ICA INSTITUTE

Economic Briefs

INDIA

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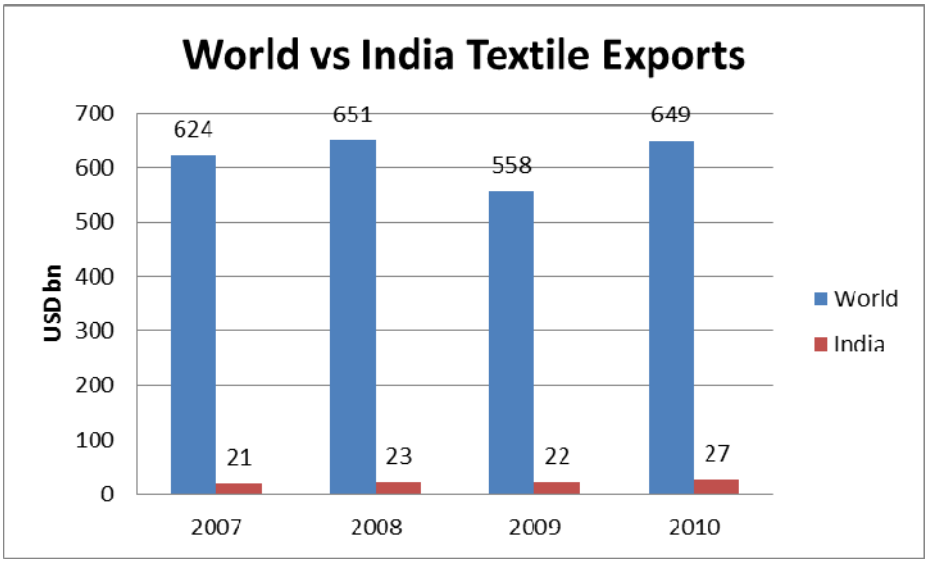
Sectoral Snapshot

The Indian Textile Industry in 2011: The Emperor is Fully Clothed

In 2010, world textile exports were $649 billion, which was a 16% increase from the recessionary year of 2009 (fig 1). China accounted for 30% of global textile exports in 2010, while the rest of the countries contributed 5% or less each. India's textile exports of $27 billion, 5th in the world by value, represented only 4.2% of world's exports during 2010.

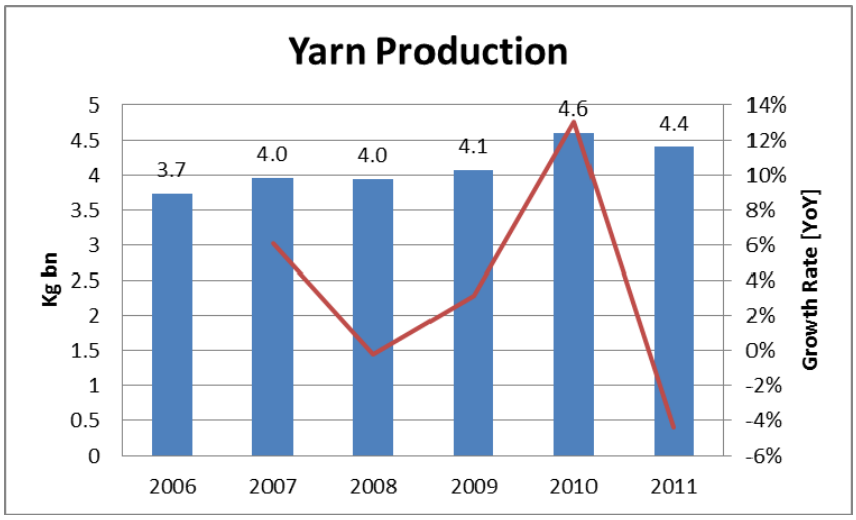
Fig 1



Source: CEIC Data

Production of yarn in India has grown modestly from 3.7 billion kilograms in 2007 to 4.6 billion kilograms in 2010. It declined in 2011 for the first time to 4.4 billion kilograms of yarn (fig 2), a negative 4 percent annual growth that somewhat offset the 12% gain during the previous year. The laggard in terms of growth rates is cotton yarn, which represented 71% of the yarn produced this last year, and has been growing at only 3% annual rate over the last five years. Non-cotton and blended yarn combined comprised the remaining 29% of the yarn production and each noted a 6% annual growth rate over the same period.

