3 Profile of the Textiles and Clothing Sector

The trends described above highlight the increasing importance of the textiles and clothing sector in south Asian countries' total exports and their growing competitiveness as each country witnesses rising exports over time. The trends also highlight the differences in competitiveness in the sector within the region, with countries specialising in either textiles or clothing. To get a better picture of this specialisation we present a brief profile of the T&C sector in each of the four south Asian countries.

3.1 Bangladesh's textiles and clothing sector: an overview

The production of textiles and clothing is the largest manufacturing activity in Bangladesh. It provides direct employment to about 5 million people and accounts for 45 per cent of all industrial employment in the country. The sector contributes 10 per cent of the country's GDP, 40 per cent of industrial value addition and 78 per cent of export earnings. Major products include basic yarn and fabrics, primarily used for domestic consumption, and other materials used in export-oriented making (clothing industry), such as polyester filament fabrics, man-made filament mixed fabrics, PV fabrics, viscose filament fabrics and man-made spun yarns. The major categories of ready-made garments (RMG) exported by Bangladesh are knitted and woven shirts and blouses, trousers, skirts, shorts, jackets, sweaters and sportswear, and other fashion apparel.

Table 3.1 provides a profile of Bangladesh's T&C sector. The sector can be broadly divided into the primary textile sector (PTS) and the export-oriented RMG sector. The PTS comprises spinning, weaving and specialised textile units, the traditional handloom sector and the knitting and dyeing subsectors. There are currently 350 spinning mills, 400 weaving firms, 310 dyeing and finishing units and 4,500 garment factories.

Table 3.1. Bangladesh's textiles and clothing sector at a glance

Sub-sector	Number of units	Installed machine capacity	Production capacity	No. of workers employed
Textile spinning	350	7.5 million spindles (0.2 million rotors)	1,800 million kg	400,000
Textile weaving	400	25,000 shuttleless/ shuttle looms	1,600 million metres	80,000
Specialised textiles	1,065	23,000 shuttleless/ and power looms	400 million metres	43,000
Handloom	148,342	498,000 looms	837 million metres	1,020,000
Knitting, knit dyeing	2,800	17,000 knit/Dy/M	4,100 million metres	324,000
Dyeing and finishing	310	–	1,720 million metres	33,000
Export-oriented ready-made garments (clothing)	4,500	–	475 million dozen	2,000,000
Other related sectors	–	–	–	600,000

Source: Bangladesh Textiles Mills Association

Traditionally, the primary textiles sector was oriented to the domestic market. In the 1970s, apart from the handloom sector, most other units in the PTS – virtually all medium to large firms – were in the public sector. While deregulation and the liberalisation policies of the 1980s and 1990s led to a significant reduction in the capacity of public sector enterprises, the private sector-led growth of the PTS was still supported by proactive policy measures, including protection provided by high tariffs and quantitative restrictions on competing imports, and other fiscal and financial incentives. Although by the early 2000s, all quantitative restrictions had been abolished, and tariffs had been brought down considerably, the sector continues to enjoy significant protection.

The emergence and rapid growth of the RMG sector, exports of which rose from virtually nothing in the late 1970s to US$1 billion in 1990, US$6 billion in 2000 and US$13 billion in 2009, has significantly shaped the development of the capital-intensive primary textiles sector. The rise of the RMG industry is quite striking from two perspectives. First, many

developing countries traditionally relied on an import substitution industrialisation strategy to develop their manufacturing base. In the absence of a static comparative advantage, such a strategy calls for the protection of 'infant' industries by trade policy instruments and other support measures. Industrial units supported by import substitution policies, as in the case of the primary textiles sector, usually target the readily available domestic markets before exploring foreign markets. In contrast, Bangladesh's RMG industry depended solely on demand from foreign markets, and was facilitated by MFA quotas that provided export opportunities for new suppliers by restricting imports into Europe and north America from established suppliers such as China, the Hong Kong Special Administrative Region of China and the Republic of Korea. Given their export orientation, RMG exporters were allowed to import raw materials and capital goods duty free, and were granted other fiscal and financial incentives.

