

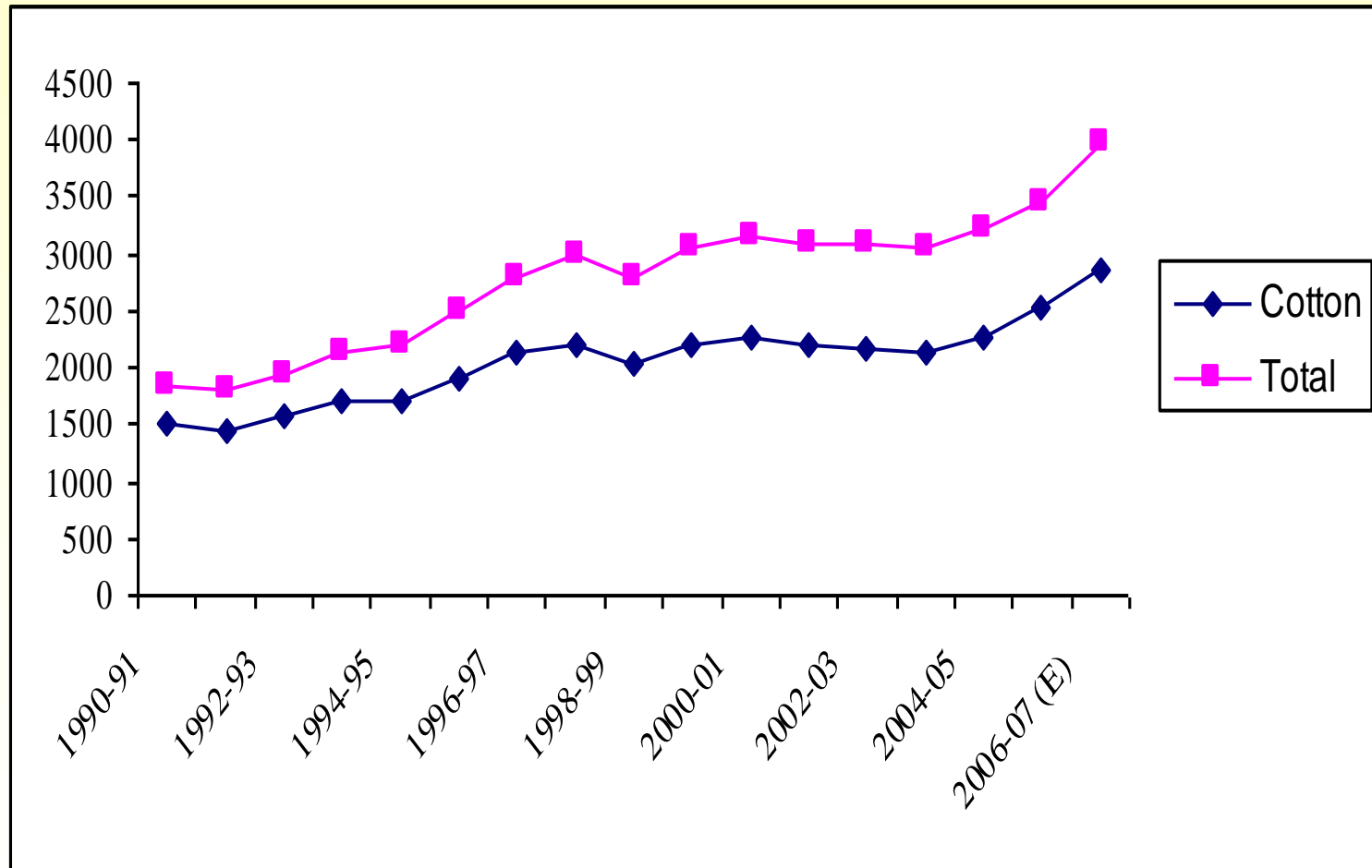
# **Indian Textile and Clothing sector: Coping with Downturn**

