

The Current State Of The Textile Industry

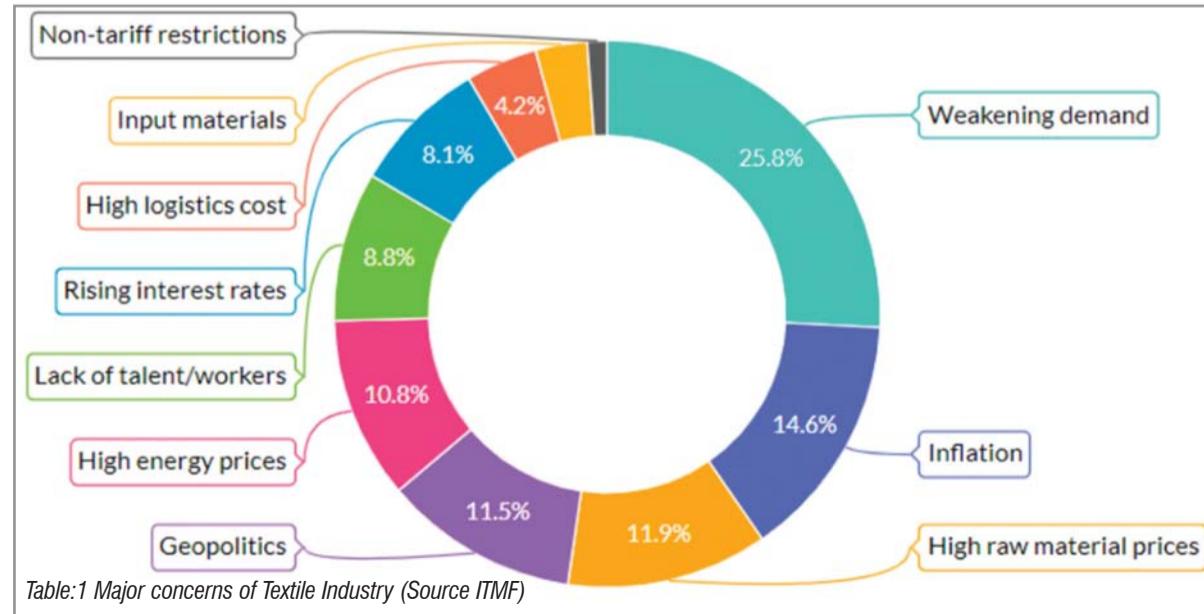


TG Sarathy

The textile industry is a global industry that employs millions of people worldwide. It is a major contributor to the global economy, generating trillions of dollars in revenue each year. Textile industry has major production and consumption centres in Asia, Europe, and North America.

India's textile industry: A global powerhouse

India's textile industry is an important contributor to the country's economy. The industry is experiencing a shift towards sustainable and eco-friendly practices. The government has implemented various initiatives to support the growth of the textile industry such as "Make in India" to promote domestic manufacturing and aims to position India as a global manufacturing hub. Special focus is being given to skill development programs, technological upgradation, and infrastructure development to enhance the industry's competitiveness. The country's rich textile heritage, skilled workforce, and cost competitiveness position it as a



key player. With its diverse product range, including traditional handloom fabrics, intricate embroideries, and contemporary fashion apparel, India has the capability to meet the varied demands of global consumers. The industry is on a trajectory of growth, but addressing challenges is crucial for its long-term success. Additionally, steps have been taken to improve logistics and reduce lead times, making Indian textiles more attractive in the global market.

Challenges

The global textile industry is facing a number of challenges, including weakening demand, inflation, and high energy prices, rising labour costs, increasing competition from low-cost countries (global competition), environmental regulations, infrastructural bottlenecks, outdated machinery, limited access to finance, fluctuating raw material prices and changing consumer preferences. Despite its promising outlook, the Indian textile industry faces challenges that need to be addressed for sustained growth. These challenges have led to a decline in business conditions, order intake, and capacity utilisation.

Weakening Demand

Weakening demand is the top concern for the global textile industry. This is due to a number of factors, including the war in Ukraine, rising inflation, and supply chain disruptions. As a result, consumers are spending less money on clothing and other textiles.

3.2 Inflation

Inflation is another major challenge for the textile industry. The prices of raw materials, energy, and transportation have all been rising, which has put pressure on margins. In addition, rising inflation is making it more expensive for consumers to buy textiles, which is further suppressing demand.

High Energy Prices

High energy prices are also a major challenge for the textile industry, which is an energy intensive industry. The rising cost of energy is making it more expensive to produce textiles. This is leading to higher prices for consumers and reducing profits for businesses.

Order intake

The decline in demand has led to a decrease in order intake for the textile industry. In May 2023, the order intake index fell to 70, which is the lowest level since 2017. This decline in order intake is a sign that the industry is facing a tough environment.