The other interesting development was that the success of clothing exports gave an opportunity for the primary textile sector to benefit from integration with the RMG industry. Policy measures also helped facilitate the process. First, the Government of Bangladesh provided cash incentives (initially 25 per cent, subsequently reduced to 15 per cent and then to 5 per cent before their abolition in early 2000) for sourcing intermediate inputs for export products. Perhaps more importantly, the EU's GSP for LDCs, which granted Bangladeshi exporters duty-free access to its markets, was by the fulfilment of EU rules of origin that strictly specified a certain stage of domestic value addition before products could qualify for such preferential treatment. These measures have greatly enhanced the contribution of the PTS to exports.

The changing composition of RMG exports from Bangladesh has also had important implications for the domestic PTS. Until very recently, clothing exports from Bangladesh were dominated by woven garment products. Domestic fabric production capacity, particularly the type required for woven garment exports, is limited. However, since the mid-1990s, the

country has witnessed massive growth of knitwear exports, and they surpassed woven garments in the mid-2000s. Over time, the capacity of the spinning sub-sector, providing intermediate inputs for knitwear items, has increased rapidly. According to informed sources, the domestic PTS currently meets 80–85 per cent of the intermediate input requirements of the export-oriented knitwear industry, while the corresponding figure for woven garments is only 30–35 per cent.

Figure 3.1. Growth in spinning capacity and yarn and fabric production in Bangladesh

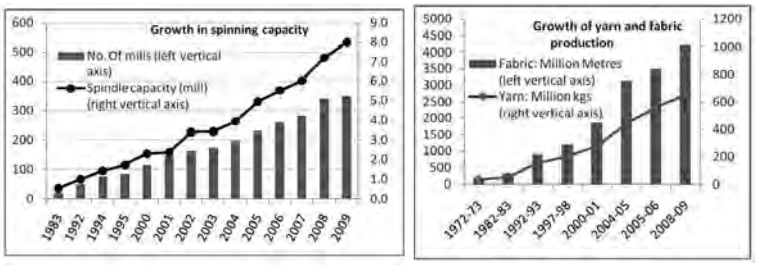


Figure 3.1 shows the growth in Bangladesh's spinning capacity in terms of the number of mills and of spindles capacity. While spinning units have doubled since 2000, spindle capacity has more than tripled. During the same period, yarn production has increased from 272 to 650 million kilograms, and fabric production from 1,845 to 4,225 million metres. Although since 2001 yarn and fabric production have grown at a similar rate – about 17 per cent per annum – exports from the woven RMG sector remain critically dependent on imported fabrics.

Though both spinning and weaving capacity have increased, the sectors are constrained by a major problem – that the country does not produce enough raw materials. The primary materials used in the spinning sector are raw cotton and man-made fibres such as viscose and polyester, and the country has to rely on importing these materials. For example, raw cotton consumption in 2010–2011 is forecast at 900,000 tons, almost all of which will have to be imported.

The quality of domestically produced intermediate inputs

has also been questioned. Recently set up spinning and weaving mills are capable of supplying quality yarns and fabrics required for the export-oriented RMG sector, but it has been found that their prices are 10–12 per cent higher than those sourced from China and India (USDA, 2010).

Available sectoral projections show that in 2009–2010 the demand for fabrics in Bangladesh (taking into consideration both domestic market and RMG export demand) stood at 9,115 million metres, while domestic production was only 4,225 million metres. On the other hand, the demand for yarn is projected at 1,519 million kilograms compared with domestic supplies of 650 million kilograms. It has been estimated that to meet domestic demand Bangladesh would require around 200 spinning and 217 weaving units of medium to large capacity. This shows that there may be significant scope for exploiting regional supply chains, as it is very unlikely that all import requirements can be sourced domestically in the near future.

3.2 India's textiles and clothing sector: an overview[11]

The Indian textiles and clothing sector is one of the largest and most important sectors of the Indian economy. It contributes 4 per cent of GDP, 12.5 per cent of foreign exchange earnings and provides more than 35 million jobs,[12] making it the second largest provider of employment after agriculture. The sector also creates a large amount of employment indirectly, both in traditional industries such as the production of cotton and other natural fibres and in modern industries such as textile design and fashion.