**JN Singh**  
**Ministry of Textiles**

- **The Indian Textile sector had a great run during the period 2004-5 to 2006-7 and a reasonably good 2007-8.**
- **Yarn and fabric production increased by almost 8-9% p.a. during the first two years and a moderate 5% during 2007-8.**

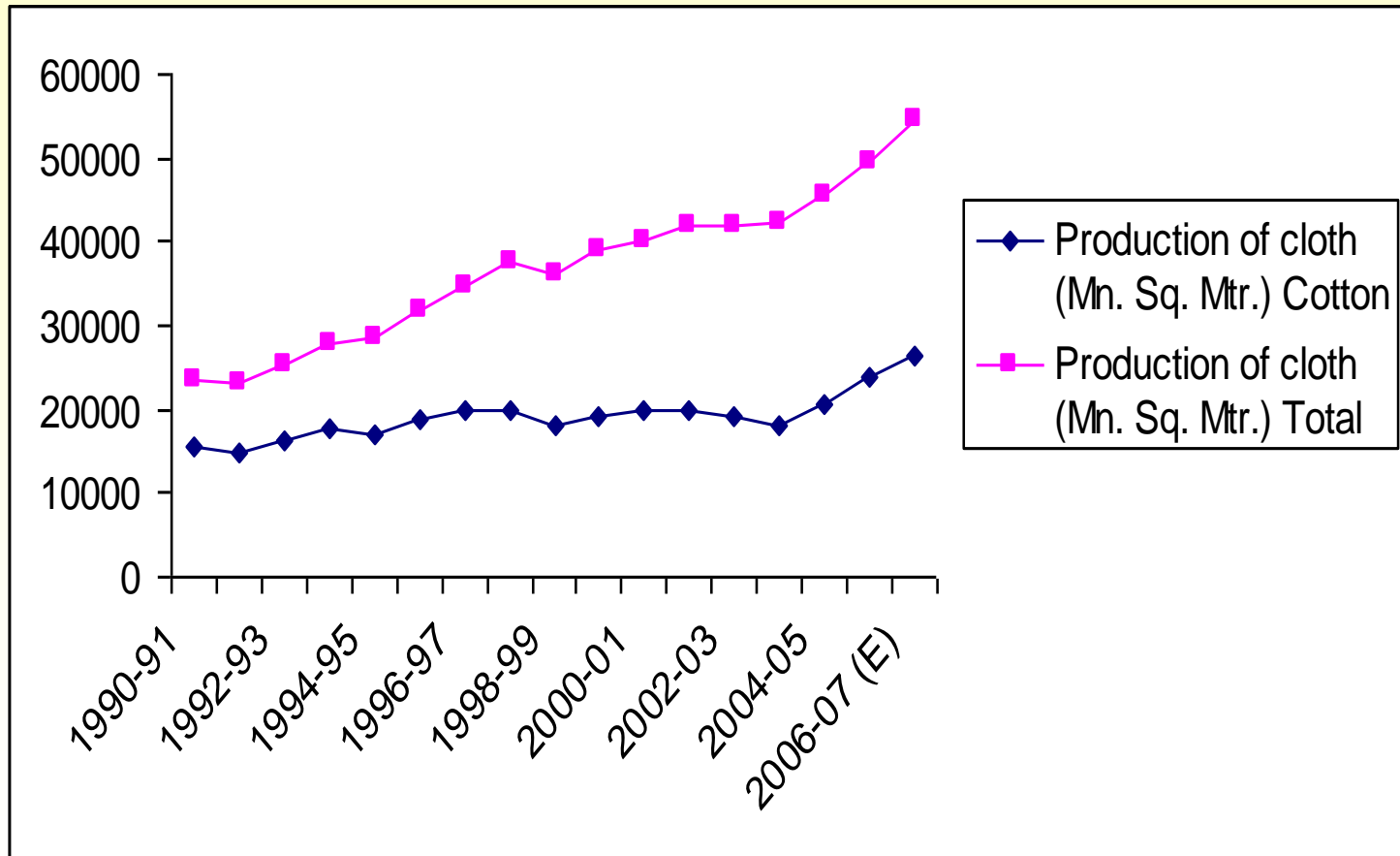
# Trends in Production: Yarn(M kg)