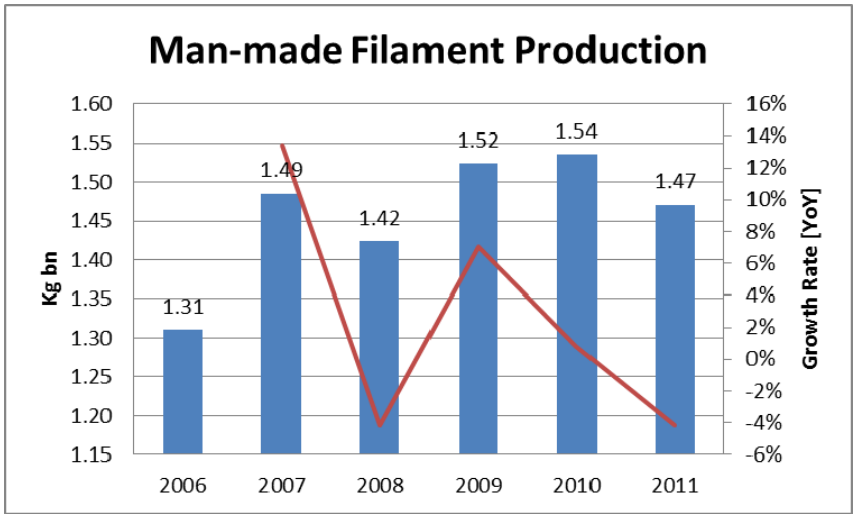
Fig 2



Source: CEIC Data

Man-made filament production showed a low average annual growth rate of only around 2% over the last five years (fig 3). Around 94% of the man-made filament production was made of polyester in 2011, and the remaining 6% were of viscose rayon, nylon and polypropylene; and no substantial changes were observed in these proportions across the last five years.

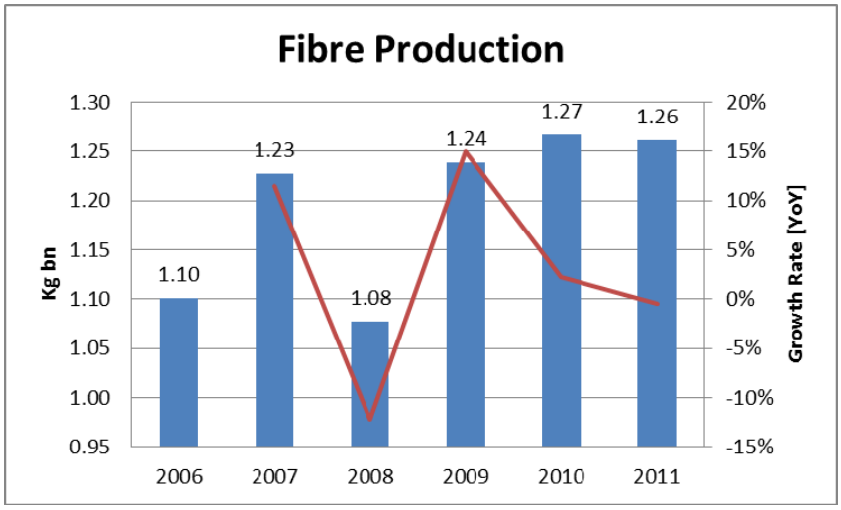
Fig 3



Source: CEIC Data

Production of fiber has grown at 3% per year over the last five years ending in December, 2011. 1.26 billion kilograms of fibre were produced in 2011 (fig 4), of which 68% were made of polyester, 25% viscose rayon, and 6% acrylic. While the production of acrylic fibre has been gradually declining at an annual rate of -5%, the production of viscose rayon has been moving in the opposite direction with a 6% annual growth rate.

