

Challenges faced by knitwear industry in the international export market

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The world produces over 17 million tonnes of knitted textiles and apparel representing one third of the global textile market. Moreover, output is forecast to grow by 25% over the next ten years, reaching more than 21 million tonnes.

During the past four decades Pakistan's Knitwear industry has made tremendous progress, thereby making an impressive monetary contribution. In 1949 there were hardly two or three units, which were producing vests (basic T-shirts/undergarments) and socks. The production of socks was more than the vests. Entire production was being consumed locally in the Western part of Pakistan.

In 1960, West Pakistan producers received their first order from East Pakistan (Now Bangladesh). It was for the first time that the socks and vests produced in this part left the shores for East Pakistan, now Bangladesh. Later that decade, and in early 1970 some Americans visited Pakistan and placed orders for that basic T-shirt. Till now only white vests were produced, but the Americans ordered them in colours. It was because of Vietnam War that the Americans order more and more T-shirts in white and assorted colours. That was the beginning and the turning point for the knitwear producers. The first orders of Americans taught the local manufacturers the basic of quality control on each and every step. Slowly and gradually Pakistani products started to become acceptable to the international market. In late 1970s and early 80s, European buyers placed their requirements with local manufacturers, At the same time the complexion in of local production also changed- from basic T-shirts to turtle-neck, polo shirts, long sleeves etc.

Meanwhile, a trend in the international countries had already started appearing and a craze of imported shirts was capturing the world. These imported T-shirts carried slogans, painting, animals, cartoons, scenes, sayings and thus American and European buyers sent required designs to local manufacturer, and thus screen-printing became a very common thing for the exporters of Pakistan.

Gaining experience from the buyers, Pakistani manufacturers in mid-80s turned to their own designing and studied international fashion trends. The year 2000 saw huge investments in the knitwear machinery at Ammar, Klass Textile, Ibex, Irfan, Style, Azam, Disco, Crescent Group,

| Machines | 2007-08 | | 2006-07 | | 2005-06 | |
|----------------------------|----------|--------|----------|----------|----------|----------|
| | Quantity | Value | Quantity | Value | Quantity | Value |
| Circular Knitting Machines | 456 | 418.46 | 1000 | 907.13 | 1,188 | 1,040.27 |
| Flat Knitting Machines | 456 | 60.53 | 592 | 120.66 | 401 | 50.10 |
| Total | 684 | 478.99 | 1,592 | 1,027.79 | 1,589 | 1,090.37 |

Source: Federal Bureau of Statistics, Government of Pakistan.

Regent, Masood and Saigol Groups entailed most modern machinery for knitwear with state of the art soft flow dyeing machines and tension-free dryers.

At present there are about 12,000 knitting machines in this industry, producing about 1.4 billion pieces. Out of this production, 60% comprises jersey, knitted fabric, T-shirts, sweat shirts, polo shirts, jogging suits, track suits and children outer wear.

The knitwear industry in Pakistan is poised for a major take-off in the world of fashion as designers find in it lucrative outlet for their creative ideas.

Import of Machinery

The period of heavy investment in most textile machinery categories between 2003 and 2007 came to an abrupt end in 2008. All textile machinery sectors recorded lower shipments in the range of 3% to 66% in 2008 as compared to 2007.

The decrease of global shipments of textile machinery was less pronounced in the segment of electronic flat knitting machines. Global shipments in 2008 were down by 7% to 20,300. The bulk of shipments went to Asia (88%) with Europe absorbing 10.5%.

Once more China was the biggest single investor in electronic flat knitting machines receiving 8,970 machines (44%) followed by Hong Kong with 7,110 (35%), Italy with 1,120 (6%), Turkey with 760 (4%) and Cambodia with 620 (3%).

Pakistan imported mainly automatic flat and circular knitting machines of different brands. Import of various flat knitting machines into Pakistan decreased from 1,592 units valued Rs 1,028 million in 2006-07 to only 684 numbers valued Rs 479 million in 2007-2008, thus showing decline of 53% in terms of value.

Import of flat knitting machines into Pakistan is given in Table-1. The decision of the government to withdraw customs duty on the import of textile machinery and equipment will accelerate industrial development, generate employment and boost manufacturing process in the textile sector,

Exports

Knitwear goods exported from Pakistan are known for their fine quality in European and American markets. It is highly value-added item, earning much valuable foreign exchange per kg cotton

| Year | Quantity (000 Doz) | Value (US \$ Million) |
|---------|--------------------|-----------------------|
| 1989-90 | 19,048 | 274 |
| 1990-91 | 17,668 | 334 |
| 1991-92 | 23,427 | 425 |
| 1992-93 | 23,052 | 464 |
| 1993-94 | 26,450 | 509 |
| 1994-95 | 32,418 | 689 |
| 1995-96 | 30,040 | 703 |
| 1996-97 | 27,719 | 689 |
| 1997-98 | 29,312 | 697 |
| 1998-99 | 32,477 | 742 |
| 1999-00 | 39,313 | 873 |
| 2000-01 | 40,355 | 911 |
| 2001-02 | 36,556 | 846 |
| 2002-03 | 52,133 | 1,147 |
| 2003-04 | 66,894 | 1,459 |
| 2004-05 | 71,033 | 1,635 |
| 2005-06 | 78,645 | 1,751 |
| 2006-07 | 94,224 | 1,798 |
| 2007-08 | 96,610 | 1,831 |

Source: Trade Development Authority of Pakistan.

converted into finished garments. A series of new finishing processes have been incorporated with improved shades, texture and luster. Some of the bulk export items, which have gained popularity, are 100% cotton T-shirts, vests, slips, children's pajama suits, sports shirts, under-

garments, bathing suits, knitted garments and knitted tabulator or flat fabrics.