Source: Official Indian Textile Statistics, Govt. Of India



# Trends in Production: Fabric

Source: 'Official Indian Textile Statistics', Govt. Of India



## **2008-9 was a bad year by all counts.**

- **A decline of 1.91% in fabric production**
- **A decline of 2.22% in spun yarn**
- **The top 45 textile sector companies posted a meager profit of Rs 116.06 crores over a turnover of 10768 crores in Q4 2008. Several major companies suffered a loss.**
- **The next 48 companies in aggregate actually suffered a loss of Rs 126.77 crores over a turnover of 2847 crores in Q4 2008.**

## What caused this bad turn?

- **As we all know , global downturn had a major impact. Consumption in US declined drastically. As a result, the overall T and C import of US declined by 3.34% in the calendar year 2008 compared to 2007. How ever in 2009 upto July the decline is 14.18%.**
- **India's T and C exports decline to US in 2009 upto July is 10.48%.**
- **A similar problem was faced in Europe as well.** *One should remember here that about 65% of our exports are to these two destinations and exports are over 40% of our production.*

- **Over and above the global down-turn, there was the issue of high MSP in cotton which did not allow the price of cotton to fall significantly.**
- **Issue of power in some states also slowed down production.**

- **However, what helped us sustain was domestic demand in India. The GDP growth rate continued to be over 6% even in the worst times and the consumer demand never flagged as it did in US or EU.**
- **The next two slides show how India and Asia compare to many other countries.**

# US manufacturing as compared to emerging Asia



# GDP of India and China shines compared to developed world



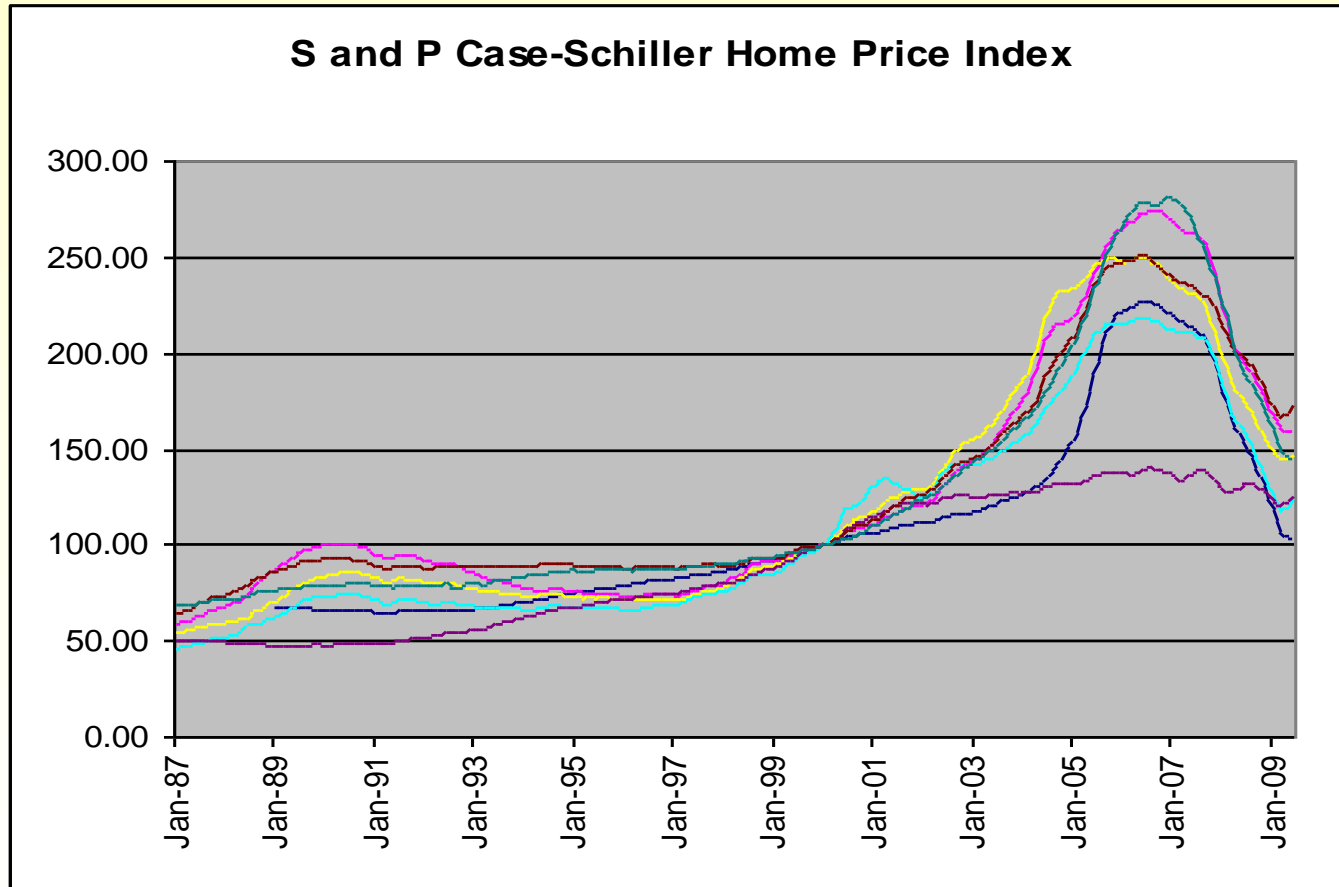
# How do we see the future now?

