

Pakistan's knitwear industry faces many challenges

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Pakistan is the fourth largest cotton producer in the world and is an important player in the global textile market. Its knitwear industry is the highest value-added textile sector in the country and is distinguished by the high quality of raw material and competitive value of end product.

The knitwear (hosiery) industry is playing a vital role in value addition of textile sector. Bangladesh has become the world's second largest knitwear exporter after China, replacing India from where the country imports most raw materials, mainly yarn, at a higher cost. The achievement was remarkable as the industry worked hard despite the erratic supply of power and labour unrest that often temporarily disrupted production.

In the export field, the knitwear industry of Pakistan has managed to make a big name in many countries of the world. The world produces over 17 million tonnes of knitted textiles and apparel representing one-third of the global textile market. Moreover, the output is forecast to grow by 25% over the next five years, reaching more than 21 million tonnes. According to an estimate of Pakistan Hosiery Manufacturers Association, current production of knitwear is at the level of 1.1 billion pieces. Out of this production, 60% comprises of the jersey, knitted fabric, T-shirts, sweatshirts, polo shirts, jogging suits, track suits and children outerwear.

At present hosiery and knitwear units of Pakistan comprise 3,500 large, medium and small units, 85% of which are small enterprises, 10% medium ventures and only 5% largely integrated factories. With 13,372 circular knitting machines, 10,646 flat knitting and 23,241 socks knitting machines spread all over the country.

There is greater reliance on the development of this industry as there is substantial value addition in the form of knitwear. The capacity utilization of this sector is approximately 70% and besides locally manufactured machinery, liberal import of machinery under different modes and increase capacity will increase the exports.

Pakistan knitwear (hosiery) industry is playing a vital role in value addition of textile sector. Today this industry is a source of direct employment to more than 20,000 workforce.

Pakistan has exported 113 million dozens of knitted goods worth of US\$ 2.36 billion in 2016-17. The popularity of knit goods has grown tremendously in the recent years because of the increased versatility of techniques, the adaptability of many new man-made fibres and the growth in the consumer demand for wrinkle resistant, stretchable, snug fitted garments, particularly in greatly expanding areas of sportswear and other casual wear-segments.

Major Players: Masood Textiles, Style, Klash and Sapphire in Faisalabad and Lahore. While leading knitting companies such as Eastern Garments, Proline, Al-Abbas, Haji Adam & Sons, JB Industries are based in Karachi.

Import of machines: Besides locally manufactured machinery, liberal import of machinery under different modes are also being made and the increasing capacity based on exports are being

Table 1: Import of Knitwear and Embroidery Machines

Value : Rs. Million

Machines	2013-14	2014-15	2015-16	2016-17
Circular Knitting Machines (Dia - 165 mm)	428	350	332	229
Circular Knitting Machines (Dia >165 mm)	434	393	313	453
Flat Knitting Machines (Stitch Bonding)	204	259	460	275
Multi-Head embroidery Machines.	3,728	6,152	6,892	4,292
Other Circular Knitting Machines.	273	503	453	512
Total	5,067	7,657	8,450	5,761

Source: Pakistan Bureau of Statistics.

developed over the years. The machinery used in the knitting sector, especially for circular and flat knitting is largely imported from Europe, Japan and China. Due to low-investment involvement, this industry is very easy to invest in such machines and furthermore, some of the machines and parts are also manufactured locally.

Pakistan imported mainly automatic flat and circular knitting machines of different brands. Import of various types of circular knitting, flat knitting embroidery machines in Pakistan decreased from Rs 8.45 billion in 2015-16 to Rs 5.76 billion in 2016-17, thus showing a decline of 32% per annum. Import of knitting and embroidery machines in Pakistan are given in **Table 1**.

Exports: During the past few years, the segments of knitwear and selected items of ready-made garments have shown an appreciable rising trend in exports. The use of knitwear (hosiery) has increased primarily due to its low price, as compared to cotton woven shirts due to easy-to-wash nature.

The knitwear goods exported from Pakistan are known for their fine quality in European, American and UAE markets. It is a highly value-added item, earning much valuable foreign exchange, as per kg cotton converted into finished garments fetches better margins. Knitwear exports consist of knitted and processed fabrics knitted garments which include the following:

- ❖ Shirts / T-Shirts.
- ❖ Hooded Jackets / Blazers.
- ❖ Trouser.
- ❖ Knitted bed sheets.
- ❖ Knitted fabrics.
- ❖ Socks & other garments.

Table 2: Export of Knitwear

Year	Quantity (000 Doz)	Value (US \$ Million)	Average (Per Doz)
2012-13	97,921	2,043	20.86
2013-14	108,135	2,294	21.21
2014-15	111,068	2,406	21.66
2015-16	112,459	2,364	20.87
2016-17	113,200	2,362	20.87

Source: Trade Development Authority of Pakistan.

