming Enthusiastic Exhibitors Book More Than 1000 Booths” announced the headline of our preview of JIAM 2012 Osaka. “Over 10,000 Visitors, Over 300 Exhibitors to Meet at Interfilere Shanghai and Shanghai Mode Lingerie” summed up our preview of these fairs. Huge rush of exhibitors for participating in YIWU H&G 2012 was observed in our preview. “INDIA ITME 2012 to Showcase Latest Textile Technology in Mumbai in December” was another headline for a preview. Under reviews of international trade fairs, 111th Canton Fair, the world’s largest trade show, “encouraged growth at a difficult time”. Another trade fair review spoke of Glamour-Studded Denim by Premiere Vision. Another review informs our readers, “Interior Lifestyle Tokyo Creates ‘best record’ of exhibitor numbers.

This issue carried a report on “Despite Crisis, EU External Trade More Dynamic and Now Eyes on Technical Textiles”, says Euratex President, Alberto Paccanelli. A conference on Smart Fabrics 2012 highlights academic research and industrial application.

AUGUST

The Story “[*Attempts to Resuscitate Exports and Indian Rupee - Too Little, Too Late*](#)” surveys and finds that Indian growth story is turning sour, particularly with the high volatility of Indian rupee and unpredictable world economy. It discusses India as an investment destination, on which hinges value of Indian rupee and our exports. Quoting President Obama’s concern over the deteriorating investment climate in India and pushing up the reform process and our Indian response thereto, we felt that the value of Indian rupee fluctuates with the perception of FIIs, who can by heavy investment push up our forex reserves and value of Indian rupee, in happier times, but they would be the first to desert our financial markets, once they find the economy failing to perform.

SEPTEMBER

A die-hard optimist Commerce, Industry and Textile Minister announced the raising of export target for textile products from \$38.31 billion to \$40.50 billion for the current fiscal. This included garment export target of \$ 18 billion, when the Economic Advisory Council of the Prime Minister had stated that “there is a dark mood in advanced economies, especially in Europe....which will have an adverse impact on Indian exports”. Our Cover Story surveys and dissects the validity of the decision to raise the export target in the present situation.

JIAM 2012 was under constant preview, as its creative linkage theme attracted hordes of innovative technology players. We brought to the notice of our readers of a new show for Mexican apparel and sewn products. Our review of Moda Lingerie and Swimwear, which reported another record season, was highly appreciated. Separately, Lakme Fashion Week made waves, which witnessed a record growth with 220 buyers doing meaningful business at the event. The Indian collections were highly appreciated by our readers.

Management Tips can turn problems into treasures, when identified, corrected and tracked, says an article by David Pate, Director, TBM Consulting Group Inc. This too was appreciated by our readers.

OCTOBER

At long last, the much-touched reform on [FDI](#) saw the light of the day after having been in limbo for several months, as the Government seemed to be failing to take the parties supporting the Government on board. After walk out by Trinamool Congress, the Government took the bold step to announce new FDI Policy in retail, which made India Inc euphoric and foreign press gleefully welcoming it. New York Times, The Washington Post and Wall Street Journal used choicest words while appreciating Indian decision on FDI in retail. Publication of background material for Cabinet note, MEME Minister's opposition to dilute 30% procurement clause under pressure and sharp exchange of missiles between opposing groups were the highlights of the events that followed. Our view that FDI in retail is not all a virtuous act; it has a flip side too and the reason as to why thought so were highlighted in our Cover Story.

Chinese garment exports decline by 0.2%; revival of US apparel manufacturing being mulled; ILO, Labour Rights Groups seriously concerned about Pak factory fires; Global cotton stocks pile up unexpectedly high; Revised EU product safety law includes new inspection rules, India's GDP growth falls to 5.5%; CII puts it at 6%, Falling retails sales shows up weak recovery in China and Foreign retailers selling products to Indian customers Online were the subject matter of the features published in this issue.

