OPPORTUNITIES IN SOUTH ASIAN TEXTILE INDUSTRY

BUSINESS SWEDEN

December 2015
India
Three South Asian Countries are among the World’s Leading Textile Exporters

- India is the largest textile exporter in South Asia

Major exporters of textiles and clothing, 2013
USD Billion

<table>
<thead>
<tr>
<th>Country</th>
<th>Textiles</th>
<th>Clothing</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>107</td>
<td>177</td>
</tr>
<tr>
<td>European Union</td>
<td>72</td>
<td>118</td>
</tr>
<tr>
<td>India</td>
<td>19</td>
<td>17</td>
</tr>
<tr>
<td>Turkey</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>2</td>
<td>24</td>
</tr>
<tr>
<td>Vietnam</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>United States</td>
<td>14</td>
<td>6</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>12</td>
<td>2</td>
</tr>
<tr>
<td>Pakistan</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>Indonesia</td>
<td>5</td>
<td>8</td>
</tr>
</tbody>
</table>

- World exports of textiles and clothing reached 766 billion in 2013. The growth rose by 8% in 2013 – four times higher than the average growth for world exports.
- India recorded the highest growth with an increase of 23%.
- The European Union is the largest importer of clothing, accounting to 38% of world imports in 2013.

Source: World Trade Organisation
INDIA IS THE 2ND LARGEST TEXTILE MANUFACTURER IN THE WORLD

Textile Hubs in India
- Tirupur is the largest textile export hub in India

India is fast establishing itself as a global textile and apparel-sourcing hub

- The fundamental strength of this industry flows from its strong production base of wide range of fibres / yarns from natural fibres to synthetic/man-made fibres
- India has a strong multi-fibre base when compared globally:
  - Cotton – Second largest cotton and cellulosic fibres producing country in the world
  - Silk – India is the second largest producer of silk and contributes about 18% to the total world raw silk production
  - Wool – India has the third largest sheep population in the world, accounting for 3.1% of total world wool production
  - Man-Made Fibres - the fourth largest in synthetic fibres/yarns globally
  - Jute – India is the largest producer and second largest exporter of the jute goods

SOUCE: CONFEDERATION OF INDIAN TEXTILE INDUSTRY, MAKE IN INDIA

*NATURAL FIBRES LIKE COTTON, JUTE, SILK AND WOOL
SYNTHETIC /MAN-MADE FIBRES LIKE POLYESTER, VISCOS, NYLON AND ACRYLIC
PAKISTAN’S EU GSP+ STATUS COULD HELP ITS EXPORTS INCREASE BY USD 2 BILLION

Textile Hubs in Pakistan
- Faisalabad is the largest textile hub in Pakistan

The textile sector enjoys a pivotal position in the exports of Pakistan

- The textile sector in Pakistan has an overwhelming impact on the economy, contributing to 57% of the country’s exports
- The mills employ 20% of the nation’s workforce
- Pakistan will give a big push to exports as a result of the new Textile Policy 2015-19, which provides a subsidy of USD 630 million. The policy aims to double the textiles exports and create 3 million additional jobs by 2019
- Custom duty on import of textile machinery is 0% in Pakistan
- The Pakistan Textile Industry stands to benefit from duty-free access to European markets following the granting of GSP+ status by the European Union
- The principle buyers of Pakistani textile are:
  - USA
  - Spain
  - Turkey
  - Netherlands
  - Belgium
- Companies sourcing from Pakistan include Polo and IKEA

Source: Ministry of Textile Industry, Government of Pakistan, Fibre2Fashion
BANGLADESH EXPORTS MAINLY READY MADE GARMENTS

Textile Hubs in Bangladesh
- Dhaka is the largest textile hub in Bangladesh

The Bangladeshi garment manufacturing industry has boomed into a USD 19 billion a year industry

- The textile sector in Bangladesh is one of the key industries of Bangladesh
  - The textile industry is the largest employer
  - Textile exports represent 78% of Bangladesh’s total export earnings
- USA and EU are the largest customers of Bangladeshi textile and garments
  - Ready made garments account for more than 90% of the total textile exports of Bangladesh
- Cheap power and relatively low manpower expenditure are two key reasons that makes Bangladesh very competitive in the textile sourcing industry
- Gap, Nike and Ralph Lauren are among some of the major western brands sourcing from Bangladesh
- The Bangladeshi textile and garment manufacturing sector is fuelled by young, urbanizing, workers many of whom are women

