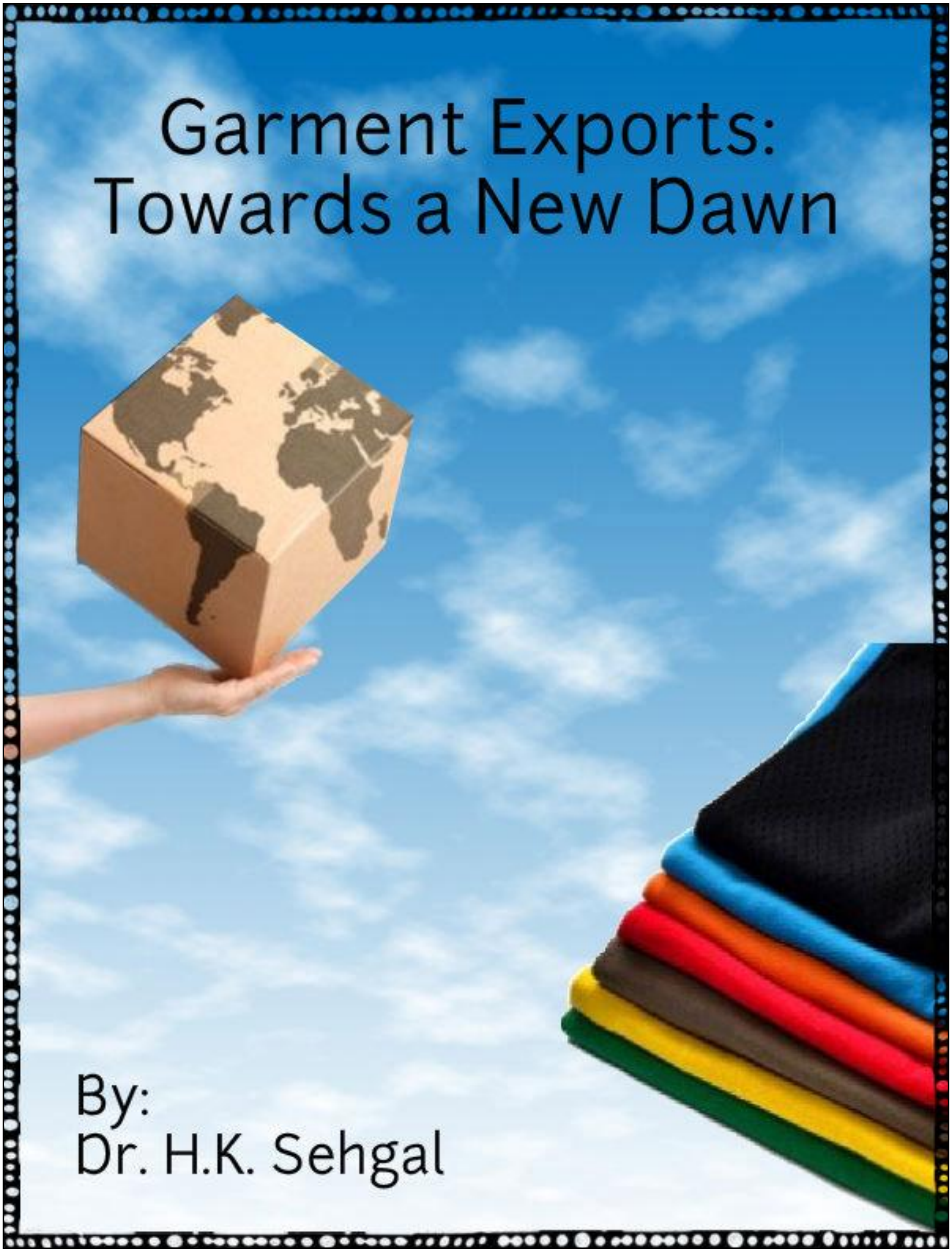
Garment Exports:
Towards a New Dawn
By:
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(Views expressed in this article are the personal opinion of the author.)

