Declining Exports of Cotton Textiles – A Matter of Deep Concern

Exports of cotton textiles continued their downward spiral declining by 24.5% during April-July 2019. The provisional data for the first three weeks of August 2019 also shows that the 25% decline in exports is continuing month on month basis. Expressing deep concern at this declining trend in cotton textile exports, Dr.K.V.Srinivasan, Chairman, The Cotton Textiles Export Promotion Council (Texprocil) in a statement said that a commodity wise analysis of the data shows that while garment and made-up exports have shown a positive growth, exports of cotton yarn/fabrics are showing a declining trend. A sharp and precipitous decline especially of cotton yarn during the last four months by about 35% has led to a crisis situation in the spinning industry. In fact, the monthly exports of cotton yarn are at a 5 year low of 59-60 million kgs. Exports to major markets like China have declined by 50% and Bangladesh by 38% and Korea by 45%. Dr.K.V.Srinivasan stated that made-ups and garments exports are recording positive growth mainly on account of the extension of the ROSCTL which rebates all types of State and Central taxes. This measure has not only ensured that taxes are not exported by the garment and made-up sector but also enabled them to regain competitiveness. In view of this, he has appealed to the Government to also cover the exports of cotton yarn and fabrics in the ROSCTL schemes and refund the State and Central taxes. These taxes are in the range of 6-7% of the value and will go a long way in mitigating the serious situation in the spinning and weaving sector.

He further added that many of the competing countries are gaining access in various export markets like China, South Korea, Turkey mainly on account of the preferential access given to them by the importing countries leading to further erosion of India's market share. Dr. Srinivasan pointed out that while Vietnam has increased its exports of cotton yarn to China by 17% during the last four months, India's share has declined by 16% during the same period.

In view of the sharp decline in exports, Dr. Srinivasan stated that the sector is in a very critical situation as many production units are shutting down and needed urgent policy support. He also requested the Government to extend the 3% Interest Equalisation to cotton yarn.

These measures will help the cotton yarn sector and the spinning industry at large to minimise their losses and regain their competitiveness.