Editor's Page

Factors pulling down textile exports

The textile sector has been performing badly and the wide range of domestic factors impeding its revival, including continued severe energy shortages and higher utility costs, combined with a collapse in demand for Pakistani exports, mean that exports of textile goods and services (on a national accounts basis) from Pakistan.

The installed capacity in the Pakistani textile sector is mainly dependent for its functioning on export orders coming in mainly from the US and EU zones, and any recessionary trend in these markets can have serious negative implications, which in effect can lead to industry closures at home.

Due to prevailing power crisis and high interest rates, the export of textile products has declined by 9.27% during the first 10 months (July-April) of the current financial year, making the achievement of the annual export target unlikely.

According to the data by Federal Bureau of Statistics the exports of textiles group declined to $ 7.898 billion in July-April period against $ 8.706 billion of the same period of last fiscal year.

The government had set up $ 11 billion export target for the textile sector in ongoing financial year but due to sluggish growth of the economy, because of massive load shedding and high rates on bank loans, the target is not likely to be achieved.

Heavy defaults on the Pakistani textile sector are on the cards owing to various factors (global and domestic) that are adversely affecting this industry. In Southern Punjab, 30 out of a total of 50 textile mills have now closed down rendering almost 100,000 workers jobless who were directly or indirectly connected with these operations.

The textile sector instead retired its old debt or borrowed nominal amount during the first nine months of the current fiscal year. The latest State Bank data shows that the entire textile sector borrowed only Rs 1.4 billion from July 2008 to March 2009. It reflects extremely difficult situation for the economic growth as the textile alone earns over 60% foreign exchange for the country. Apart from the foreign exchange earnings, the sector provides highest number of jobs and the largest in the manufacturing sector.

The textile sector backbone of the economy seems to have reached stagnant point as it has almost stopped borrowing from the banks to run its machines. Pakistan has lost considerable share of its export to USA and European markets during the current financial year owing to host of reasons. Recently US have given duty-free access to products of 15 countries, but no concession has been granted to Pakistan.

The grant of duty-free status to Bangladesh, Sri Lanka and Cambodia, which were Pakistan's strong competitors in the export of garments to the US, would seriously affect export of garments from Pakistan and will lose market share in the US.

The country is in the grip of uncertainty in respect of its security and integrity which has adversely affected its economic performance and living of the people. Pakistan's economic performance is deteriorating month to month mainly due to uncertain political conditions and escalating domestic War against terrorism.

There is no doubt that the main driving force of our economy is the textile sector and its performance has been down graded on account of international factors such as global recession and internal factors such as power shortage, high interest rates, increasing operating cost and poor law and order situation.◆