

Pakistan weaving sector including denim holds the highest potential for growth and investment

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Pakistan's denim fabric exports rocketed in the last years, due to a series of advantages including a falling currency, cotton fiber and yarn availability, modern equipment and strong incentives from the government.

Textile industry has the largest potential for boosting exports from Pakistan. At present this sector contributes more than 60% share in the export of country. Apart from its basic contribution of clothing the nation and at the same time earning largest foreign exchange through exportable items, the textile industry holds the key to the growth and expansion of the country's cotton economy, which continues to be the main cash crop.

At the time of independence of Pakistan only two textile mills were in exist-

tence. After independence, the process of development of the textile industry started picking up gradually.

The organized development of cotton textile mills started in the late fifties with the First Five-Year Plan. PIDC came into being with its main objective of the industrializing the country in major fields as envisaged in the then plan. By mid sixties, there were about 180 units of textiles bleaching, printing and processing units, mostly situated in Karachi and small number in the Punjab. In 1968, in consequence of change in the basis of collection of excise duty from capacity to production, most of the mills closed their weaving section. The looms removed from the mills as their weaving sections were closed the

looms were installed outside the mills premises in units of four, which has been exempted from excise duty. This fragmentation dealt a deadly blow to textile weaving, in so far as its future development was concerned.

Contrary to the declining trend in the production of cloth in the mill sector, the non-mill sector or power loom sector, maintained a rising tempo of expansion in capacity and production. It made a major contribution to exports of different types of fabrics, including grey cloth, bed spreads, tapestry cloth, specialized cloth etc. In this way the power looms sector was also backed up by the mills sector. As results, the declining trend in the production of cloth in mill sector, the production in the power loom sector kept rising. Most of the idle looms have been removed from the mill-sector and installed in the power loom sector.

The remarkable progress of the power loom sector is due to favourable government policies as well as market forces. This sector is producing comparatively low value added grey cloth of mostly an inferior quality. The power loom sector employs poor technology; it faces scarcity of quality yarn and lacks institutional financing for its development. The growth record of Pakistan's textile industry shows a reverse trend, especially in the weaving capacity of the mill sector, in which the installed capacity of looms shrunk from 26,000 in 1978-79 to only 8,000 in 2008-2009, the working looms were reported to be only 4,000. Thus, the organized sector seemingly made an all-out shift towards cotton spinning and almost completely gave up efforts to develop and modernize the weaving sector, Capacity utilization of cotton textile weaving (mill sector) is given in Table- 1.

Non Mill (Unorganized) Sector

The non-mill or the power loom sector has registered a phenomenal growth over the last two decades. The exemption of excise duty acted as a catalyst. Labour unrest in large mills experienced in the late sixties was conspicuous by its absence in small units, these operated on contract or self-employed basis. Besides, periodical export booms also helped the power loom sector to establish itself. Its output rapidly increased when demand for cotton bags was created after the cessation of jute bags supplies from Bangladesh.

The number of looms in the unorganized sector cannot be ascertained precisely in the absence of any census. The number of operating looms keep on fluctuating, consumption of yarn and production of cloth by this sector is still more difficult to calculate because (a) this sector does not maintain production statistics. (b) the looms operate generally for one or two shifts and often stop suddenly, depending upon market demand or yarn availability. From the data furnished by the Textile Commissioner Organization, it has been estimated that the number of power looms and shuttleless looms working on cotton/blended yarn vary from 175,000 to 250,000. Shuttleless looms account for about 15%-20% of the total Unorganized sector.

Production of cloth increased from 4,450 million sq. meters in 2000-01 to 9,016 million sq. meters in 2008-2009.

Table 1: Installed and Working Capacity of Composite Mill Sector

Year	No. of Mills	Installed Capacity	Working Capacity	Loom Hours Worked (Million)
		No. of Looms (000)	No. of Looms (000)	
1990-91	247	15	8	60.2
1991-92	271	15	8	58.8
1992-93	284	14	6	55.5
1993-94	320	14	6	44.0
1994-95	334	14	5	41.8
1995-96	349	13	5	37.1
1996-97	357	10	5	36.4
1997-98	353	10	4	37.7
1998-99	348	10	5	35.2
1999-00	351	10	4	34.3
2000-01	353	10	4	34.1
2001-02	354	10	5	36.3
2002-03	363	10	5	38.7
2003-04	363	11	4	32.6
2004-05	423	9	5	30.3
2005-06	516	9	4	24.8
2006-07	521	8	4	21.7
2007-08	521	8	4	21.5
2008-09	521	8	4	18.0

Source: Textile Commissioner's Organization, Government of Pakistan.