Export of Knitwear (Hosiery) increased from 40 million dozens worth \$911 million in 2000-01 to 108 million dozens worth \$1.74 billion in 2008-09. Export of knitwear is given in Table-2.

**Table 3 : Country-wise Export of Knitwear
(Value in 000 \$)**

| Country | 2008-09 | 2007 - 2008 | 2006-07 |
|-----------------|------------------|------------------|------------------|
| U.S.A | 1,069,214 | 1,074,347 | 1,144,244 |
| UK | 176,130 | 142,326 | 156,937 |
| Germany | 72,217 | 74,284 | 62,280 |
| Spain | 48,775 | 54,450 | 49,141 |
| Canada | 41,797 | 46,806 | 48,147 |
| Belgium | 41,482 | 39,974 | 37,231 |
| France | 31,981 | 34,954 | 33,738 |
| U.A.E | 36,533 | 27,094 | 15,491 |
| Sweden | 12,559 | 10,728 | 7,299 |
| Saudi Arabia | 14,180 | 9,177 | 5,685 |
| Ireland | 4,641 | 6,358 | 5,019 |
| Denmark | 5,198 | 5,654 | 4,848 |
| Finland | 5,982 | 4,809 | 4,745 |
| Benin | 4,736 | 4,978 | 4,316 |
| Australia | 4,422 | 4,503 | 3,193 |
| Norway | 3,412 | 3,558 | 2,008 |
| South Africa | 2,827 | 3,103 | 2,374 |
| Mexico | 3,377 | 2,970 | 2,473 |
| Sri Lanka | 2,056 | 2,329 | 1,878 |
| Japan | 2,094 | 1,775 | 1,322 |
| Portugal | 1,326 | 1,325 | 835 |
| Qatar | 1,119 | 1,084 | 549 |
| Poland | 1,030 | 999 | 394 |
| The Netherlands | 70,589 | 73,748 | 79,987 |
| Italy | 34,638 | 57,014 | 74,647 |
| Turkey | 3,251 | 5,147 | 5,185 |
| Greece | 3,492 | 2,770 | 2,971 |
| Singapore | 2,536 | 1,341 | 2,144 |
| Hong Kong | 1,113 | 1,204 | 1,511 |
| Chile | 919 | 846 | 730 |
| Other countries | 37,127 | 23,472 | 37,155 |
| Total | 1,740,753 | 1,723,127 | 1,798,477 |

Source: Trade Development Authority of Pakistan.

USA, UK, Germany and The Netherlands are the top four trade partners for Pakistan. Pakistan primarily exports robes made of cotton that constitutes 70% of total quantity exported in the category. The remaining 30% exports of Pakistan are in robes made of synthetic material. Country-wise export of knitwear is given in Table-3.

Future challenges

Country's textile sector is facing shortage of cotton yarn as the unplanned and unrestricted export of value-added knitwear garments, sportswear and other products. Market sources said that an increase in demand for Pakistani yarn cotton and cotton by China and Italy as well as a higher international price for the product are the main reasons for an escalation in exports.

The prices in international market are high as compared to local market and exporters are hopeful to earn Rs 20 billion through cotton exports in the current fiscal year. Pakistani cotton exporters are targeting markets in China, Indonesia and Far Eastern countries.

At present Pakistan textile industry is losing its competitiveness in

international market. Knitwear exports suffered double jeopardy of gas and electricity rate hikes as well as supply shortage during the year. Resultant effect was decline in production and increase in cost of production rendering Pakistani knitwear uncompetitive in international markets. On the other hand Pakistan's textile sector is being hit hard by negative advisories from across the western world for travel to Pakistan. It may be noted that a political and economic crisis has brought a negative impact on the textile sector.

China, India, Sri Lanka, Vietnam, Bangladesh, Korea, Bangladesh, Jordan and Kenya are among major competitors in the industry. Small unit owners face more challenges, as they get no facilities with regards to electricity services, financing and WTO compliance issues.

According to the Pakistan Hosiery Manufacturers Association (PHMA) the number of knitwear exporting units in the country has declined from 1,183 in 2005 to 840 in 2009. Knitwear units in Karachi alone had dropped from 400 in 2005 to only 300 in 2009 and the closed units included big names like Hussaini, King and Zainab.

In Lahore, the number of units has declined from 247 to 180. Here the big exporting units which have been closed include Sara, Ammar, Highnoon, Klass, Navena and Angora. Only 190 knitwear factories are operating in Faisalabad against 300 in 2005, while the number of operational units in Sialkot is down to 170 from 236. The closed units included some of the most efficient and large hi-tech factories which have continued to lose their competitive edge in the world market.

Vice Chairman Pakistan Hosiery Manufacturers & Exporters Association (PHMA) North Zone Mian Naeem Ahmad, said that the excessive yarn export was negatively impacting the value added textile sector, and yarn shortage in domestic market was leading to closures of knitwear, bed-wear, towel, garment, weaving and stitching units, which were the major source of livelihood to 1.5 million families of the country.

The foreign buyers were turning towards our competitors and Pakistani exporters were losing export earning on one hand while losing their credibility due to non-fulfillment of export commitment in international market.

The exports of value added textile products have already declined alarmingly during the second quarter of the fiscal year 2009-10, it might lead to closure of more industrial units resulting further unemployment of the labor force. ♦