The garment exports have not been performing well. This would stand corroborated by the fact there has been near stagnation in garment exports, which was of the order of $10.11 billion in 2008-09, $11.00 billion in 2009-10, and $11.01 billion in 2010-11. However, during 2011-12, the exports went up to $13.69 billion. Though there has been an acknowledged decline in exports during the current fiscal, the Government, in its wisdom, first fixed a target of $14 billion and then raised it to $ 17.00 billion, which was further hiked to $18 billion, which has been dubbed as “difficult” to “extremely difficult and unlikely to be achieved” by various trade bodies. Export in dollar terms for first six months of the FY 2012-13 has declined by 10.21 per cent over the same period of previous FY and reached to USD 6226 million. (See table below)

India's RMG Export to World						
	FY 2011-12		FY 2012-13		MoM Growth (%)	
Month	In INR Crore	In US$ Million	In INR Crore	In US$ Million	INR	US$
April	5203	1173	5486	1059	5.44	-9.72
May	5533	1232	5650	1037	2.11	-15.83
June	5546	1236	6192	1105	11.65	-10.60
July	5691	1281	5936	1070	4.31	-16.47
August	4827	1066	5497	989	13.88	-7.22
September	4503	945	5275	966	17.14	2.22
Cumulative **(April-September) [6 Months]**	***31372***	***6934***	***34034***	***6226***	***8.49***	***-10.21***

However, in rupee terms exports increased by 8.49 per cent compared to same period of last FY. In April-September 2012-13 in rupee terms apparel export of India was to the tune of Rs. 34034 crore compared to Rs. 31372 crore in April-September 2011-12. In the FY 2011-12 exports in dollar terms increased by 17.9 per cent from previous FY and totalled USD 13699 million in April-March 2011-12.

Though there has been a marginal improvement in our garment export efforts which resulted in stepping up of our exports to “new markets”, but the very fact that our exports have continued their flat journey year after year and have shown declining trend during the current fiscal month after month only shows that the “new markets” cannot substitute for the conventional big markets of the EU and the US. The clarion calls being repeatedly made by our Minister of Commerce Anand Sharma that we should try to explore and promote our exports to new markets can at best be a very small relief, and never a substitute for the Western markets. Any unduly large hopes on "new markets" are highly misplaced and even diversionary.

In fact, we can never afford to miss out the US and the EU markets in our garment export trade and yet stay afloat. This would call for our constant and consistent monitoring the possibilities of these markets picking up, which do not aspire any confidence, at present, for clear reasons.

First, the US market

The fact of the matter is that there has been a downward trend in imports of garment in the US market as a part of the economic slowdown in the US. Apparel imports of the United States witnessed decline of -1.38 per cent in Jan-Aug. 2012 from the corresponding period of previous year and amounted to 51.5 billion dollars. For the same period, US imports of apparel from India declined by 4% per cent and reached to USD 2213 million in Jan-Aug 2012 against USD 2479 million in Jan-Aug 2011. US imports saw decline almost from all major suppliers in Aug. 2012 over the corresponding month of last year except for Vietnam.

In the month of Aug. India reached 7th position overtaken by Honduras which exported around US$ 249 million apparel to USA in Aug. 2012 despite decline of 5% over the same month of previous year while India exported US$ 236 million apparel in Aug. 2012 with decline of 10.7% over the same month of previous year.