NOVEMBER

Uncertainty certainly loomed large for [Indian garment exports](#) which have been declining month after month during the current fiscal, causing serious concern both to the Government and garment exporters. AEPC expressed its concern loudly and sought an early inking of Free Trade Agreement with European Union and took several measures to arrest the declining trend in garment exports. The Government, on its part, was still looking into the problems, while IMF slashed India's growth for calendar 2012 to 4.9%. Mounting trade deficit and low forex reserves drove to the Government to seek relief in opening up retail sector to FDI, hoping it would attract lot of foreign investment. The Stitch Times expressed its doubt. What and why of this and several other factors that has gone into creating that situation have been discussed in this Cover Story.

An important event for the Indian garment export sector was the continued inclusion of Indian garments in the US Executive Order 13126, which we covered in our report as also the reaction of AEPC to the US Order, leaving it to our readers to judge if we are equal to the task which is important to the cause of Indian garment exports. "Chinese export confidence drifting while costs continue to rise", "Competitive outsourcing goes beyond China", "Multi brand retailing to create opportunities for T&C sector : CITI" and "Poll suggests worst may be over for Indian economy" were the features that were liked by our readers.

Turbulent times, depressed consumer markets and challenges were the words that were freely exchanged and juxtapositioned with co-operation and opportunities at the IAF Convention 2012, which came back with brain storming sessions. Near-sourcing is “certainly possible” in apparel industry and optimizing processes and boosting collaboration is a must are some of the conclusion of the report, we published in this issue.

DECEMBER

On the threshold of New Year, we captioned our Cover Story “[Indian Garment Exports : Uncertainty Looms Large](#)”, which I must confess reflects of optimism that we should start with even if the present situation is far from being rosy. I do not remember any time when our garment exports have declined month after month after month in a fiscal, as it has done this time. India’s exports maintained its southward movement. But this is not limited to India. Other countries, too, have not performed well, if we were to go by their exports. With both the US and the EU being engaged in their own problems, with US struggling to find a way out of “financial cliff” and EU struggling with the impending republic default by more than one member of the Union, the world garment trade has also declined. However, a small silver lining for India could lie in our signing FTA with EU, which would give it an advantage of 12% duty that our garment exports to EU are being subjected to.

From digital fashion design to the creation of cutting patterns would be focus of Texprocess, Fespa Fabric 2013 to be held in London could be your destination for garment decoration and textile print and Café Moskau fully booked again with international brands were the headlines of our previews of these events.

On review, we found Interstoff Asia Essential concluding on a high note; while IFFT/Interior Lifestyle living provided good business and Third edition of Source Zone got lukewarm response.

What Future Holds Forth for us?

The scenario is far from happy, both domestically and internationally.

According to Reserve Bank of India, since the Second Quarter Review of October 2012, the global economy has shown some signs of stabilization although the situation remains fragile. While activity is picking up in the US and the UK, near-term prospects in the euro area are still weak. Moreover, there is no clarity as yet on how the US ‘fiscal cliff’ might be managed. While several emerging and developing economies are gradually returning to higher growth, weak external demand and contagion risks from advanced economies render them vulnerable to further shocks. India is not going to be an exception.

Back home, there has been a consistent decline in export of garments since April, 2012, the start of the current fiscal, month after month and there is a distinct and widespread

feeling that the export orders are shrinking, raising doubts of any revival. As a matter of fact, even the festive season orders have not been up to the market expectations that kept the on-going slowdown in the advanced economies in mind. I do not personally see any hopeful sign of pick up of garment export orders, save some marginal gains in non-traditional markets. Even the international retailers, who have lately been feeling the pinch of increase in prices of Chinese garments, seem to be preferring other developing and competing economies like Bangladesh, Vietnam, Cambodia and of late, other African states; even if India did get some slice of diversion of the orders.

We still are miles away from signing FTA with the European Union, which could have given us some relief, in terms of duties that Indian garment attract while entering the EU shores. Our exporters have expectantly been looking forward to this concession. Our marginal gains in new markets can hardly compensate our loss of exports to the US and the EU.

The Government keeps on announcing a slew of export incentives, every time the export scenario gets darker, but those have, by and large, been half-hearted and whatever has been offered by way of continuing the previous sops, there, too, has been a thick air of uncertainty.

There was an air of uncertainty a year ago and there continues to be uncertainty now; we are indeed only hopping from one uncertainty to another.