- Do we expect some change in scenario or would be another long and tough period ahead of us?
- Will the market see some emerging demand scenario?
- Basically it boils down to the issue – do we recover from here?

# Interesting concept- green shoots

- "From a technical perspective, the recession is very likely over at this point," Ben Bernanke – Fed Chairman on the 15<sup>th</sup> Sept. On 16<sup>th</sup>, Warren Buffet repeats these sentiments.
- Compared to July 2009 the retail sale of clothing and accessories in US has increased by 2.4% in August 2009, (published on 15<sup>th</sup> Sept) while even July 2009 had increased over June 2009 by 0.2%. *It should however be remembered that Aug 2009 is down compared to Aug 2008 still by 5.1%.*
- **As the next slide will show the housing sector in US – the source of much consumer wealth- has also started improving. By June 2009, the decline in home price had been arrested as shown by the slightly rising curve. And as we all know demand from the housing sector boosts demand throughout textile sector.**

# Home price variation over 20 yrs period in various US towns-LA, Washington, Denver, Miami, SF,SD,Phoenix.



# Green shoots in India too

- The months of April- July 2009 have shown a positive fabric production of 2.2%. The yarn production , initially in negative, has shown a positive trend in July – though minor. What is heartening that after a disappointing 2008-9, things are showing some uptrend.
- Though the overall export scenario is still bad, at least in synthetic sector, uptrend has been seen esp in July and August 2009.
- The excise revenue is up by 22% in August 2009 over July figures- showing signs of industrial recovery.

# Too early to predict return to good times

- **What we are witnessing are some hopeful signs, it is just too premature to say that things have changed for the better. Much depends on the consumers of US and EU. *It should however be noted that it is our own consumers who helped us survive this downturn.***

**We hope that the Q1 2009 figure of Rs 392.68 crores profit to the top 45 textile companies ( an improvement over Rs 116.06 crores in Q4 2008) would improve in the next quarters and we will experience greater growth in this sector – which will then help our employment issues for the masses.**

- We would compliment the textile sector to have passed through/ still passing through very harrowing times and coping up very well.**
- We wish green shoots develop into mature and healthy plants.**

**THANKS AND BEST OF LUCK**