

Declines in Textile Manufacturing Accelerate, Pull Down by Cotton

[CITI, New Delhi 12 February 2009] The Quick Estimates for Index of Industrial Production, with base 1993-94, for the month of December 2008, released by the Central Statistical Organisation (CSO), has the General Index at 279.1, which is (-)2.0 per cent lower as compared to the level in the month of December 2007. The index of Industrial Production for the manufacturing sector estimated as 298.6, with a negative growth of (-) 2.5 percent in December 2008 over same period of 2007. The cumulative growth during April-December, 2008-09 over the corresponding period of 2007-08 in the Mining, Manufacturing and Electricity sectors have been 3.0 per cent , 3.3 per cent and 2.7 per cent respectively, which moved the overall growth in the General Index to 3.2 per cent.

In terms of industries, as many as seven (7) out of the seventeen (17) industry groups (as per 2-digit NIC-1987) have shown positive growth during the month of December 2008 as compared to the corresponding month of the previous year. The industry groups 'Other Manufacturing Industries' have shown the highest growth of 21.7%, followed by 9.0% in 'Beverages, Tobacco and Related Products' and 7.6% in 'Metal Products and Parts, except Machinery and Equipment'. Other Industries have shown positive growth during this month are Textile Products (including Wearing Apparel); Wool, Silk and man-made fibre textiles; Non-Metallic Mineral Products, and Basic Metal and Alloy Industries. On the other hand, the industry group 'Jute and Other Vegetable Fibre Textiles (except cotton)' have shown a negative growth of 66.4% followed by 20.0% in 'Wood and Wood Products; Furniture and Fixtures and 17.9% in 'Transport Equipment and Parts'.

The Indices of Industrial Production with base 1993-94 for the Cotton textiles; Wool, Silk and man-made fibre textiles; Jute and other vegetable fibre Textiles (except cotton) and Textile Products (including Wearing Apparel) sectors for the month of December 2008 stand at 159.1, 283.9, 43.2 and 312.5 respectively, with the corresponding growth rates of (-) 0.6 per cent, 2.6 per cent, (-) 66.4 per cent and 2.5 per cent as compared to December 2007. The cumulative growth during April-December, 2008-09 over the corresponding period of 2007-08 in the four sectors have been (-) 1.5 per cent, (-) 2.0 per cent, (-) 11.3 per cent and 4.7 per cent respectively, which are translated into zero percent, if we aggregate accordingly to their weights to see the growth in overall textile sector production .