The T&C sector experienced a robust growth in recent years until it was affected by the global financial crisis. During the period 2004–2008, the sector's compound annual growth rate (CGAR) was 8 per cent and it was one of the country's best performing manufacturing sectors. On the external front, exports from the sector were bolstered by the buoyancy in global economic growth, the abolition of the MFA (in January

2005) and rapidly growing world trade. Supply side factors such as improving cost competitiveness, expansion of the multi-fibre base and rapidly growing production capacity of fibre, yarn and fabrics have also played a crucial role in the robust performance of the sector.

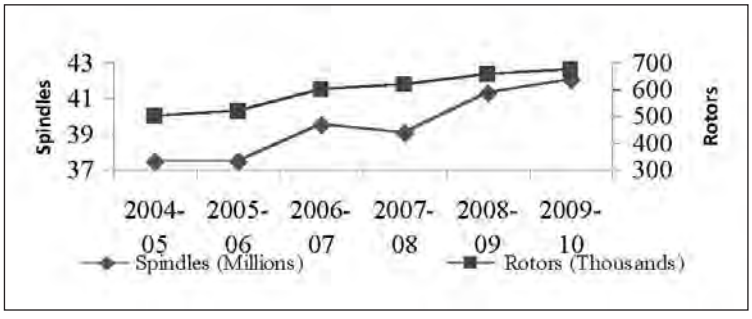
The spinning sector is by far the most efficient and technically advanced sub-sector of India's T&C industry, thanks to the deregulation that started as long ago as the 1980s. India ranks high in the world in terms of installed capacity. Its spinning sector occupies second place in installed capacity of spindles for cotton and third in wool processing (Table 3.2). Installed capacities of both spindles and rotors have increased steadily over the years (Figure 3.2). As much as 85 per cent of total yarn production is contributed by the organised mill sector. There is also a high presence (43%) of small scale-industries (SSIs).

Table 3.2. Installed spinning capacity, 2007

	World capacity (million)	Installed Indian capacity (million)	India as a % of world	India's ranking
1. Spindles (cotton)	202.4	39.3	19.4	2 (China)
2. Spindles (wool)	14.9	1.0	6.9	3 (China)
3. Rotors	8.7	0.6	6.9	4 (Russia)

Note: Country in brackets is first ranking country.
Source: ITMF Report, 2008

Figure 3.2. Growth of spinning, spindles and rotors in India



Source: Office of the Textile Commissioner, Government of India

Yarn production in India has increased at a moderate average growth rate of nearly 4.5 per cent per annum since 2005–2006 (Table 3.3). The growth in production of man-made filament yarn (MMFY) (5.6%) has been higher than that of spun yarns (4.2%). Despite the higher growth of MMFY, spun yarn dominates yarn production with a share of over 73 per cent. Within MMFY, polyester filament yarn dominates with a share of around 94 per cent. The output of the yarn sector contracted by over 3 per cent in 2008–2009 in the wake of the global financial crisis. However, the sector experienced a sharp recovery, with growth of nearly 7 per cent in 2009–2010.

Table 3.3. Yarn production in India (kg million)

	2005–2006	2006–2007	2007–2008	2008–2009	2009–2010	Average growth rate 2005–2009
Production of spun yarn (SSI and non-SSI)						
Cotton	2,521	2,824	2,948	2,898	3,073	4.3
Blended	588	635	677	655	706	4.0
100 per cent N.C.	349	355	378	361	408	3.3
Total spun yarn	3,458	3,813	4,003	3,914	4,187	4.2
Production of MMFY						
Viscose filament yarn	53,09	54	51	42	43	-6.5
Polyester filament yarn	1,076	1,271	1,420	1,330	1,434	6.4
Nylon filament yarn	37	32	28	28	30	-5.4
Poly propylene filament yarn	14	13	11	15	15	2.9
Total MMFY	1,179	1,370	1,509	1,416	1,522	5.6
Total yarn	4,638	5,184	5,513	5,330	5,709	4.5

Source: Office of the Textile Commissioner, Government of India

The spinning sector is strong because of its very strong fibre base. India ranks high in production of all major fibres, including jute, cotton, silk, polyester, viscose and acrylic (Table 3.4). The country is the largest producer of jute fibre in the world and the second largest producer of cotton, silk and cellulosic fibres, though it lags far behind China, which occupies first place. India has been catching fast in man-made textiles. Even

though the country has yet to travel a long distance in man-made textiles, it is interesting to note that the largest producer of polyester in the world is an Indian company.