The Unorganized loom sector accounts more than 89% of the total fabric production. As a result the non-mill sector weaving capacity continues to occupy predominant position. The setting up of shuttle-less machines in this sector has resulted in high growth in fabric production. At present, the shuttleless weaving (organized and Unorganized) is believed to be the largest consumer of cotton yarn in Pakistan. The Unorganized weaving sector, although quite large, contributes to the exports by way of the production of low quality sheeting fabrics. The quality improvement in fabric production is directly related to the up gradation of technology in weaving and spinning sectors. Production of cloth mill/non-mill sector is given in Table-2.

At present most of weaving units are said to incurring losses in their operations and were forced to cut-down capacity utilization. The major causes are stated to be the rise in the prices of cotton yarn over the last two years. The hectic rise in cotton yarn prices also provides an insight to the serious cost-push problem faced by the entire fabrics manufacturing industry, including power looms and the rest of the textile ancillary industry such as hosiery garments manufacturers.

Import of Machinery

During the past five years remarkable progress of the power looms sector was made in the country. At present Pakistan's textile sector has made considerable

Table 2: Production of Cloth (000 Sq. Meters)

Year	Production		
	Mill Sector	Non Mill sector	Total
2000-01	490,164	3,960,100	4,450,264
2001-02	576,840	4,320,150	4,896,990
2002-03	582,145	4,895,000	5,477,145
2003-04	683,392	5,315,000	5,998,392
2004-05	924,672	6,192,000	7,116,672
2005-06	915,256	7,069,500	7,984,756
2006-07	1,012,919	7,682,738	8,695,657
2007-08	1,016,390	7,989,048	9,005,438
2008-09	1,017,840	7,998,367	9,016,207

Source: Textile Commissioner's Organization Government of Pakistan.

Table 3 : Import of Weaving Machines and Parts

Value: Rs 000

Machines	Unit	2008-2009		2007-2008	
		Quantity	Value	Quantity	Value
Weaving Machines (Shuttleless)	No	18	10,782	49	13,128
Weaving Machines (Looms)	No	4	5,347	22	22,447
Power looms (not>30 CM)	No	426	450,396	494	566,708
Power looms Weaving (> 30CM)	No	1,433	2,017,149	2,966	4,061,199
Parts and Accessories Weaving Machines	000 kg	252	342,436	487	415,885
Total	--	--	2,826,110		5,079,367

Source: Federal Bureau of Statistics, Government of Pakistan.

Table 4: Export of Cotton Fabrics

(Value: US : \$000)

Year	Quantity	Value	Unit Value
	(000 Sq. Mtrs.)	(000 US \$)	(\$/ Sq. Mtr)
2000-01	1,735,824	1,035,043	0.60
2001-02	1,957,353	1,132,370	0.58
2002-03	2,036,321	1,345,650	0.66
2003-04	2,409,407	1,711,492	0.71
2004-05	2,399,458	1,862,886	0.78
2005-06	2,633,982	2,108,183	0.80
2006-07	2,211,843	2,026,547	0.92
2007-08	1,920,268	2,010,611	0.99
2008-09	1,882,250	1,955,289	1.02

Source: Trade Development Authority of Pakistan.

advances in production capacity and capability in the last seven years. Over the last seven years this sector has invested \$ 7.0 billion in modernization and higher value addition. Import of textile weaving machines and parts decreased from Rs5.08 billion in 2007-08 to Rs 2.83 billion in 2008-09, thus showing decline of 44%. Import of textile weaving machines and parts into Pakistan is given in Table-3.

Exports of Fabrics

Pakistan has emerged as one of the major cotton textile product suppliers in the world market. Export of cotton fabrics decreased from 2.63 billion sq meters worth US \$ 2.11 billion in 2005-06 to 1.88 billion sq meters worth US \$ 1.95 billion in 2008-2009, thus showing decline of 28% in terms of value. Export of cotton fabrics is given in Table-4.

