Apparel Industry Hit by Overvalued Rupee

- **Rupee hardened by 6% while currencies in competing countries depreciating.**
- **Industry already reeling under higher input costs due to rise in cotton prices**

March 31, 2017, New Delhi: The Indian apparel industry has been duly recognized as the largest employment generator, specially for the marginalized, unskilled and women in the country, providing jobs to 10.5 crore persons, directly and indirectly. Each Rs.100 crores of apparel production generates Rs.30 crores of labour income.

The industry was very hopeful after the Special package offered to it in June 2016, where significant financial and investment incentives were offered, besides critical labour flexibilities, with the aim to generate 100.3 lakhs additional jobs and USD 30.04 bn additional exports. Despite Govt.'s intentions and support to the industry, exports are hardly picking up. The primary reason is strong rupee and depreciation of currencies of our competing countries like China, Bangladesh and Vietnam.

The following chart will indicate behavior of rupee which is not in sync with path adopted by our competitors :

Country	Currency	Depreciation	Period
China	Yuan	13%	Last 12/18 months
Bangladesh	Taka	6%	Last 12/18 months
Vietnam	Dong	7%	Last 12/18 months
India	Rupee	-5.80%	Last 3/5 months

Chinese Yuan got depreciated by 13%, Bangladesh Taka by 6% and Vietnam Dong by 7% whereas India's Rupee got hardened by almost 6% over the last 3-5 months. China got highest FDI during this period and still they resorted to depreciate Chinese Yuan just to protect their exports and employment. Other countries started taking recourse to depreciating their respective currencies during the last one- and- a-half year whereas Indian Rupee got appreciated, against the prevailing trend.

"The growing cotton prices and rupee appreciation is not only going to nullify the intended impact of the package, but also weaken India's position against our competitors, if left unchecked", warned Mr Ashok Rajani, Chairman AEPC. Cotton prices have increased by 24.7 per cent on an average, across all categories in the last one year. In fact some categories have seen hike of up to 35%.

"Exporters are not able to book orders due to over-valued rupee as apparel exports are highly price – sensitive. According to RBI REER, rupee was over-valued by 18% in Feb 2017 and now it is almost 20% It calls for a carefully considered strategy and more pragmatic approach to arrest the rise of Rupee in overall interest of export endeavour and boosting employment in our country. Also, I request Govt to fast track the roll out of the Special package with full reimbursements of the ROSL claims and implementation of the optional PF provision provided in the Package.", said Mr Rajani.

About Apparel Export Promotion Council (AEPC)

Incorporated in 1978, AEPC is the official body of apparel exporters in India that provides invaluable assistance to Indian exporters as well as importers/ international buyers who choose India as their preferred sourcing destination for garments. In recent years AEPC has worked tirelessly in integrating the entire industry - starting at the grass root level of training the workforce and supplying a steady stream of man power to the industry; identifying the best countries to source machinery and other infrastructure and brokering several path breaking deals for its members and finally helping exporters to showcase their best at home fairs as well as be highly visible at international fairs the world over. With AEPC's expertise and all the advantages that India has, it makes for a truly win-win situation - Indian exporters grow stronger each year in their achievements, skills and proficiency, while international buyers get superior solutions for their garment imports.

Web site: http://www.aepcindia.com/

For further information, please contact:

Chandrima Chatterjee -advisorcc@aepcindia.com (9810448917)