Table 3.4. India's global share of production of fibres

Category	Production, 2009 (kg billion)	Share in world (%)	Ranking
Jute (jute, kenaf and allied fibres)	1.7	56	1
Cotton	5.0	22	2 (China 30%)
Silk	0.017	13	2 (China 82%)
Cellulosic fibre/yarns	0.33	12	2 (China 45%)
Synthetic fibres/yarns	2.4	6	2 (China 48%)

Note: The top ranking country is shown in brackets with its percentage share.
Source: Office of the Textile Commissioner, Government of India

India's weaving sector is dominated by small scale industry and is the most fragmented sector of the T&C industry. This is evident from the fact that SSI contributes around 80 per cent of total fabrics production and 95 per cent of fabrics exports. Decades of restrictive government policies favouring small-scale operations have led to structural weaknesses in the sector. It lags in productivity and the capacity to supply very high quality fabrics both to domestic and export units for garment manufacture. India ranks first in terms of global ranking for installed capacity of looms, both shuttle and handlooms. It is only in shuttleless looms that the country ranks relatively lower in fourth place. The percentage of shuttleless looms to plain looms is barely 3 per cent, compared with the world average of 16 per cent. The small proportion of shuttleless looms, which ensure high quality, is a matter of concern for the country's industry. Nevertheless, India may continue to enjoy high ranking in its overall capacity of looms for many years to come, as it has been expanding consistently in the sector over the years (Table 3.5).

Table 3.5. Installed weaving capacity, 2007

	World capacity (millions)	India's installed capacity (millions)	India's capacity as % of world capacity	India's ranking
Shuttle looms	4.44	2.01	45.3	1
Shuttleless looms	1.0	0.06	5.0	4 (China)
Handlooms	4.6	3.9	84.7	1
Total looms	10.04	5.96	59.4	1

Note: The top ranking country is shown in brackets with its percentage share.

Fabrics production ranks high in the value chain of the T&C sector. Production in the weaving sector has been growing at a rate of over 4 per cent since 2005–2006. The largest proportion of fabric is contributed by the decentralised power loom sector (61.6%), followed by decentralised hosiery (21.7%), handlooms (12.1%), mills (3.3%) and the Khadi, wool, silk sector (1.4%).[13] In terms of yearly average growth, the decentralised hosiery sector has grown fastest (6%) since 2005–2006, followed by the decentralised power loom sector (3.9%) (Table 3.6).

Table 3.6. Production of fabrics in India (sq. metres million)

	2005–2006	2006–2007	2007–2008	2008–2009	2009–2010	Average growth rate (2005–2009)
Mill sector	1,656	1,746	1,781	1,796	1,961	3.7
Handloom sector	6,108	6,536	6,947	6,677	6,769	2.3
Decentralised power loom sector	30,626	32,879	34,725	33,648	36,644	3.9
Decentralised hosiery sector	10,418	11,504	11,804	12,077	13,623	6.0
Khadi, wool and silk	769	724	768	768	768	0.6
Total	49,577	53,389	56,025	54,966	59,765	4.1

Source: Office of the Textile Commissioner, Government of India

The garment sector has been the driving force behind the growth of the Indian T&C sector. India's garment industry is characterised by a large number of independent small-scale

firms. An average Indian garment exporter has around 119 machines, compared to 698 for an exporter in the Hong Kong Special Administrative Region of China and 605 in China.