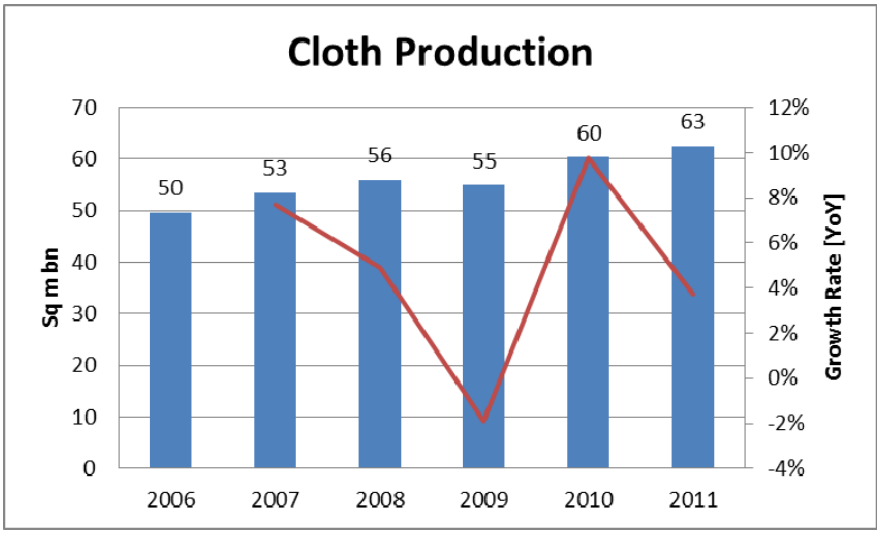
Fig 4



Source: CEIC Data

Despite the contraction during 2009, cloth production averaged an annual rate of increase of 5% since 2007, reaching 63 billion of square meters in March 2011 (fig 5). Cotton had the largest annual growth rate in this category at 7% annual rate, followed by blended at 6%, and far behind non-cotton at modest 3% rate. Cotton-made cloth comprised 51% of the cloth production during 2011, followed in order of importance by non-cotton and blended cloth with 35% and 13% of the cloth production, respectively. Cloth made of wool and silk together represented only 1% of cloth production in 2011 and this share has been decreasing as the combined production observed a stagnant 1% annual growth rate over the past five years. In 2011, 62% of the production was made using the now popular power looms and only 11% using handlooms, ratios that did not vary significantly in the last five years and points to greater capital intensive methods of production.

