

Apparel exports plummet on weak US demand

The Indian apparel industry is no longer feeling buoyant with exports falling sharply following weak demand in the US. According to industry officials, garment exports are estimated to fall short of the targeted \$9 billion by at least \$1.5 billion this year.

'With blank order books and idle units, exporters are hoping that the government will come to their rescue before it's too late,' Confederation of Indian Textile Industry chairman R.K. Dalmiya told IANS.

Added H.K.L. Magu, Apparel Export Promotion Council executive committee member: 'The market sentiment is very low, and anyway buying clothes always takes a backseat during recession. We are among the first to feel the pressure.'

The signs are indeed ominous and all players, big and small, fear that the recession could stay longer than expected. Garment exports to the US constitute almost 55 percent of India's total garment exports, and with a large number of retailers in the US shutting shops or cancelling orders, it is obvious that the market faces a major slump.

Said Rishi Vig, chief financial officer of House of Pearl, a leading apparel export firm: 'Exports to the US have certainly been hit, and are slowing down in [Europe](#) as well.'

Exporters are now under high pressure as more and more American buyers are pushing for bigger discounts. 'US retailers are selling at a discount, and are pressurising suppliers to slash rates,' Vig added.

On top of this, countries such as Vietnam, Bangladesh and Cambodia are eating into India's share of exports to the US. 'Labour cost in Bangladesh is almost 40 percent lower than in India and in a labour-intensive industry like textile and apparel, competitiveness is usually a measure of cost, at least for us,' said Dalmiya.

According to Vig, the mid-market segment has been the most affected; the higher segment has not been hit as the clientele here is not as price-sensitive. The lower segment too seems to have ridden over the crisis, with big players such as Wal-Mart keeping the product price band low, and beginning to attract consumers who would not have visited such stores earlier.

'Wal-Mart with its price sensitive offerings has wooed customers away from other retailers. The high-end segment is anyway price insensitive and so exports to this segment have not been affected significantly,' Vig said.

With margins under pressure and no signs of the recession abating early, apparel exporters will have to look at other avenues to shore up revenues.

'Indian exporters will have to move up the value chain. Even if the recession ends, we will keep losing business to countries like Bangladesh, as they can produce at a lower cost,' said Vig.

James Jose (© IANS / India eNews)