3.3 Pakistan's textiles and clothing sector: an overview[14]

The textile and clothing sector is Pakistan's most important manufacturing sector. It contributes nearly a quarter of industrial value addition, provides employment for about 40 per cent of the industrial labour force, accounts for more than 40 per cent of banking credit to the manufacturing sector and contributes 8 per cent of GDP. The share of T&C in the country's exports is around 54 per cent.[15]

Pakistan is the fourth largest producer and the third largest consumer of raw cotton in the world. It ranks as the 12th largest exporter in world T&C exports – 10th in textiles (yarns, fabrics, bed linen, towels and other textile made-ups), with exports worth US$7.37, and 13th in clothing (woven and knitted and crocheted garments), with exports worth US$3.8 billion in 2007.[16]

The textile industry has made an investment of about US$7.5 billion during the last ten years (1999–2009). A break-down of total investment indicates that 50.2 per cent went into the spinning sector, followed by 17 per cent in textile processing and 15 per cent in weaving. Other sectors, namely knitwear, made-ups and synthetic textiles, accounted for 7.02 per cent, 4.71 per cent and 5.76 per cent, respectively.[17]

Cost competitiveness is the key determinant for world exports. Pakistan has an advantage in domestic raw material and robust spinning, weaving and processing capabilities. However, its ranking in other factors of production is mixed compared to its regional competitors. Table 3.7 compares Pakistan, India, China, Bangladesh and Cambodia on six cost indicators: labour costs, labour hours, electricity costs, ocean transport, land transport and building. Hourly wage rates, labour hours and electricity costs are lowest in Bangladesh,

while Pakistan ranks third. Building costs are highest in Pakistan, compared to the other four countries.

Table 3.7. Production input cost ranking of selected Asian countries[18]

Cost category	1	2	3	4	5
Labour costs	Bangladesh	Cambodia	Pakistan	India	China
Labour hours	Bangladesh	China	Pakistan	India	Cambodia
Electricity costs	Bangladesh	China	Pakistan	India	Cambodia
Ocean transport costs	China	Bangladesh/ Cambodia	Pakistan	India	
Land transport costs	Bangladesh	Pakistan	India	China	Cambodia
Building costs	China	Bangladesh	Cambodia	India	Pakistan

Cotton is the principal raw material for the textile industry, supplemented by synthetic polyester staple fibre, viscose, acrylic and other fibres for final products fabrication. The industry has increased its reliance on imports of raw cotton due to stagnant growth of the domestic raw cotton crop. Table 3.8 provides information on domestic production and imports of raw cotton during the last five years. Mills consumption of raw cotton increased from 2.1 million tons in 2004–2005 to 2.5 million tons in 2008–2009. Synthetic fibre consumption increased rapidly compared to raw cotton, as reflected by the share of synthetic fibres, which increased from 19 per cent in 2004–2005 to 21 per cent in 2008–2009.

Table 3.8. Supply and distribution of cotton in Pakistan

	'000 bales of 375 lbs or 170 kg		
Years	Production	Imports	Total
2004–2005	14,265	2,249	18,511
2005–2006	13,019	1,728	18,867
2006–2007	12,856	2,952	19,427
2007–2008	11,655	2952	18,267
2008–2009	11,819	2,659	16,885

Source: Textile Commissioner's Office, All Pakistan Textile Mills Association

The spinning sector is the most important segment in the hierarchy of textile value chain. At present, it is comprised of 521 textile units (50 composite units and 471 spinning units) with 11.28 million spindles and 194 thousand rotors in operation (Table 3.9). The All Pakistan Textile Mills Association (APTMA) claims that over 50 per cent of its machinery is less than seven years old, as a result of the investment of over US$6 billion in the textiles sector in the period 1998–2008.

Table 3.9. Supply and distribution of cotton in Pakistan: installed capacity ('000)

Period	Units	Spindles	Growth (%)	Rotors	Growth (%)
2004–2005	458	10,485	9.31	155	6.16
2005–2006	461	10,437	-0.46	155	0
2006–2007	461	10,513	0.73	150	-3.23
2007–2008	521	11,834	13.00	188	25.00
2008–2009	521	11,280	0.12	194	3.00

Source: All Pakistan Textiles Mills Association

The spinning industry faces numerous problems which have hampered its competitiveness. Interest rates have shot up since 2004–2005 to 14–16 per cent per annum. Inflation has caused drastic price increases for spare parts and other operational costs. Wages have almost doubled in the last five years. The industry has also been hit hard by severe gas and electricity shortages in the last two years.

