Editor's Page

Spinning sector in serious trouble

Pakistan textile industry, and especially the spinning sector, is in a major crisis due to heavy losses caused by higher cost of production. The root cause of the crisis is that the cost of production has increased so much in Pakistan that spinners can no longer compete with other textile countries whose governments are still bending over backwards to provide maximum subsidies and support to their industry.

At present there are 450 textile mills in operation in the country with 10.1 million spindles and 114 thousand rotors. Out of this, nearly 9.19 million spindles and 108 thousand rotors are in operation. The production of yarn significantly increased from 1,473 million Kg in 2003-04 to 2,156 million kg in 2007-2008, thus showing an average Out of a total around 450 spinning mills about 100 have completely closed down and 300 mills are operating on average loss of Rs210 million monthly and the rest are somehow meeting their production expenses.

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. The effect of a sub-standard yarn production by spinning goes right across the entire value chain

The textile sector, which contributes 67% of Pakistan exports face severe competition from other major suppliers like China, Hong Kong, Thailand, India, and Bangladesh. Pakistan has made some progress in facing post-quota era to take the production of textile goods upwards in the value chain.

Pakistan's spinning sector caters not only to the requirements of domestic industry but about one third of the total production of yarn is also exported. Pakistan is the fourth largest producer of cotton yarn in the world with production of 105 million tonnes in 2007-08.

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.

The industry circles are appalled by the apathy of the government towards the textile sector and have warned that any incentive package provided now might not be able to revive at least 30% of the spinning mills that have closed down and accumulating huge debt due to their inability to service their debt. The rest of the mills would meet the same fate if a realistic relief based on ground realities is not provided to them immediately.

The global demand for yarn is waning due to recession. About 900,000 spindles have been closed down in China. The local production of yarn in China is higher than its current depressed demand. This has practically closed the Pakistani yarn disposal in China that has in recent years emerged as the main importer of our yarn.

All Pakistan Textile Mills Association Chairman Akber Sheikh said global slowdown had hit the spinning industry of Pakistan more severely than other competing countries. He said 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. The supply of power and energy was uncertain because "the government tackles the issue of electricity and gas on political considerations." He said 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.

Another spinner, M I Khurram, said hard times were ahead for the local spinning industry that despite being the most efficient in the world was suffering due to flawed government policies. He said high mark-up was the single factor that made Pakistani yarn expensive as the competing economies like China and India had a 50% less bank mark-up than Pakistan.

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