Textile industry revs up, giving hope on jobs

11 February 2022

At Texport Industries' factories in India's south, thousands of mostly women workers are busy converting yarn and fabrics into T-shirts, shirts, spaghetti tops and kids' clothes for U.S. customers of Tommy Hilfiger and Kohl's Corp.

After being outpaced in recent years by neighbouring Bangladesh and then hammered by the COVID-19 pandemic, India's garment factories are now humming near full capacity - a rare labour market bright spot for Prime Minister Narendra Modi and his ruling party as they head towards an election in 2024.

"We have been so busy," said Parashuram, the head of one of the Texport factories who goes by one name, as a batch of 60 new women recruits practiced stitching. "We are constantly looking to hire workers."

The company is scouting for land to add new factories around its main production base in Hindupur, about 100 km (60 miles) north of tech hub Bengaluru.

Sustained success for the textile and apparel (T&A) industry, the country's biggest employer after farming, is crucial if Modi is to succeed in taming unemployment.

India's jobless rate is above 7% and estimated to have exceeded the global average in five of the last six years - a massive problem for a country that must create millions of jobs each year just to keep pace with the young people joining the labour market.

HIGHER LABOUR COSTS

India is the world's fifth biggest T&A exporter with a 4% share of the $840 billion global market, while China controls more than a third of it. India's exports were on a par with closest rival Bangladesh about a decade ago but have lagged in recent years - especially on garments - partly due to higher labour costs that make Indian clothes some 20% costlier.
Indian T&A companies say they are now adding new clients, selling more to old ones and raising production capacity as foreign buyers seek to diversify their supply chains.

Other than China, only India has a big supply chain of everything from cotton to garments.

Still, some industry leaders said that unless India signed free trade agreements with Western countries - which New Delhi says it is working on - it would not be easy to outsell Bangladesh, which also enjoys preferential export terms from many buyers as a least developed country.

Indian companies such as Texport, Welspun India and Raymond - whose buyers include Western retailers Amazon, Target, Costco, Walmart Inc, Tesco and Macy's - have managed to lift sales in recent quarters.

Modi wants them to create some 1.5 million jobs in the sector over the next five years or so.

India's junior textiles minister, Darshana Jardosh, on Wednesday listed recent announcements to support the industry, such as setting up seven huge all-in-one textile parks for about $600 million to further increase employment and make it easier for foreign buyers to place orders and monitor supply chains. The government has also proposed production-linked incentives worth $1.4 billion.

The American Apparel & Footwear Association (AAFA) said India's ongoing and planned investments had resulted in "more companies looking at India as a potential source of growth over the coming years", without giving specifics.

Two industry sources with knowledge of the matter said both Fast Retailing's Uniqlo and Gap Inc were in talks to expand purchases from India. The companies, who source from India mainly from the country's biggest garments exporter Shahi Exports, did not immediately respond to requests for comment.

Shahi Exports Managing Director Harish Ahuja declined to discuss individual buyers but said demand was high from its existing customers.

CAPACITY CONSTRAINTS?

India's April-December T&A exports soared 52% to $30.5 billion from the year-ago period, and the government has set a full fiscal-year target of $44 billion, which would be a record.

While global textile exports recorded a compounded annual growth rate of 2% between 2015 and 2019, India's shrank 0.8%, according to an industry report. Both Bangladesh and Vietnam grew at 10% or more.

One factor behind the surge in sales for Indian companies to the United States and Europe in the past few quarters has been alleged rights abuses in China's main cotton growing province of Xinjiang, where the minority Muslim Uyghur community lives.

U.S. President Joe Biden in late December signed into law legislation that bans imports from Xinjiang. China has rejected accusations of forced labour or any other abuses in Xinjiang.

The China Cotton Association referred Reuters to a December statement that warned of "severe impact" on its cotton textile industry because of the U.S. move.

Raymond, an Indian exporter of men's suits, jackets and denim, said the China factor helped it recently sign up new clients that it had long pursued.

"At current capacity, we may not be able to pick up as much as the orders coming our way, as much as buyers want to ship away from China," said Narendra Goenka, chairman of the Apparel Export Promotion Council of India and a founder of family owned Texport.

Goenka said his company was spending some $25 million to raise its capacity by more than a quarter over the
Goenka said his company was spending some $25 million to raise its capacity by more than a quarter over the next two years, with the addition of 8,000 jobs on top of its current workforce of more than 10,000.

For 19-year-old Lopamudra Patel, from the eastern state of Odisha, whose family struggled to survive on her father’s income as a part-time driver, the industry has come as a saviour. She joined Texport a few weeks ago for a monthly wage of $100.

"It was very difficult at home," she said, standing next to whirring sewing machines in the training room. "I will now be able to send some money home."

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