

Import of textile machinery increased 3.1% during first eight months



During the first eight months (July to February) of the current fiscal year, the import of textile machinery recorded 3.1% growth to \$163.844 million as compared to \$158.897 million in the corresponding period of last year. In the current tough and disappointing scenario, investment in textile industry is like a light at the end of the tunnel and reflects that still there are chances of revival in this important sector of the economy. The import cost in February was \$23.10 million as against \$7.992 million in the same month of last fiscal year, showing an increase of 190%.

The government has already granted exemption of customs duty on import of a wide range of textile machinery and equipments including machines for extruding, drawing, texturing or cutting manmade textile materials and textile winding (including weft-winding) or reeling machines under the SRO 809(I)/2009 of September 19, 2009. (see Islamabad Outlook pg. 12).

The textile machinery had been showing decreasing trend in since 2006. Pakistan imported textile machinery worth \$928.6 million during 2004-05. However a decline of 12% in the import of textile machinery was witnessed in 2005-06 worth \$817.2 million. In 2006-07 imports declined by 38.4% and totalled \$502.9 million, while machinery worth \$438.3 million with a decrease of 12.8% was imported during 2007-08. Before the removal of quota system, the textile industry made around Rs 5 billion investments by modernizing and expanding its units to prepare itself in the post quota regime.

During the last ten years (1999-2009) textile industry has made an investment of about US\$ 7.5 billion. The total investment to be divided in various sub sectors of textile industry, indicates that 50.2% in spinning sector followed by 17% in textile processing, 15% in weaving while the investment and other sectors namely like knit wear, made ups and synthetic textile at respective rate of 7.02%, 4.71% and 5.76%. This investment includes both investment through bank loan as well as own sources. This investment has been made in the form of Balancing Modernization Replacement (BMR) expansion and new capacity. Textile Machinery worth US\$ 215.5 million has been imported during the year 2008-09. Presently whatever investment is being made it is mostly confined to the denim sector whereas spinning and value-added sector have modest investment in this context.

Textile sector is the backbone of Pakistan export economy. It comprises of 521 textiles units. Pakistan is the fourth largest producer of cotton and third largest consumer. It contributes 9% of GDP and employs 38% of the workforce in the manufacturing sector.

The stiff competition by the competitors in the global markets dented the Pakistani textile sector, which became uncompetitive in its traditional markets due to high tariff slabs on Pakistan's textile goods in comparison to its competitors like Bangladesh and Vietnam, which have greater market access by enjoying preferential treatment in the European and American markets. Furthermore, the major issues of high financing cost, power and gas shortage coupled with their high charges domestically had devastating impact on textile goods when compared with China and India, which gave concessions and incentives in the shape of subsidies on power and financing.

Cotton textile exports grew from \$9.2 billion in 2004-05 to \$10.4 billion in 2006-07 and \$10.5 billion in 2007-08, but in the last fiscal year exports of textiles fell by 6% if compared to 2008-09 (\$9.95) billion.

With the broad focus on framework of knowledge technology and value-addition improvements, the Ministry of Textile is striving to achieve the objectives of availability of high quality cotton, developing the entire textile value chain at par with international best practices, expanding the textile sector to produce value-added garments along with new innovative products, developing a state of the art infrastructure, augmenting investment in human resource management and enlarging our textile and clothing export.

With the waiver of customs duty in the current trade policy, the import of textile machinery and equipment would receive a boost and would help further industrialize the country. ◆