

## **Trends in the Indian Apparel Sector**

### **What is the issue?**

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- India's apparel exports (cloths and fashion), is slowing down, mainly due to competition from countries like Vietnam and Bangladesh.

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- Comprehensive reforms are needed to make Indian apparel competitive.

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### **What are the trends?**

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- Data released by "Clothing Manufacturer's Association of India" (CMAI), indicates that exports of clothes went down by 4% overall in 2017-18.

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- More significantly, the figures for April 2018 has fallen a whopping 23% from the 2017 numbers for the same month.

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- While CMAI partly blames weak international demand for this scenario, such an argument does not stand up to sustained scrutiny.

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- An analysis of the other major apparel producers in the developing world seems to indicate that the problem is related to the Indian conditions.

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### **What is the state of competitor countries?**

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- While apparel exports from Indian had fallen by 4% in the last financial year, Bangladesh registered almost 9% growth over the same period.

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- Vietnam is now the fifth-largest producer, as well as exporter, of clothing and

exports in the sector grew by over 14% in calendar year 2018 (thus far).

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- Despite the recent slowdown, Sri Lanka nonetheless registered an overall yearly growth of 9% in 2017-18.

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- The industry has indeed flagged the loss of markets to competitor countries as one reason for reduction in exports from India.

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- This merely underlines the fact that this is a structural problem, and not something related to demand conditions at the moment.

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### What are the problems in the sector?

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- **Financial** - The industry has complained that its tax position has turned adverse since the introduction of GST.

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- Resultantly, a “textiles package” was given out by the government, which has focused on tax tweaks that would refund certain levies.

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- The decision to allow fixed-term employment contracts in the sector and the promise to bear employer’s PF contribution for 3 years are significant ones.

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- **Structural** - The problem with textile and apparel competitiveness in India is the small scale of Indian factories as compared to its competitors.

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- This raises average cost, reduces firm flexibility when it comes to dealing with small orders or new-style inventory, and makes capital investment harder.

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- For instance, in Bangladesh, an average factory has 600 workers, whereas Indian factories are a fraction of that size.

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### What is the way ahead?

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- A more comprehensive approach is needed to liberalise the labour laws as well as other difficult regulations to incentivise the sector.

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- Rising manufacturing cost in China has opened up new opportunities in the apparel sector and India cannot afford to miss them.

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- Hence, rather than a piecemeal approach, comprehensive reforms are needed to achieve the desired ends.

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**Source: Business Standard**

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