Fig 5



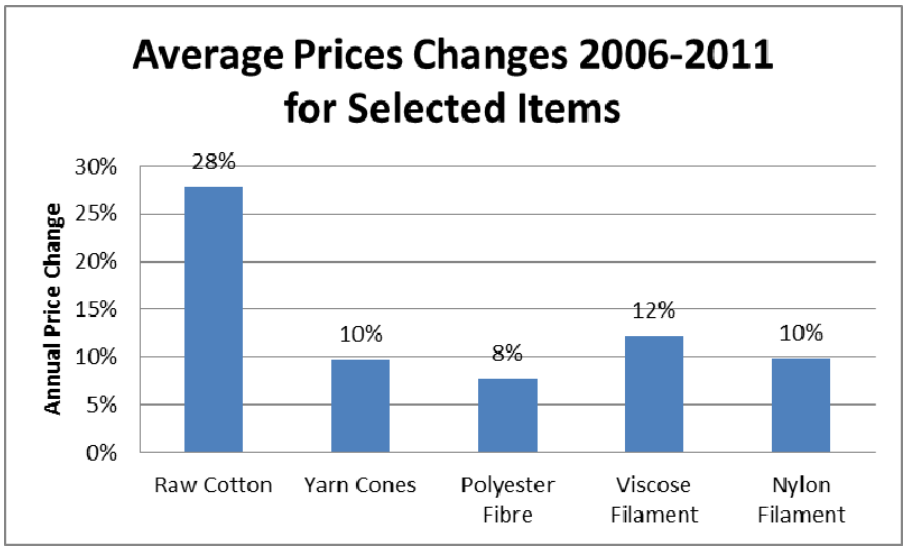
Source: CEIC Data

Production of raw silk reached 21,000 tons during 2011 ending in March, a 7% growth rate for two consecutive years, suggesting that the recessive 2008 and 2009 years for silk may be over. Prospects are not so optimistic for wool and its products. Other than the inexpensive wool-made shoddy fabrics, which enjoyed an average 7% annual growth rate over the last five years, the other categories experienced a modest growth rate of only 3%.

Domestic consumption of cotton, fibre, and yarn (the latter two excluding cotton) have been expanding at average rates of 6%, 5%, and 7% respectively, over the last five years. Consumption growth rate of each of these categories outpaced the respective production growth rate.

With the exception of 2009, cotton prices have been experiencing higher rates of price increase compared to the other selected items. In terms of 5-year average annual price increases, raw cotton registered a 28% increase, far above the prices of the other selected items (fig 6).

Fig 6



Source: CEIC Data

Cotton (including yarns and woven fabrics) was India's top export category among textiles in 2011 with $6.7 billion, followed by not knitted and knitted apparel with 6.4 and 4.8 billion, respectively (fig 7). Over the last five-years, cotton exports have increased in value at 25% a year, making India the world's third largest cotton supplier, after China and the U.S., with 12% share of global exports.