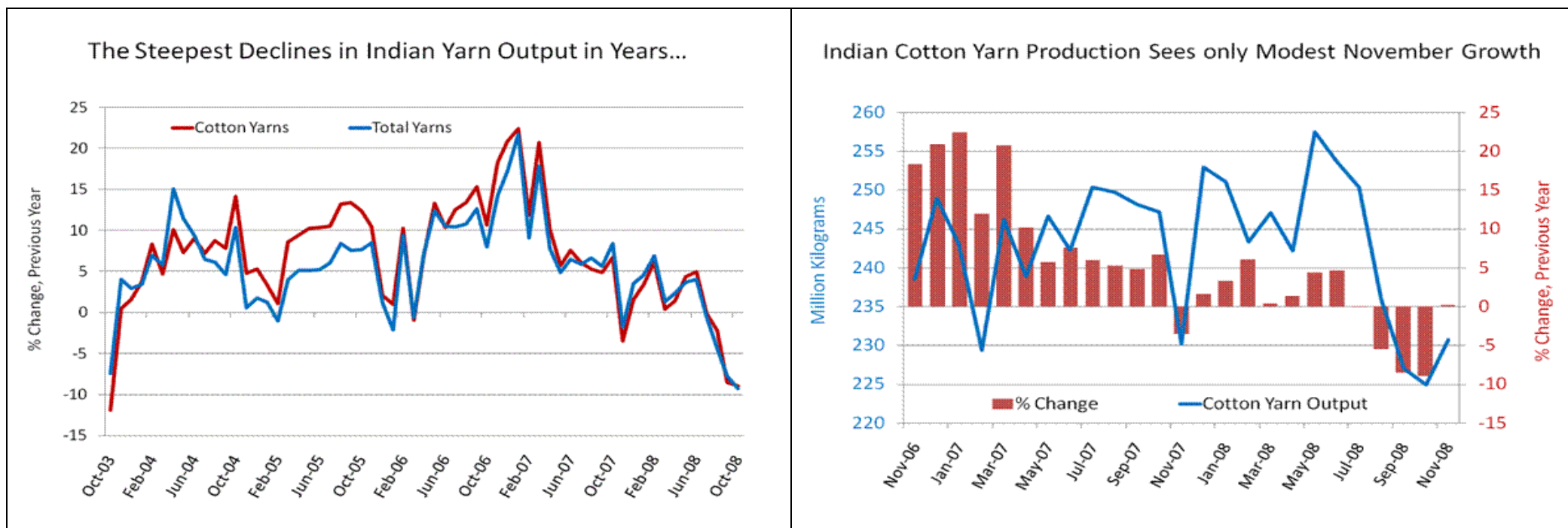
Textiles in Index of Industrial Production												
Monthly Growth (per cent year-on-year) in Year 2008											Cumulative growth	
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec*	Apr-Dec 2008*	Apr-Dec 2007	
1 Textile sector	1.3	7.3	6.6	-1.8	-6.0	0.6	-7.1	2.7	-3.0	0.0	4.3	
a) Cotton Textiles	1.9	4.4	4.3	-1.5	-3.0	-5.2	-9.3	1.2	-6.1	-1.5	4.7	
b) Wool, Silk and man-made fibre textiles	2.9	11.2	7.3	-12.8	-13.7	0.8	-5.5	-9.6	2.6	-2.0	3.2	
c) Jute and other vegetable fibre Textiles (except cotton)	-11.2	-9.0	-3.8	-0.5	-7.6	-0.4	-3.3	4.9	-66.4	-11.3	11.6	
d) Textile Products (including Wearing Apparel)	0.7	8.7	9.9	6.9	-2.6	7.7	-6.0	15.9	2.5	4.7	4.2	
2 Manufacturing	6.7	4.5	6.1	6.9	1.7	6.2	-1.1	1.8	-2.5	3.3	9.6	
3 General IIP	6.2	4.4	5.4	6.4	1.7	6.0	-0.3	1.7	-2.0	3.2	9.1	

Source : CITI estimates from CSO data, New Delhi

*Note: For Dec'2008 the indices are quick estimates. September 2008 figures are revised twice and final. But, November Data is revised once.

The decline in production for textiles has started from June onwards in this year. After a reasonable growth of 7.3 per cent in May 2008, the growth in the Index lowered to 6.6 per cent in June, became either zero or negative from July and onward that is, (-) 1.8 per cent in July, (-) 6.0 per cent in August, 0.6 per cent in September and (-) 7.1 per cent in October 2008. By the month of October, negative growth in all sub sectors of textiles was driving cumulative growth down and again for December.

After enjoying almost uninterrupted growth in yarn production each month over the last five years, Indian mills pared back output at an accelerating pace over the last four months in response to weaker downstream demand. Total yarn manufacturing slid -9.3% in October from a year earlier—its worst fall in five and a half years—to 307.0 million kilograms, its worst showing in twenty-eight months. Pure cotton yarns pulled total volume lower, sinking -9.3% from October 2007, its steepest decline in more than eight years of recordkeeping.



Source : CITI Estimates from Production data of O/o Textiles Commissioner, Mumbai

Weak performance by Indian yarn mills in the latest month threatens to weigh on cotton mill demand in 2008/09, pointing to the largest annual decline in cotton usage in the country in six years. Total cotton yarn output slid for the fifth straight month, down -1.2% from twelve months ago to 309.4 million kilograms. The loss was due to a steep -9.6% decline in blended yarn production, while cotton and non-cotton yarns posted modest gains. After four months of losses, mills' output of 100% cotton yarn turned mostly flat in November, rising a tepid 0.2% from a year earlier to 230,740 metric tons. Through the first four months of the marketing year, cotton yarn output is down -5.8% from the same period last year to 918,740 tons.