

Editor's Page

Finally, the signs of recovery for textile industry

Finally we see concrete signs indicating a slow but steady recovery of the global textile industry of which Pakistan's textile industry is a major player. The spinning sector of Pakistan was the first sector to recover in late 2009. After facing falling revenues and profits, the spinning industry finally got the boost by the spur in the global demand for yarn particularly from China. A significant increase in the yarn exports coupled with higher margins finally provided huge dividends for the spinning sector. The down stream value added sectors who had based their export commitments upon much lower yarn prices suddenly found themselves in a quandary when the yarn prices increased for the domestic market. A temporary cap on yarn exports has been placed by the Government much lauded by the value added sector but lamented by the spinners. We believe that this is a temporary phenomenon and the industry and all the players need to focus on formulating long term strategies to ensure a good and mutually beneficial future for the entire industry.

After a dismal 2009 the prospects are much brighter for the global textile industry and for their suppliers as the global recession gives way to buoyant consumer spending all over. In 2009 textile machinery manufacturers faced unprecedented decline in their turnover which was at times as high as 50% and in certain cases even more. For textile machinery manufacturers this was a most unusual situation as in the past when a certain market slumped another market for machinery would show growth balancing the overall sales of textile machinery manufacturers. When all markets declined simultaneously the machinery manufacturers were left with very few orders forcing them to severe austerity measures to survive this remarkable downturn.

According to Mr. Bruno Ameline, the President of French Textile Machinery Manufacturers Association, UCMTF, the global textile fibre consumption which grows at 3.4% annually declined by 6% in 2008. Coupled with the financing crunch this halted major investment projects all over the world. However, the good news, according to Mr. Ameline, is that the major markets of India and China have already recovered while the US and Europe are emerging from the slump. The prospects are brighter with the orders for spares being back to usual levels indicating the utilization of current facilities.

Pakistan's textile exports that until last year have been declining have finally shown signs of growth in 2010 based on provisional export statistics made available by the Federal Bureau of Statistics. Exports of textiles showed a growth of 23% in the month of January 2010 over the corresponding month in 2009.

Pakistan's textile industry has again started to invest in the textile machinery and the imports of textile machinery for the month of February 2010 were \$23.1 million an increase of 190% as compared to the imports of machinery in February 2009 of \$7.99 million. From July 09 to February 10 the total imports of machinery recorded 3.1% increase, from \$158.89 million to 163.844 million for the same period last year. The remarkable growth in February 2010 indicates that the recovery is a recent phenomenon correlating with the higher cotton and yarn prices in the recent months. It is also a sign of the resilience of Pakistan's textile industry which has managed to survive in the post quota regime in face of formidable competition from textile producing countries such as China, India and Bangladesh, some of whom have enjoyed much better market access by the US and the European Union than Pakistan.

It is good to note that despite adverse travel advisories, representatives of international textile machinery manufacturers have started coming back to Pakistan in the last few months and are actively discussing expansion of existing textile units and also new investments. Spinning and denim sectors as well as textile finishing sectors have been prominent in this regard.

Hans-Eckhard Meiler, representing one of the largest German textile machinery makers Goller Textilmaschinen GmbH that is part of Fong's Group, said that 2010 is expected to be a good year as machinery sales have started picking up in Pakistan during last few months.

The 7th Textile Asia, textile machinery exhibition, taking place in the second week of April is a fully booked event representing international textile machinery suppliers to the entire textile chain from spinning to high value added textiles. This event is happening at an opportune time when the textile industry is seriously considering expansion and new investments. More than 300 international and local exhibitors are participating in Textile Asia an increase of more than 70% from last year. The exhibition area has also increased the exhibition space in view of the great interest in the event.

Collectively the signs are encouraging for the textile industry of Pakistan. It is important that wise decisions are made in view of the changing global scenario in order to meet the demands of the future adequately and successfully. ♦

