

# Pakistan textile spinning sector facing difficult times

by Dr. Noor Ahmed Memon

Spinning is the first process in the cotton value chain that adds value to cotton by converting into a new product i.e. conversion from ginned cotton into cotton yarn. Since spinning is in the beginning of value chain, all the later value added processes of weaving, knitting, processing, garments and made-ups are dependent upon this process. At the time of independence, where many other industries were non-existent in the country, spinning sector did exist. This long history has resulted in making spinning as one of the most developed sub-sectors of Pakistan's textile sector. At present there are 461 textile mills in the country with 11.27 million spindles and 188 thousand rotors. Out of this, nearly 10.06 million spindles and 114 thousand rotors are in operation.

The yarn production was formerly concentrated in the 20s. But many spinners have introduced combers, and the combed yarn fetches a premium of 20% to 25% in the world market. More significantly the spinners are now increasing the production of yarn count of 30s and above. The spinning mills are concentrating on the production of coarse-count 20s. The production of yarn significantly increased from 1.73 billion Kg in 2000-01 to 2.85 billion kg in 2007-2008, thus showing an average increase of 8% per annum. The share of blended yarn increased from 21% in 2004-05 to 24% in 2007-2008. Production of yarn is given in Table-1.

The textile industry, which invested around \$7 billion (half of this amount was invested in the spinning sector and the remainder in the value added sector) between 2001-08 to modernise and expand its capacity in the hope of substantially increasing its share in the world markets after the removal of quota restrictions from January 2005.

The spinning sector has obviously received the highest attention and resources followed by weaving and then various sub-sectors of value-added segments. Besides revival of spindles, about 2.82 million spindles have also been added to the capacity during the last eight years.

The increase in the credit cost, which consequently increased the financial charges of the mills, has now forced the

**Table-3: Import of Textile Spinning Machines (Major Countries)**  
Value : Rs . in Million

Country	2007- 08	2006- 07	2005- 06	2004- 05
China	1,204	1,345	2,528	2,547
Germany	1,563	337	786	1,314
Italy	111	23	600	74
Japan	543	1,220	1,482	2,360
Switzerland	294	316	451	2,302
USA	112	30	49	125
All others	104	281	136	654
Total	3,931	3,552	6,032	9,376

Source: Federal Bureau of Statistics Government of Pakistan.

**Table-1: Production of yarn (Million Kg)**

Year	Cotton yarn	Blended yarn	Total
1997-98	1,151	390	1,541
1998-99	1,154	394	1,548
1999-00	1,276	402	1,678
2000-01	1,336	393	1,729
2001-02	1,385	433	1,818
2002-03	1,469	456	1,925
2003-04	1,473	466	1,939
2004-05	1,770	520	2,290
2005-06	2,006	550	2,556
2006-07	2,039	688	2,727
2007-08	2,156	690	2,846

Source: Textile Commissioner's Organisation, Government of Pakistan.

**Table -2: Import of Textile Spinning Machines**

Year	Quantity (Number)	Value (Rs. in million)
2004-05	5,983	9,376
2005-06	4,990	6,032
2006-07	3,381	3,552
2007-08	3,098	3,931

Source: Federal Bureau of Statistics, Government of Pakistan.

industry to slow down further investment. On the other hand Pakistan's textile products have become less competitive in the international market owing to tough competition from India, China and Bangladesh.

Due to high mark-up rate in the country, the import of textile spinning machines decreased from 5,983 numbers worth Rs9.38 billion in 2004-05 to 3,098 numbers worth Rs3.93 billion in 2007-08, thus showing decline of 58% in terms of value. Import of textile spinning machines is given in Table-2 and country-wise import of textile spinning machines is given in Table-3.

Pakistan's textile industry enjoys several advantages over those of many other countries as far as the production of quality fabrics and yarn is concerned and is a world leader in the export of cotton yarn, including coarse, medium and fine varieties. Due

to slump in the world market, export of yarn decreased from 672 million kg worth US\$1.38 billion in 2005-2006 to 562 million kg worth US\$1.29 billion in 2007-2008, thus showing decline of 6% in terms of value. Export of cotton yarn is given in Table-4.

Average unit price realization of Pakistani cotton yarn in the international markets is very low compared to that of its competitors. There are two major reasons for this. First is the cotton quality, cotton provided by ginning is contaminated with non-lint components. This results in production of contaminated yarn that sells for a lower price. Second reason for low unit value realization is the product mix of Pakistani cotton yarn. More than 70% of the total yarn production is that of coarse and medium count yarns. In yarn exports, this percentage is about 99%. Coarse and medium counts fetch a lower price compared to fine and super fine counts that ultimately manifests in low unit value realization. Moreover, the share of other high value added yarns like dyed yarns is also very small in total exports.

