

Islamabad Outlook

\$25 billion textile export target

Year 2009 remained good in terms of introduction of policies for the textile sector but proved fruitless in implementation of government's promises. Shortage of electricity and gas and yarn supply emerged as top issues of the year.

Total textile exports in financial year (July-June) 2008-09 reached \$9.661 billion against \$10.630 billion the previous year, a decline of 9.59% because of global recession. From July to November 2009, textile exports were \$4.203 billion against \$4.343 billion last year, showing a fall of 3%. However, due to depreciation of the rupee exporters' earnings rose 5% in Pakistani currency.

During financial year 2008-09, 480 million kgs of cotton yarn up to 32 single counts was exported, meaning 40 million kgs per month, while this year export of cotton yarn is around 60 million kgs per month.

Pakistan's cotton demand is around 16 million bales, 4.0 million bales above production of 12 million bales, but the policy does not focus on increasing the output.

The textile policy, targeting exports worth \$25 billion in five years, seems to be failing because of high yarn export. In the policy, announced on August 12 this year, Rs 40 billion has been earmarked for the development of textile sector. Implementation is almost zero. Drawback and research and development fund payment has not reached the pockets of exporters.

The textile policy promised undisturbed supply of power and gas to the industry, but a sudden cut of gas supply to the industry was reported. Load-shedding and power breakdown was also continuing. The textile industry has been facing a financial crunch and is still waiting for R&D claims.

The policy offered Rs 87 billion cash subsidy to the sector to boost exports. Instead, exports are coming down due to increase in utility rates and yarn shortage, which has yet to be addressed by the government.

Pakistan's one cotton bale is converted into \$1,000, whereas its competitors are converting it into \$4,000. The textile policy has targeted to double it to \$2,000 per bale through value addition. The Cabinet Committee on Textile Industry, in its meeting did not put any cap on yarn export but allowed duty-free import of yarn.

Production of cotton crop has declined globally, showing a shortfall of 4.8 million bales. World's largest exporters of cotton yarn are China, India and Pakistan. Last year, the world was faced with recession while production of cotton was sufficient. The Cotton Crop Assessment Committee (CCAC) of the Ministry of Food and Agriculture (MINFA) estimated that this year the cotton production is about 12.7 million bales against projected target of 13.3 million bales.

The country's raw cotton exports registered a robust increase of 107% during first five months of the current fiscal year, mainly due to the rising demand that Pakistani exporters are getting huge export orders on the back of the expected bumper cotton crop and prices lower than other countries.

Pakistan will export 190 million kg cotton yarn in the next six months as 360 million kg has already been exported of the 550 million kg export target fixed for the ongoing fiscal year.

Although the expected good crop would not be sufficient to meet the country's overall demand, which presently stands at some 15.5-16 million bales, export of the commodity is on surge as there is no restriction on import and export of raw cotton due to free economy under WTO agreement. On the other hand fourteen associations of the value added textile sector have declared that they are being forced to stop production due to inability of the government to press yarn spinners to rationalize their attitude. ♦