Fig 7

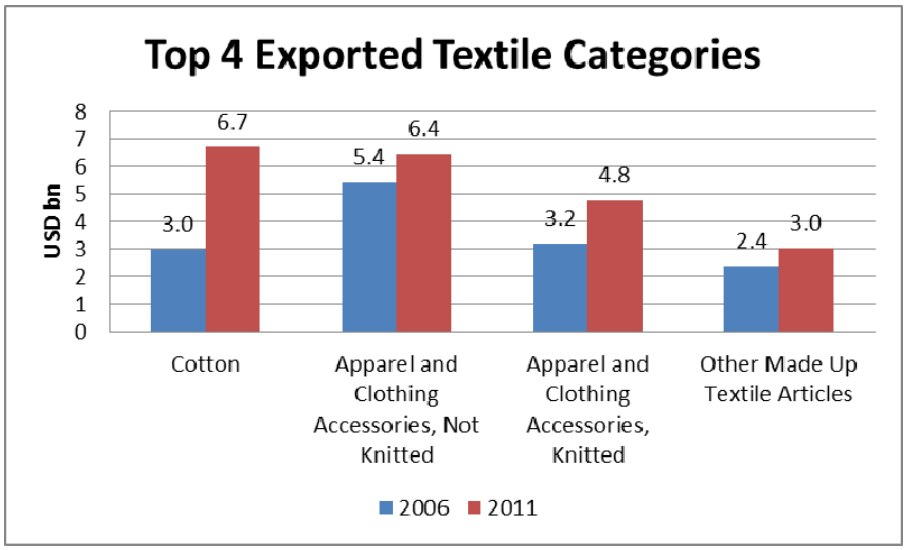


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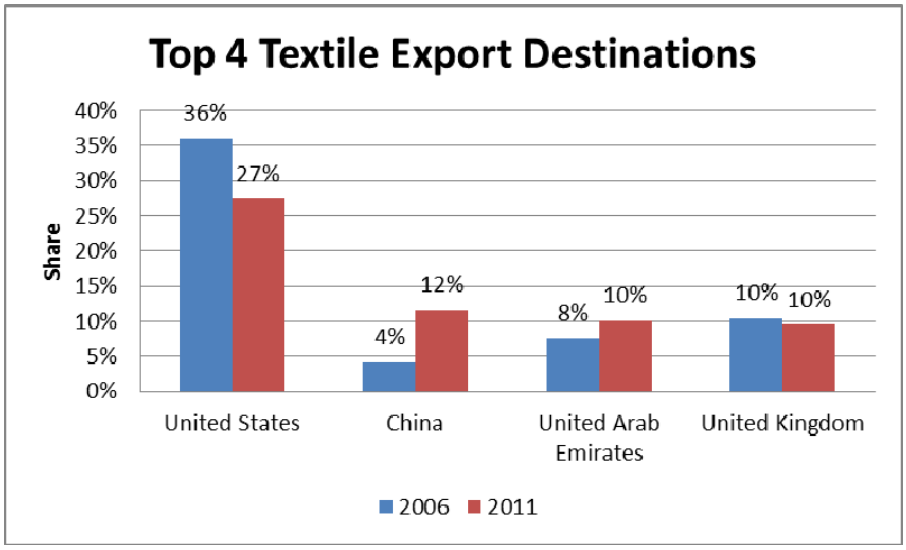
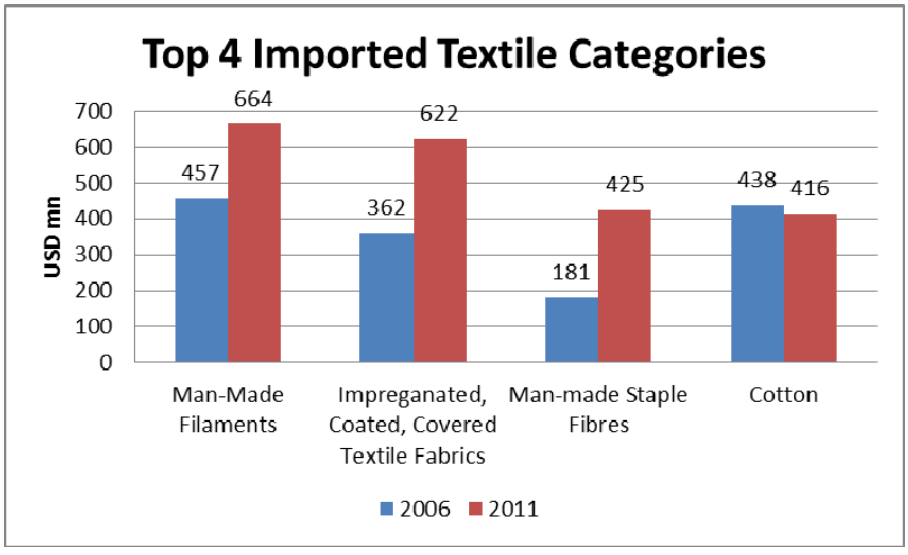
Fig 8



Source: CEIC Data

Man-made filaments have been the top category among imported textiles into India, with $664 billion imported during 2011, an average annual increase of 9% since 2006. Man-made staple fibres experienced an impressive 27% annual growth, from $181 million in 2006 to $425 million in 2011 (fig 9).