The cotton crop has been a central issue for the cotton spinning industry. Cotton comprises almost two-thirds of cotton yarn product costing. The availability of a sufficient cotton crop, clean cotton, less trash content and cotton classification/grading have been core issues for the industry over the last 15 years, and there little headway has been made in resolving them. Yarn production has registered an increase despite various market-related constraints since 2002–2007. Annual growth has ranged from 3.71 per cent in 2003–2004 to a maximum 11.14 per cent during 2005–2006.

The cloth production sector is very diverse in technology and economies of scale. There are three different sub-sectors

in weaving: integrated, independent weaving units and power loom units. Pakistan's organised mills sector is reported to have over 4,000 air-jet looms and 24,000 shuttleless looms.[19] There are reportedly over 300,000 power looms installed as well. Most cloth produced by power loom is used in processing mills for textile made-ups and local market consumption. Shuttleless looms are fast replacing the power looms and enjoy a significant share of total cloth production.

Cloth produced by the shuttleless and air-jet looms sector is of high quality and used in high-end products. The bulk of the cloth produced by this sector is exported. Exports of fabrics have registered robust growth during last two decades. Table 3.10 summarise the production of cloth and its usage by the domestic market and exports. A trend of usage similar to that of yarns prevails in the weaving sector: approximately 75 per cent of cloth produced is processed and consumed locally.

Table 3.10. Production, exports and domestic requirement for cloth in Pakistan

Period	Mill sector	Non-mill sector	Total production	Exports (sq. metres million)		Available for local market	
				Quantity	% of total production	Quantity	% of total production
2002–2003	582.14	5,068.38	5,650.52	2,005.38	35.49	3,645.14	64.51
2003–2004	683.39	5,051.90	6,833.12	2,412.87	35.31	4,420.25	64.69
2004–2005	924.67	5,556.00	6,480.67	2,751.56	42.46	3,729.11	57.54
2005–2006	915.26	7,609.00	8,524.26	2,633.98	30.9	5,890.28	69.1
2006–2007	932.66	7,682.00	8,614.66	2,211.74	25.67	6,402.92	74.33

Figures for non-mill sector are estimated.
Source: Textile Commissioner's Office

Pakistan is fairly strong in production of sheeting quality fabrics, whereas its weaving sector has not been able to develop its capability to develop a similar strength in shirting fabric. Further, its production has been concentrated into basic greige fabrics without making significant headway into more value added jacquard and yarn dyed fabrics for the higher end shirting market. About 18,000 knitting machines are installed in the industry.[20]

The garment industry provides the highest value addition in the textile sector. It consists of small, medium and large-scale units, most of them with 50 machines and below. According to estimates by the Textile Commissioner's Office, about 450,000 stitching machines are installed in the industry.

The bulk of ready-made garments exports is in bottom wear, which includes denim and other trouser product categories. But Pakistan's share in tops is dismal for a variety of reasons. One basic factor is the lack of good quality shirting manufacturing. Economies of scale are another important issue in the marketing of shirting products to leading world brands. Most garment units are small or medium-sized. This fragmentation does not encourage large buyers of shirtings.

The home textile sector is a major part of the value chain of the processing industry, which has the capacity to process 4.6 billion square metres of fabric annually. Pakistan is among the top three exporting countries of home textiles, and the largest exporting country in the south Asian region of home textiles and other textile made-ups. Its exports of home textiles and other textile made-ups (including towels) registered a growth of 33 per cent in the period 2003–2008.

3.4 Sri Lanka's textiles and clothing sector: an overview[21]

The textiles and clothing sector contributes 6 per cent of Sri Lanka's GDP, and provides 46 per cent of industrial employment and nearly 40 per cent of industrial production in terms of value. Starting with 19 firms in 1973, by 2001 the industry consisted of 830 firms. The value of production of the sub-sector as a proportion of total industrial production increased from 10 per cent in 1977 to 44 per cent in 2002.[22]

When Sri Lanka liberalised its economy in 1977, the country's garment industry took off immediately, mainly as a result of quota-hopping east Asian garment exporters, who were attracted by the country's liberal trade regime and relocated their already well-established garment businesses to Sri Lanka.