About 70% of yarn exports belong to the lower (less than 30) counts. It will not be out of place to mention that developed countries have concentrated on open-end (O/E) rotors. This is very significant, because our spinning sector must either move to higher counts or compete with O/E coarse yarn. Both ways, new market has to be developed with better technical strategies. Pakistan's leading buyers are China, Bangladesh Hong Kong, South Korea, Turkey, and Portugal. Country-wise export of yarn is given in Table-5.

In today's textile world, the incremental demand created each year due to population growth is being met through manmade fibers. Pakistani spinning industry is moving slowly in this direction from the last five years due to high price of raw materials. Pakistanis heavily dependent on local cotton and needs to increase the share of manmade fiber yarn in its total production.

The increase in cost of production is making spinning sector uncompetitive and unviable. In case of slump in textile market, sale of

Year	Quantity	Value	Value	Unit Value	
	000 Kgs	000 US \$	000 Rs	\$/ Kg	Rs/ Kg
1995-96	535,889	1,540,259	52,164,188	2.87	97.34
1996-97	508,188	1,411,519	55,238,949	2.78	108.70
1997-98	461,919	1,159,542	49,988,086	2.51	108.22
1998-99	421,481	945,169	47,420,389	2.24	112.51
1999-00	512,971	1,071,616	55,485,197	2.09	108.16
2000-01	545,134	1,076,063	62,914,292	1.97	115.41
2001-02	544,217	942,359	57,898,536	1.73	106.39
2002-03	519,329	928,358	54,314,000	1.79	104.58
2003-04	499,071	1,126,878	64,874,366	2.26	129.99
2004-05	504,722	1,056,535	62,985,529	2.09	124.61
2005-06	671,697	1,382,874	83,345,816	2.06	124.08
2006-07	665,525	1,428,041	86,582,126	2.15	130.09
2007-08	562,424	1,294,165	80,863,110	2.30	143.78

Source:  
1. Trade Development Authority of Pakistan.  
2. Federal Bureau of Statistics, Government of Pakistan.

yarn becomes very difficult and unsold stock accumulate to such an extent that production is reduced and mills occur losses. However, production of finished goods can absorb increase in production cost to a greater extent in view of higher return. It appears quite difficult for Pakistan's textile sector to live more on production of yarn and grey cloth than on production of finished products and garments as the return ratio between yarn and garments is around 1:20.

Therefore, it becomes imperative that Pakistan textile sector must go for maximum value-addition for creating greater employment opportunities and strengthening its economy failing which textile giants of the region such as China, India, Sri Lanka, Bangladesh and Vietnam would make Pakistan as the raw material producing and warehousing country.

There is no denying the fact that the Pakistani textile industry is becoming uncompetitive vis-à-vis India and Bangladesh. Pakistani textile products had become less competitive mainly because of mainly high cost of products due to an increase in oil and gas prices and a surge in interest rates.

The global uptake of yarn had declined considerably and the domestic consumption of yarn was already on the decline regularly during the past 15 months. Most of the mills were losing cash on a daily basis and the loss in sales was enormous. All mills on average suffer depreciation lose of Rs5 million monthly and the financial charges also came to more or less Rs5 million. Production cost had gone high, however there was no demand for yarn even at below-product cost rates. On the other hand Pakistan's textile products have become less competitive in the international market owing to tough competition from India, China and Bangladesh. ♦

Country	2007-08	2006-07	2005-06	2005-04	2003-04
Hong Kong	322,595	399,597	399,597	327,953	353,354
Korea Republic	70,153	89,025	109,757	84,023	123,807
China	307,269	329,247	264,654	149,821	148,735
Bangladesh	82,782	67,405	74,322	59,491	55,517
Portugal	77,593	73,273	56,834	37,013	41,664
Turkey	66,115	49,964	42,090	35,585	47,018
Japan	49,731	49,151	50,031	58,129	54,282
Italy	46,363	49,254	37,994	21,805	20,243
USA	37,713	81,713	127,557	106,467	111,347
Bahrain	17,421	11,771	6,934	7,016	5,420
Indonesia	10,890	16,991	14,065	16,652	12,190
Malaysia	10,990	8,852	8,739	4,507	4,554
Belgium	9,919	7,719	3,285	3,628	3,282
Spain	8,978	8,768	4,486	4,510	7,446
All others	175,653	185,311	182,529	139,935	138,017
Total	1,294,165	1,428,041	1,382,874	1,056,535	1,126,876

Source: Trade Development Authority of Pakistan.