The country's export profile of textiles reveals that the country has lost some of its most established markets but exporters have found new export avenues that were neglected in the past. A tough competition in international markets and falling industrial output at home have hammered down the exports this year.

Pakistan managed to increase its exports in cotton fabrics, which is a value-added textile product, in various countries including Turkey, Bangladesh, Italy, Germany, USA, China, Korea, Brazil, Indonesia, UK and Singapore. It is interesting to note that fabric exports increased in many countries where Pakistan lost its yarn market. The country lost fabric markets in the US, Sri Lanka, Spain, Hong Kong, India and Vietnam. Major markets for Pakistan's fabric are Turkey, Italy, Bangladesh, USA, Sri Lanka, Germany and Belgium.

Export of Denim Fabrics

The country has progressively built a strong denim industry over the years. Export of denim fabrics made from cotton material from Pakistan increased from 45 million square meters worth Rs.4.38 billion or US\$ 73million in 2005-06 to 118 million square meters worth Rs. 11.7 billion or US\$148million in 2008-09, thus showing an average annual increase of 27% per annum in terms of value in US\$ and an annual average increase of 38% in terms of quantity exported. Exports of denim fabrics from Pakistan are given in Table-5.

Turkey, Bangladesh, Italy, Egypt and Nicaragua are the main markets for cotton denim fabrics. These markets demand high product standards and in return offer higher unit price realizations. Country-wise export of denim fabrics made from cotton materials is given in Table-6.

The apparel segment is the highest value added link in the entire textile value

Year	Quantity (000 Sq m)	Value (Rs Million)	Value (US\$ Million)
2005-06	44,732	4,376	73.11
2006-07	58,093	5,593	92.14
2007-08	84,066	8,040	128.64
2008-09	117,961	11,707	148.75

Source: Federal Bureau of Statistics, Government of Pakistan.

chain. The trade in the sector accounts for 53% of the total value of global textiles trade and is consistently growing since the last two decades. Denim has now well established as a high fashion fabric contrary to its traditional image of a fabric

suitable for rough and functional usage.

Pakistan is a major Asian player in the garment export market. Total apparel exports from Pakistan were to the tune of US\$ 1.59 billion in 2007-08 and US \$ 1.23 billion in 2008-09. The importance of the apparel sector in the overall economic perspective is two folds. On the one hand the sector has the potential to be the engine of Pakistan textile export growth, while on the other the sector is the largest source of creating low cost employment in the country at all levels.

Denim is now one of the key apparel sectors and the driving force behind the apparel exports of the country. The global recession in fact did not impact the denim industry in Pakistan. The present market situation does not allow the global players in the denim to increase consumer prices and therefore they have to absorb the prices increases from denim fabric producers worldwide.

Normally denim fabric prices are contracted at the beginning of the cotton season, with a volatility of 10%-15% taken in to account, but this time the high volatility has taken everyone by surprise. Retailers, who are still facing tough times, are solidly resisting any increase in prices by the denim brands, leaving the brands to bear the increase.

In this scenario Pakistan has emerged as a key supplier of this highly demanded fabric due to the competitive prices and in house innovations by the denim manufacturers in Pakistan.

The weaving sector in Pakistan by and large is paying keen attention to the remarkable success of the denim sub sector. The apparel industry of Pakistan directly benefits from the new developments in the denim adding much higher value to the textiles produced in Pakistan. The Denim Sector in Pakistan though much smaller in terms of magnitude is leading the way for the entire industry. ♦

Country	2008-2009		2007-2008	
	Quantity	Value	Quantity	Value
Bangladesh	31,395	3,137	20,578	1,874
Egypt	11,043	1,163	8,124	758
Turkey	25,168	2,399	23,354	2,425
Hong Kong	2,396	228	1,418	150
India	1,980	195	1,203	117
Italy	7,754	848	2,557	233
Jordan	1,858	187	805	64
Cambodia	2,292	276	1,210	119
Lesotho	2,019	215	1,308	118
Madagascar	1,301	134	636	51
Nicaragua	2,116	207	39	4
Peru	1,049	88	7,714	163
Spain	1,183	125	1,006	99
Sri Lanka	4,207	409	3,293	304
U.A.E	1,318	126	3,44	30
All Other	20,881	1,970	10,821	1,531
Total	117,960	11,707	84,066	8,040

Source: Federal Bureau of Statistics, Government of Pakistan.