

Devaluation of Yuan Will Affect India's Textile Exports

China has devalued its currency Yuan effectively by 1.9%. After adjustment on a daily basis by the previous day's closing spot rate, the devaluation works out to about 3.5%. This has been done in order to shore up its exports, which have declined by 10.2%, year over year in July 2015, reacting to this unexpected development, Shri RK Dalmia, Chairman.

Texprocil stated that this sudden move on the part of China will have an adverse impact on India's exports of textiles and clothing, which are facing already sluggish growth due to recessionary conditions in global markets Shri Dalmia also pointed out that the Chinese Government appeared to be more sensitive to the decline in their exports than our Government as they had acted with alacrity to arrest the decline in their exports by taking urgent steps like devaluing their currency. Our Government on the other hand, regrettably has been unable to appreciate the depth of the decline in our exports and take remedial steps.

In this connection Shri Dalmia stated that the Government has not yet announced the interest rate subvention of 3% which has been pending despite sanction of funds for this purpose by the Finance Ministry.

Further the Council's request to include some fabric items exported to Korea, China and certain sub-Saharan African countries has also not been accepted. Even the relief given to Knitted Fabrics exported to Bangladesh & Sri Lanka under the MEIS was optical as 40% of these products are covered under HS Code 6006 (Other Knitted or Crocheted fabrics) which has been excluded from the benefit under the promotional scheme. Such "unintended exclusions", Shri Dalmia pointed out are damaging to the textile value chain and creating distortions in the market.

In fact the situation had worsened to such an extent Shri Dalmia pointed out that Spinning Mills in North & Southern India were contemplating shut - downs which will result in lay- offs and job losses. With China devaluing it's currency by 1.9% Indian textile manufacturers feared deterioration of an already worse situation.

In view of the crisis situation facing the textile industry, Mr Dalmia appealed to the Government to clear the dues of the industry under the TUF Scheme, & release additional funds.

These steps would enable the Textile sector which has a very low operating margin to survive in these times of global recession and intense competition, Shri Dalmia added.