

Islamabad Outlook

Textile sector struggles with stagnant exports

According to a recent study textile industry's total production value is around \$13.17 billion, of which 85% of the output amounting \$10.5 billion is exported in the form of yarn, fabric, apparel and made-ups, remaining 15% of textiles are consumed in the country. When divided with 360 working days, the industry's productivity comes to Rs 3 billion a day, which means it is suffering a production loss of Rs . 1 billion daily due to current gas and power outage.

The year 2008 proved to be tough year for Pakistani exporters in selling their goods to their American customers due to fall in demand as a result of recession in the US economy. Other factors affecting the export growth including stiff competition from China, India, Vietnam and Bangladesh, Regional Preferential Arrangements such as North American Free Trade Area (NAFTA), Central American Free Trade Area (CAFTA). The US sponsored Qualified Industrial Zones (QIZs) in Jordan and Egypt which allow duty-free access to their products, have also affected export competitiveness.

In 2007-08 the overall textile exports were projected around \$11.40 billion as against \$10.40 billion in 2006-07. But due to severe energy crisis, shortage of cotton, political uncertainty and deteriorating law and order situation have badly undermined the textile sector's capability of increasing exports to over and above the last financial year's benchmark. In 2007-08 the industry even would not be able to reach the level of \$10.40 billion exports achieved in 2006-07.

According to the Chairman All Pakistan Textile Mills Association (APTMA) Muhammad Iqbal Ebrahim, about 150 textile units have virtually stopped their production during the current year because of electricity and gas shortage and their output is set to suffer, which will leave about 100,000 workers unemployed, affecting 600,000 family members.

The country may face a shortfall of around 2 million cotton bales during crop season 2008-09 and country would be able to achieve 13 million bales this season. Last season country achieved 11.6 million bales in against a revised target of 14.11 million cotton bales while government has set a target of 14.11 million bales during 2008-09.

The country may import 4 million bales of cotton for the year 2007-08 as the cotton production target has been scaled down. Out of these 4 million bales, 0.5 million bales will be of extra-long staple cotton and the rest long and medium staple cotton. According to the sources, the country's cotton requirement is 15 million bales while the estimated production is 11.6 million bales.

Since the removal of quota regime, Pakistan's textile sector has been facing intense competition from neighboring countries on export front. The poor export performance of textile products during the current financial year brought down the share of textiles in total exports to 38% from 60%. Exporters have predicted further decline in shares of textile sector in overall export of the country if the present state of affairs continue to persist in the coming days. ♦