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Re slide halts apparel import from Dhaka

Sharleen D'Souza, Business Standard

13 July, Mumbai: While textile exporters have been cheering the rupee's depreciation, it is now also helping the domestic apparel industry in a big way.

Direct import of apparel from Bangladesh had picked up since September last year, when the government removed all tariffs on import of 48 textile items from this eastern neighbour. From September to March this year, textile items worth \$1.8 billion were imported from Bangladesh, compared to \$587 million in the full year, before duty-free imports were allowed. Lower labour cost there and removal of the duty had made the imported goods cheaper by 15-20 per cent, compared to buying apparel from domestic producers.

However, this benefit has since been negated by the rupees' slide; it has depreciated 20 per cent since last September. In the past couple of months, apparel import from Bangladesh is estimated to have fallen by 60-70 per cent.

"Retailers are now looking at sourcing from domestic manufacturers instead of Bangladesh, as imports have turned costlier due to the fall in the rupee. The domestic sector has definitely benefited, as retailers are now sourcing from domestic manufacturers," said Rahul Mehta, president of The Clothing Manufacturers Association of India. With the rupee's depreciation, there is now no difference, it appears, between Indian manufactured apparel and that made in Bangladesh.

Harminder Sahani, managing director of Wazir Advisors, a retail consultancy, confirmed, "Due to the depreciation in the rupee, even many big retailers have cut their sourcing from Bangladesh."

When duty-free imports were allowed, many retailers had thought of setting up a base in Bangladesh, as the cost of production there is lower. These plans are on hold till the rupee stabilises.

"Going ahead, imports from Bangladesh will witness a further fall due to the fall in the rupee, as there is barely any difference now between importing from Bangladesh or sourcing from India," said D K Nair, secretary general of the Confederation of Indian Textile Industry.

Bangladesh had also been eating into India's export market share in finished textile products since 2009. Its apparel exports are growing at 16 per cent yearly, while India's in 2010-11 grew by only four per cent.

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