SOURCE: REUTERS IBID, BANGLADESH BUREAU OF STATISTICS
SRI LANKA SPECIALIZES IN EXPORTS OF READY MADE GARMENTS

Textile Hubs in Sri Lanka
- Colombo is the largest textile hub in Sri Lanka

Sri Lankan annual apparel exports closed in on the crucial USD 5 billion mark

- The Sri Lankan textile and apparel industry is a pivotal driver in employment, utilizing 15% of work labour available. 85% of this workforce are women
- The industry has enjoyed ambitious growth levels over the past four decades and is today Sri Lanka’s primary foreign exchange earner accounting to 40% of the total exports and 52% of industrial products exports. This industry is entirely privately owned
- Over the past two decades since its arrival into mainstream export production the country has strategically developed a skill base in research, design and innovation accounting for top quality manufacturers
- Sri Lanka’s major producers service some of the biggest apparel brands in the world such as Nike, Victoria’s Secret, Ann Taylor and Marks & Spencer
- USA is the main importer of textile goods from Sri Lanka, accounting for 76% in total. Exports to the USA are over USD 1 billion, and the EU contracts are worth over USD 1.5 billion

SOURCE: SRI LANKA EXPORT DEVELOPMENT BOARD
THE SOUTH ASIAN TEXTILE INDUSTRY IS EXTREMELY VARIED

Textile Industry Segments

- Organised
  - Spinning
  - Apparel
  - Garmenting
  - Made Ups

- Unorganised
  - Handloom
  - Handicrafts
  - Sericulture
  - Power looms

Many well known Swedish companies are sourcing textiles from South Asia

SOURCE: IBEF
INDIA IS THE LEADING TEXTILE EXPORTING COUNTRY IN SOUTH ASIA

<table>
<thead>
<tr>
<th>Textile and Clothing exports, 2013</th>
<th>Share in economy's total merchandise exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>India</td>
</tr>
<tr>
<td>USD Million</td>
<td>USD Million</td>
</tr>
<tr>
<td>2261</td>
<td>17417</td>
</tr>
<tr>
<td>Textile</td>
<td>Clothing</td>
</tr>
</tbody>
</table>

SOURCE: WORLD TRADE ORGANISATION
EXPORT OF TEXTILES IS A PROMINENT GROWTH DRIVER IN THE SOUTH ASIAN REGION

<table>
<thead>
<tr>
<th>Country</th>
<th>Daily Minimum Wages USD</th>
<th>Contribution to GDP Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>2,2</td>
<td>12</td>
</tr>
<tr>
<td>India</td>
<td>2,4</td>
<td>5</td>
</tr>
<tr>
<td>Pakistan</td>
<td>3,9</td>
<td>9</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>2,1</td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of jobs created Million</th>
<th>Contribution to export Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>4</td>
<td>78</td>
</tr>
<tr>
<td>India</td>
<td>45</td>
<td>13</td>
</tr>
<tr>
<td>Pakistan</td>
<td>15</td>
<td>57</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>6</td>
<td>40</td>
</tr>
</tbody>
</table>

SOURCE: NATIONAL WAGES AND PRODUCTIVITY COMMISSION
DIFFERENT COUNTRIES ARE STRONG IN DIFFERENT PARTS OF THE VALUE CHAIN

Value Chain

<table>
<thead>
<tr>
<th>Raw Material</th>
<th>Intermediate Goods</th>
<th>Simple Products</th>
<th>Ready Made Garments</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Cotton</td>
<td>- Grey fabrics</td>
<td>- Bed linens</td>
<td>- All types of apparel</td>
</tr>
<tr>
<td>- Jute</td>
<td>- Yarn</td>
<td>- Towels</td>
<td></td>
</tr>
</tbody>
</table>

SOURCE: GLOBALIZATION: ENCYCLOPAEDIA OF TRADE, LABOUR AND POLITICS, VOLUME 2
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