Capacity utilisation

The decline in demand has also led to a decrease in capacity utilisation rates. In May 2023, the capacity utilisation rate fell to 70%, which is the lowest level since 2017.

Rising labour costs

As wages in developing countries rise, textile manufacturers are facing increasing pressure to keep costs down.

Increasing competition from low-cost countries

Countries like China and India have become major textile exporters, and they are able to produce textiles at a much lower cost than developed countries.

Environmental regulations

Textile production can be a major source of pollution, and governments are increasingly imposing stricter environmental regulations.

Infrastructural bottlenecks

These bottlenecks can include inadequate roads, railways, and ports, as well as poor storage facilities. These can lead to delays in the transportation of raw materials and finished goods, which can increase costs.

Outdated machinery

Outdated machinery can be less efficient and produce lower quality textiles. This can make it difficult for Indian textile manufacturers to compete with foreign manufacturers who have more modern equipment.

Limited access to finance

This can make it difficult for SMEs to invest in new machinery and technology, which can prevent them from becoming more competitive. Additionally, limited access to finance can make it difficult for SMEs to weather economic downturns.

Changing consumer preferences

The textile industry is also facing changing consumer preferences. Consumers are increasingly demanding sustainable and ethical textiles.

Opportunities in the textile industry

The following opportunities provide a great potential for growth in the textile sector in India.

- The global apparel market is expected to reach US\$ 1.9 trillion in 2025.
- India offers a complete value chain solution from farm to fashion.

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- The Pradhan Mantri Mega Integrated Textile Region and Apparel (PM MITRA) Parks are being established across 7 states of the country.
- PM MITRA Parks will lead to reduction of logistic costs due to cluster-based approach of manufacturing and production of quality products with appropriate testing facilities.
- India is actively considering the possibility of Comprehensive Economic Partnership Agreements (CEPAs) and Free Trade Agreements (FTAs) with various countries, these agreements will help to boost exports of Indian textiles and open up new markets for the sector.
- The global apparel market is expected to grow at a CAGR of 4.3% from 2020 to 2025. This growth is being driven by factors such as increasing disposable income, growing urbanization, and rising demand for comfortable and stylish clothing. Global exports of MMF & MMF blended Textiles witnessed around CAGR 5% during last 18 years. Amongst the four segments, Made ups recorded highest CAGR 7.4%, followed by Yarn 4.4%, Fabrics 4.2% and MMF 3.2%.
- India is well-positioned to capitalize on this growth as it has a strong textile manufacturing base and a large pool of skilled labour. The country is also home to a number of leading textile brands and retailers.
- The PM MITRA Parks are expected to create around 1 lakh direct and 2 lakh indirect jobs per park. They will also help to reduce the logistic costs of the textile industry, making Indian textiles more competitive in the global market.
- Promoting "KASTURI Cotton" as a premium brand by enhancing international perception & valuation of Indian Cotton, Positioning it as a reliable quality product, thereby facilitating premium pricing and thereby enhancing export opportunities.
- To ensure the availability of high-quality products throughout the value chain, the government has introduced Quality Control Orders (QCO) for polyester products such as Terephthalic Acid (PTA), Ethylene Glycol (MEG), and Polyester Fiber. The objective is to regulate the import of sub-standard goods and promote the manufacturing of superior products within the country.

Overall, the textile sector in India has a bright future. The opportunities mentioned

provide a great potential for growth in the sector. There are some signs of improvement in the global textile industry. Order cancellations have decreased, and inventory levels are under control. In addition, the industry is expected to recover in the second half of 2023. The textile industry is a large and diverse industry with many opportunities globally. There is growing demand for sustainable textiles, personalized clothing, e-commerce, and new technologies.

These opportunities include:

- Growing demand for sustainable textiles: There is a growing demand for sustainable textiles. Consumers are increasingly concerned about the environmental impact of textiles and are demanding more sustainable options.
- The rise of e-commerce: The rise of e-commerce has created new opportunities for the textile industry. E-commerce allows textile manufacturers to reach a wider audience and sell their products directly to consumers.
- New technologies: New technologies are also creating new opportunities for the textile industry. These technologies include 3D printing, artificial intelligence, and robotics. These technologies can be used to improve the efficiency and productivity of the textile industry.

Conclusion

The industry is expected to recover in the second half of 2023, but it is important to monitor the situation closely. According to the ITMF's Global Textile Industry Survey (GTIS) conducted in the first half of July 2023, the business situation improved on average worldwide in July 2023. An increasing number of companies have adapted to the harsh business environment and are now reporting improvements. A regional analysis shows that Asia is struggling the most and South America is back in positive territory. In recent years, the industry has grown significantly, tapping into current trends while facing challenges that require strategic interventions.

By focusing on innovation, sustainability, talent, and operational consulting efforts, the textile industry can overcome these challenges and seize the opportunities that lie ahead. ■

(TG Sarathy is the Director of India Operations at Texcoms Textile Solutions)



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