Top Apparel Supplier Countries to US (Value of imports in USD Mn.)								
	2010	2011	Jan–Aug 2011	Jan-Aug. 2012	Aug. 2011	Aug. 2012	%age Change Jan-Aug.2012/ Jan-Aug 2011	%age Change Aug. 2012/ Aug.-11
Total Apparel Imports of US	72520	77659.4	52306	51585	8315	7725	- 1.38	- 7.10
China	28773	29392.2	19220	18974	3534	3289	- 1.28	- 6.94
Vietnam	*5797*	*6644.1*	4315	4669	661	674	8.20	1.92
Indonesia	4436	5051.7	3498	3433	495	440	- 1.85	- 11.15
Bangladesh	*3848*	*4509.9*	3139	3077	464	403	- 1.98	- 13.11
Mexico	3670	3803.6	2641	2616	371	347	- 0.95	- 6.49
Honduras	2,477	2,694	1819	1743	263	249	- 4.18	- 4.99
India	*3158*	*3316*	2479	2213	264	236	- 10.71	- 10.41
(Source: U.S. Department of Commerce Office of Textile and Apparel, 2012)								

Among the top 7 suppliers in Aug. 2012 all registered decline in export to USA except for Vietnam. Vietnam registered maximum growth from the same month of previous year.
As to the current fiscal, the situation is far more uncertain. Much depends upon how the US Administration handles the fiscal cliff in the US - where more than $600 billion of tax increases and spending cuts are expected to shrink the economy.

There does not seem to be any meeting grounds between the Democrats and Republicans and unless both the sides agree, it would be difficult for the US avoid the serious consequences of crushing tax burden of $600 billion alongside hefty spending cuts. Either of the double whammy of massive tax increases and ruthless slashing of spending would seriously impact the American consumer, which would inevitably adversely impact the American spending. This subject has seriously and even passionately been debated and the expressions being used like "US economy falling like a rock" do reflect the seriousness of the situation.

Therefore, as of now, one cannot be sure what steps the US Administration will take to tackle the situation. This is what is likely to make guess of the things likely to happen more hazardous. We will have to wait and watch the turn of the situation in the US, the first inkling of which is likely to be available sometime in the month of December, 2012. Till then, any comments would be pre-mature and wishful.

Now, the EU market

There has been downward trend in garment imports by the EU. EU's apparel import accounted for USD 56.5 billion for the Jan.-Aug. 2012 with a decline of 13.8 per cent over the same period of previous year. India's export to EU for the same period in 2012 amounted to USD 3.8 billion with a decline of 24 per cent. For the period Jan.-Aug 2012 decline in EU's import is attributed to decline in exports by most of the countries except Bangladesh which recorded a marginal increase during the same period.

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In the month of August 2012 compared to same month of last year, all top 4 suppliers registered decrease in the import of EU. Highest fall in import has been registered by China followed by India. India's export to EU amounted to USD 4996 during Jan-

August, 11 which decreased to 3809 million with decline of 21.08 per cent for the same period.

Ever since the Euro crisis broke out, there has been an air of uncertainty with some swings kindling the hope but which did not lead to any significant improvement, keeping the pot boiling. Efforts have been on for all this while to see that there is no republic default which has, somehow or the other, been averted after coming dangerously close to default but actual default has successfully, even if temporarily, avoided.

Within the EU, some of the strong economies like Germany and France have been doing well, but these have been burdened with the load of pulling other countries along. Various proposals have been floated from time to time to salvage the position, but nothing of any importance which could inspire confidence of solution of the present set of difficulties has emerged. This makes the whole scenario somewhat hazy. Even the strong economies are not without any threats. Recently, France has been threatened with downgrade by a credit agency. So it would not be prudent to assume that the strong economies are rock strong and do not face any threat of decline.

India-EU FTA

Our exports to the European Union have faced serious decline for quite some time; in fact, our decline in garment exports to the EU has been steeper than other countries, which is a matter of serious concern, given the fact that the EU has all along been perhaps our most important garment export destination. High hopes had been raised with the announcement of India likely to sign a Free Trade Agreement with the European Union, but it has been subjected to serious delays. Perhaps, the Ministry of Commerce has failed to fully appreciate the urgent need for signing of India-EU FTA. It needs to be understood that with the economic slowdown that has engulfed all the economies, the EU has officially been acknowledged to have plunged in to recession. This has taken a toll on the consumer spending, which has contracted leading to fewer imports. This has rendered the competition for the limited demand for garments in the EU countries. Quite apparently, only such exporting countries can bag the export orders which offer the lowest prices – an advantage that India sorely misses. At present, Indian garment exports are being subjected to 12% for their entry in the EU. This could change once India signs Free Trade Agreement with the EU.