This relocation encouraged local entrepreneurs to start their own garment enterprises to exploit markets guaranteed by quotas, assisted by the liberal trade regime for imports and subsequently by incentives granted by the Board of Investment (BOI) to selected industries.[23] Sri Lanka did not have a well-developed export quality textile industry base; nor did it have a base for garment industry accessories. Thus, from the very beginning, garment production was based on imported inputs and the value added remained low – close to 30 per cent. By the early 1980s, garment exports were growing rapidly and by 1986 garments accounted for the largest share of all exports (27 per cent). By the late 1980s, Sri Lanka's garment industry was referred to as 'glorified tailor shops', because despite a decade of growth it had few linkages with other industries and the value added remained low.

In 1990s, the textiles and clothing industry grew by 18.5 per cent per annum; in 2008 it accounted for 43 per cent of Sri Lanka's export revenue. Its contribution to industrial exports rose to 43 per cent. Most of the export revenue came from clothing; textiles contributed only 10 per cent.

The sector has attracted large-scale investment post-1977 with the liberalisation of the economy. Tax incentives and the amendment of exchange rate regulations led to an increase in investment from SLRs205 million in 1985 to a staggering SLRs2,632 million in 1993. Investment increased further after the establishment of the Board of Investment. The privatisation of the state-owned National Textile Corporation's (NTC) large-scale textile mills also attracted foreign investors. Some of these privatised ventures were subsequently converted into BOI companies. Realised investment in BOI enterprises in textiles and apparels increased to US$417.86 million in 2002 from US$110 million in 1992, more than half of which accrues to foreign investment.

According to the data available from the BOI, foreign investors own close to 50 per cent of garment factories and account for nearly 50 per cent of total textiles and garment exports (USITC, 2004). Greater dependence on imported

textile materials indicates that Sri Lanka has a large export-oriented garment sector, but a small textile industry that has insufficient capacity to supply the quantity or quality of yarn and fabrics required by the garment industry.

Value added in the T&C sector increased at an average rate of 12 per cent per annum in the period 2002–2009. However, value added in textiles has been significantly lower than in the clothing sector. In 2009, the value added in the clothing sector was almost 4.5 times higher than in the textiles sector (Table 3.11).

Table 3.11. Value added in the textile and clothing industry in Sri Lanka (SLRs million at current prices)

Category	2002	2003	2004	2005	2006	2007	2008	2009
Textiles	12,574	13,340	15,008	17,425	19,429	22,885	25,721	27,197
Wearing apparels	57,127	60,610	67,082	82,167	90,539	104,165	117,075	123,084

Source: Central Bank of Sri Lanka

With the increase in production and investment, employment in the textile industry has also increased. The industry provides more than 330,000 jobs or 5 per cent of the country's total employment in more than 1,060 garment factories. In 2002 alone, foreign investment in the industry resulted in the creation of 15,920 employment opportunities.

Small and medium-sized enterprises (SMEs) are an important source of employment and growth in the sector. However, unlike bigger firms, high-cost financing and the lack of collateral has discouraged investment in technology. The competitive strength of the Sri Lankan garment industry is based on cheap labour (Table 3.12), a literate labour force, high labour standards, investment-friendly government policies and strategic shipping lanes.

3.12. Salary of workers by skill and location in Sri Lanka (US$ per month)

	Colombo	Industrial zone	Outstation	Suburb
Unskilled	33	39	34	33
Skilled	44	53	44	42
Technicians	97	94	77	70
Supervisors	88	95	75	83
Middle managers	187	146	119	153
Senior managers	432	388	263	288

Note: Converted to US$ using 2000 average annual exchange rate.
Source: UNIDO Survey, 2000

Labour costs in Sri Lanka amount to 15–20 per cent of overall costs. Many studies point out the country's low labour productivity. Owing to the lack of a fabric and accessory base (lack of vertical integration), the turn-around time of Sri Lanka's garment industry remains around 90–150 days, compared with the ideal international lead time of around 60 days. This large turnaround time is an issue in the context of competitiveness, particularly when eastern European countries have become major suppliers of garments to the EU, and Mexico and Caribbean countries have become major suppliers to the USA under preferential tariff arrangements. Moreover, this problem is of particular concern as 'just-in-time' delivery has become an accepted principle and requirement in global markets (Kelegama, 2005).