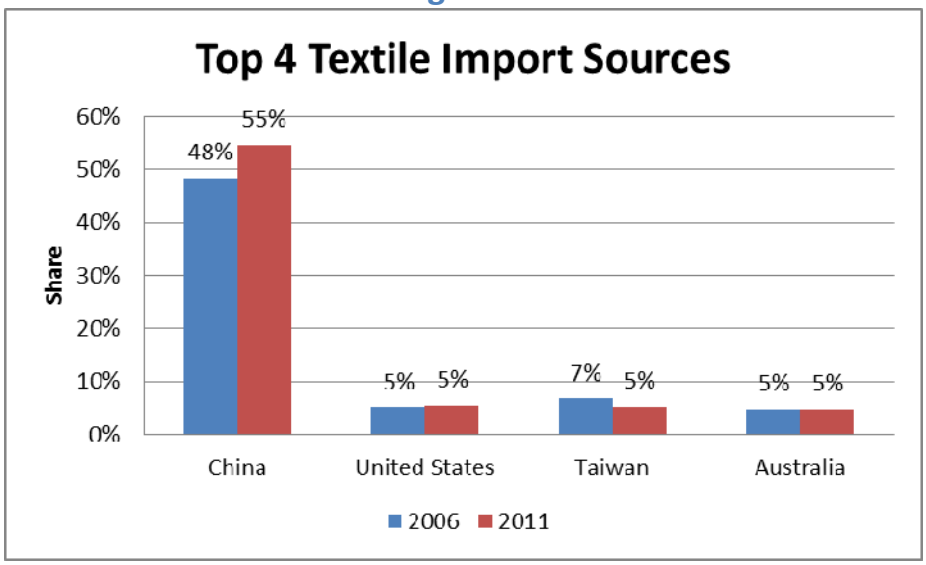
Fig 9



Source: CEIC Data

China, which accounted for 55% of total textile imports during 2011, is the primary supplier for Indian textile needs (fig 10) with a consistent growth trajectory. In contrast, the second highest source country for Indian imports, the United States, only accounted for 5% of total textile imports, a rate which has been unchanged over the last five years.

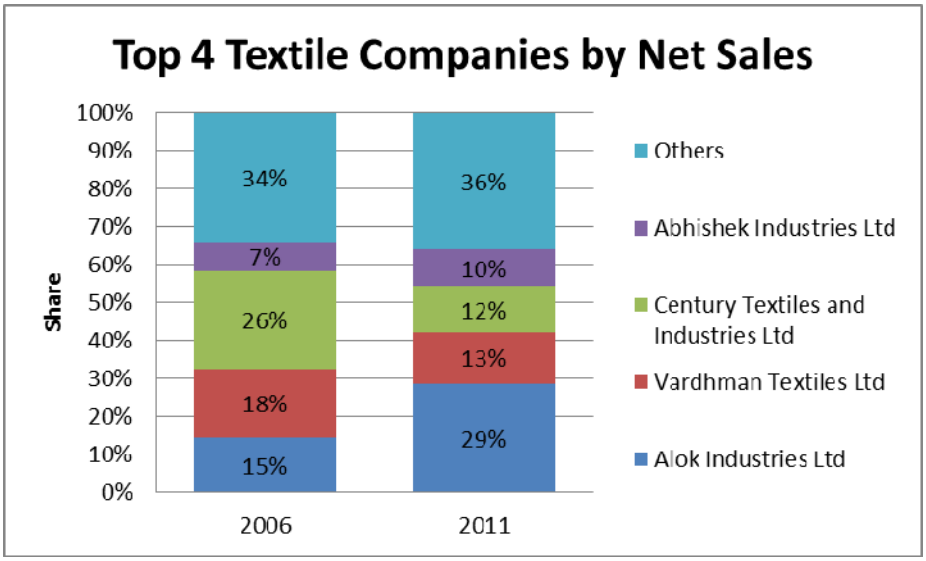
Fig 10



Source: CEIC Data

The Indian textile market has become less fragmented over the last five years. In 2006, the top 10 manufacturer provided 83% of the total market sales compared to 92% in 2011. Some firms enjoyed substantial growth, particularly Alok Industries Ltd., which became the largest textile manufacturers, accounting for 29% of total textile sales in 2011 (fig 11). Other firms significantly lost market share, notably Century Textiles, whose sales share dropped from 26% in 2006 to only 12% in 2011.

Fig 11



Source: CEIC Data

Recently the Indian government proposed a ban on exports of cotton and withdrew that ban only after significant protests from the cotton industry and the agricultural ministry. It is with that as the backdrop that we decided to provide the above snapshot of the Indian textile industry.