Indian textile industry' concern

Textile exports to EU have drastically fallen this year with the region reeling under the worst ever economic recession in recent times. The FTA was expected to be signed in October-November this year but textile industry officials say that it has now been pushed back to the first quarter of next year.

Within the EU region, India's textile exports have suffered the most in Italy, where the exports are down by 33.65 per cent during April - September FY13 as compared to same period the previous year. In France and Germany, exports are down by 31.28 per cent and 28.53 per cent respectively on a year-on-year basis. India's overall exports of made-ups have declined by 5.76 per cent in the first six months of the current fiscal year to $11,960.74 million. "Value-wise, the difference between this year and last year's exports has narrowed down because the rupee has weakened against dollar in FY13 as compared to FY12. In the April-September 2012 period, the rupee was valued at 45.24 against the dollar but in the first six months of FY13, the rupee has fallen to 54.66 against dollar. But volume-wise exports were much less," said DK Nair, Secretary General of the Confederation of Indian Textile Industry (CITI).

Textile exports from India to EU, which attracts an import duty of 12 per cent, are costlier than that from Bangladesh. "There is no duty on EU imports from Bangladesh, which has emerged as one of our biggest competitors in the world markets," said Nair. Exporters find the inordinate delay in signing FTA with EU quite disappointing. Gautam Nair, Managing Director, Matrix Clothing, said: "The weak recovery in the EU region and the US has reduced the purchasing power of people in these markets, leading to a shortfall in the overall demand. The India-EU FTA should come soon, because EU is our biggest market and the textile sector will benefit from this." Incidentally, orders from EU in the post-Christmas period have just dried up.

Raja M Shanmugan, MD of Tirupur based Warsaw International said European importers were keen that India sign the FTA. "They realise that we are disciplined, have ample cotton raw material, technical knowhow and will be competitive. So, why should we remain behind Bangladesh, which enjoys duty- free access to the European Union (EU), Australia and the US?" he asked. Ludhiana-based ready-made garment exporter Deepak Dumra has seen a 10 per cent fall in export orders. "Orders are slow particularly from Greece, Spain and Italy and we are being hopeful of things improving by early next year," added Dumra.

But then all is not lost, and one can see the light at the end of the tunnel. Admittedly, there has been quite a bit of delay on the part of the Government, but with a new Finance Minister, some new policy correctives have been taken, with the result that there is a distinct feeling of "Feel Good", which has been missing for quite a while, is fast re-emerging. With the Government agreeing to the discussion on FDI in retail sector on the terms of the Opposition, both the Houses of Parliament are now set to meet to conduct business. The lift in the market sentiment is also reflected in the Sensex crossing 19,000 marks after several months.

Elsewhere in the world, the US economy is picking up. The employment figures are encouraging though the most difficult task of properly tackling "financial cliff" still remains to be done, but then, there is sometime – just a few weeks – that is still available for the US administration to set things right. There are indications that both the Democrats and the Republicans would join hands together to pull the economy out of genuine fears of “dropping like a rock” being allayed and that an amicable settlement of issue is quite likely, in the interest of the US economy. Once this is done, one can reasonably expect the US economy to pick up.

There is similarly good news coming in from European Union front as Greece has now been granted the funds that will see it pull though from the continuing crisis. This has also lifted the sentiments not only of Europe but also of the world.

These are good signs and we feel that with the decline in our economy having bottomed out, we can expect a new dawn, sooner than later, but the question whether the garment exports are heading towards a new dawn will be best answered by time to come.

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