

# [Pakistan textile industry](https://assignbuster.com/pakistan-textile-industry/)

[](https://assignbuster.com/)[Business](https://assignbuster.com/essay-subjects/business/), [Industries](https://assignbuster.com/essay-subjects/business/industries/)

The Economist reports that Pakistan is the 4th largest producer of cotton in the world and the 6th largest importer of raw cotton, the 3rd largest consumer of cotton, and the 1st largest exporter of cotton yarn. Over 1. 3 million farmers, out of a total of 5 million are involved in the cultivation of this crop. Textile exports in 1999 were $5. 2 billion and rose to become $10. 5 billion by 2007. Textile exports managed to increase at a very decent growth of 16% in 2006. In the period July 2007 – June 2008, textile exports were US$ 10. 62 Billion. Textile exports share in total export of Pakistan has declined from 67% in 1997 to 55% in 2008, as exports of other non-textile sectors grew. UN reports 102 countries to import textile and apparel products and 104 countries export these products. Global trade in textile and apparel products account for approximately $440 billion.

Pakistan is bogged down in the 5% textile requirement of the world, by dedicating 62% of its GDP share for textiles. An anti-dumping of 5. 8% has been imposed by the European Union, which has put Pakistan in a desperate position to match competitiveness posed by Bangladesh, India, China, Sri-Lanka, and Vietnam.  The top buyers of Pakistani textile goods are the USA, EU, Gulf region, UK, Hong Kong, Japan, Korea, Saudi Arabia, Italy, Turkey, Germany, Norway, France, Canada, Sweden, Australia, etc. Government vision 2005-2010. To overcome global competition, the Pakistani government in 2006 approved a “ Technology-based Industrial vision and strategy for socio-economic” which called for technology up-gradation, human resource development, and establishment of a fully integrated chemical industry in the country.

Investment Policy & Incentives for Vision 2005-2010:

* The whole textile sector is included in the list of value-added industries.
* 5% customs duty on imported machinery if not manufactured locally.

Tax relief: Initial Depreciation allowance (IDA) at 50% of machinery & equipment cost. Export plan 2006-13 seeks to increase the textile and garment sector exports to $24. 36 billion. There is a need to engage young qualified generation as roving ambassadors of marketing caliber, diplomacy, and professional approach. Pakistan commerce intelligence may chalk out plans to reach every region bloc with an in-depth study of the regional trade bloc. 2009-10 Performance The share of textile exports in total exports of the country shrunk to 55 percent so far in the current financial year from well above 60 percent in the past years. As the overall export volume remained stagnant in the first seven months of the current financial year, the shrinking share of textile goods in exports has been adversely impacting the export sector. During the July-January 2009-10, total exports came to $10. 870 billion as against $10. 820 billion in the corresponding period of last year. In the months under review, textile export proceeds totaled to $5. 981 billion over $5. 849 billion in the same months of the previous year.

#### Performance

According to data by the Federal Bureau of Statistics, Textile exports during the first eight months of current financial registered negative growth of 5. 6% against the exports recorded corresponding period of the last financial year. Exports during July-February (2008-09) totaled $ 6. 47 billion against the exports of $6. 85 billion recorded during July-February (2007-08). During the time under review, the highest negative growth of 51. 24 percent was recorded in the exports of yarn (other than cotton yarn) while exports of art, silk, and synthetic textile were decreased by 23. 5 percent. Similarly, exports of cotton yarn declined by 15. 28 percent, cotton (carded or combed) by 13. 81 percent, knitwear by 2. 66 percent, bed wear by 10. 44 percent, tents, canvas and tarpaulin by 21. 18 percent, readymade garments by 12. 43 percent, made up articles by 0. 3 percent while the exports of other textile materials declined by 15. 28 percent during the period. However, the exports of raw cotton witnessed an increase of 154. 5 percent during the time under review while exports of cotton cloth increase by 5. 57 percent and towels by 10. 02 percent.

#### Textile Machinery Imports

According to official statistics released by the Federal Bureau of Statistics (FBS), the country’s total textile machinery imports declined to $438. 270 million during the last fiscal year of 2008, over the import of $502. 898 million in the fiscal year 2007, depicting a decrease of $64. 6 million in the fiscal year 2008. Imports of textile machinery in the month of June 2008 alone also indicated a decline of 22 percent, as compared to the month of June 2007. In June 2008, the industrialists and textile manufacturers have imported textile machinery worth $32. 101 million as compared to $41. 7 million during the corresponding period fiscal year 2007, which depicted a decrease of $9 million only in June 2008. Industry – Spindles, Rotors, and Looms In 1999-00: Units 443 and Spindles 8, 477, 000 and Rotors 149, 780 and Looms 9944.

In 2003-04: Units 456 and Spindles 9, 590, 000 and Rotors 146, 640 and Looms 10, 646. In 2005-06: Units 461 and Spindles 10, 437, 000 and Rotors 155, 104 and Looms 8747. In 2006-07: Mills 567 and Spindles 11, 809, 000 and Rotors – and Looms 9000. The least developed sector is weaving which mostly comprises of smaller, fragmented, and inefficient units.

These units are called inefficient as they mostly use power looms, which are capable of producing narrower width fabric s and mostly use coarse counts of yarn. Therefore, the quality is much inferior to fabrics produced on shuttle-less looms. For decades, the government continued to charge import duty at fabulous rates on shuttle-less looms. Income from power looms was tax-exempt but the income of units using shuttle-less looms was taxable. The knitwear segment of Pakistan has always focused on achieving higher volume rather than concentrating on quality, price, and terms of delivery. A spinning unit of 14, 400 spindles employs around 100 persons. Global financial crisis As the economies in the US and Europe slow down, Pakistan’s key exports of textiles and leather products are experiencing a slowdown in growth as well. According to APTMA, textile exports have declined by about 20 percent in 2008. The industry is bracing for more trouble ahead with continuing crises of electricity and gas, international market access, global economic slow-down, and adverse travel advisories. Pakistan’s share of the US textile market is dropping.

China tops the US market with a share of 36 percent followed by Bangladesh 21 percent, India 18 percent, Morocco 19 percent, and Pakistan 13 percent. South Korea has lost 20 percent of the US market. In the European market, China tops again with a share of 29 percent, Vietnam 28 percent, India 19 percent, and Pakistan only 1. 5 percent while the Philippines had lost 11 percent of the market. WestPoint Stevens and Dan River were two American companies that were negotiating a $200 million deal with a Karachi-based textile group in Karachi. It has been put on a halt.

#### Setbacks for Pakistan Textile Industry

Recently, the government has also abolished the research and development (RandD) support program for the textile sector from July 1, 2008. The Pakistani government had recently proposed to implement an 18 percent Value Added Tax (VAT) on the textile sector in the upcoming budget.  The decline in the machinery imports is also due to the enhanced interest rates on loans, which have not been decreased by the new State Bank governor. A recent substantial hike in gas tariffs also hurt the growth of the textile industry.