A series of new finishing processes have been incorporated with improved shades, texture and lustre. Some of the bulk export items, which have gained popularity, are 100% cotton T-shirts, vests, slips, children's pyjama suits, sports shirts, undergarments, bathing suits, knitted garments and knitted tabular or flat fabrics.

Export of Knitwear (Hosiery) increased from 98 million dozens worth the US \$ 2.04 billion in 2012-13 to 113 million dozens worth the US \$ 2.36 billion in 2016-17, thus showing an increase of 16% in terms of value. Exports of knitwear from Pakistan are given in Table 2. The main items of export in knitwear from Pakistan are elegant men's T-shirts, fancy ladies T-shirts with exquisite embroidery and sequined work, night shirts for ladies and men's pyjamas sets, sportswear and jogging suit, trousers, bed sheets knitted and socks. Techniques of designing, printing, embroidery and dyeing of the fabric have become well developed over the years.

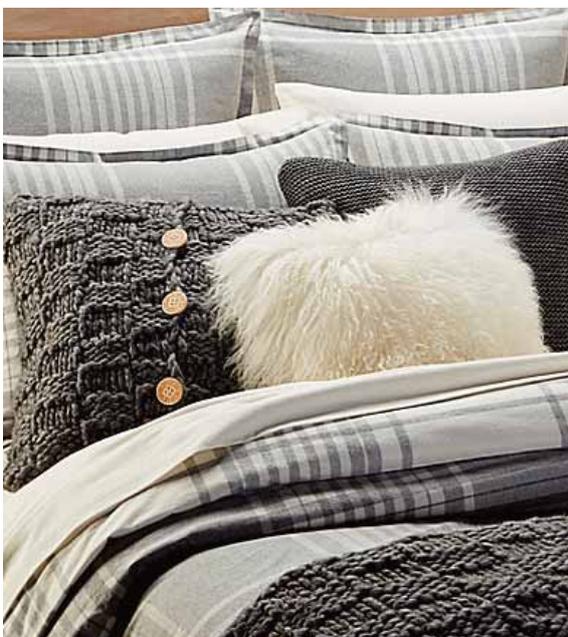
In knitwear, the US market alone accounted for 33% of total knitwear with

exports of \$876 million in 2016-17. About 32% of knitwear exports went to EU, while the share of rest of the world was only 35%. The top nine trade partners for Pakistan are USA, UK, Germany, The Netherlands, Spain, Belgium, France, Italy and Canada. The country-wise exports of knitwear are given in Table 3.

China, India, Sri Lanka, Vietnam, Bangladesh, Korea, Bangladesh, Jordan and Kenya are among major competitors in the industry. Small units face more challenges, as they get no facilities with regards to electricity services and financing. The foreign buyers in some segments were turning towards our competitors. Pakistani exporters were losing export earnings on one hand, while losing their credibility due to non-fulfilment of export commitment in international markets due to load shedding and higher costs of inputs.

Challenges

Pakistan is exploring new potential markets in different regions to increase its exports. The government accords top



priority to enhance country's exports and achieve its trade targets set for the current financial year. In the European Union (EU), Pakistan has a huge opportunity for exporting different goods and after signing the Generalized Scheme of Preferences (GSP-Plus), the country has increased its exports in EU member countries.

The economy's mainstay textile industry is facing unprecedented crisis for many years. Consequently, sizeable textile capacity had been severely impaired and textile exports, both in quantity and value terms had declined across the value chain; whereas regional peers have doubled their exports.

The main prerequisite for achieving major growth is export competitiveness. Weaknesses include low productivity, poor human resources training, poor infrastructure, low value-added goods, low sophistication, lack of technology and almost no value chain integration.

Fashion has become an integral part of the operations of E-commerce businesses. It has helped to contribute a great deal to the revenues and profits of online businesses with a recorded 16.648 million fans on the E-commerce platform.

Pakistan's knitwear industry faces many challenges, as the Indian government recently has announced 13% rebate on knitwear exports. Pakistan's knitwear industry is surviving without getting any benefit of the GSP Plus status because India has effectively neutralised this advantage. Indian knitwear exporters would get a rebate to compete with Pakistan, while the knitwear exporters are running from pillar to post for the billions of genuine sales tax refunds lying with the state for more than two years.

On the other hand, knitwear exports suffered a shortage of gas and electricity for the past few years. Resultant effect was a decline in production and increase

Country	2016-17	2015-16	2014-15
U.S. America	876,104	961,035	1,095,712
United Kingdom	367,877	362,840	357,349
Germany	181,868	151,812	128,101
The Netherlands	143,725	128,607	127,527
Spain	181,745	188,777	134,824
Belgium	145,423	138,133	110,357
France	63,257	55,375	55,779
Italy	51,919	57,587	59,733
Canada	35,579	34,642	40,578
U.A.E	38,193	44,155	50,370
Sweden	13,348	14,010	12,831
Australia	16,577	16,145	13,451
Denmark	20,634	16,771	12,131
China	17,623	14,173	10,350
Japan	15,035	13,795	10,782
Poland	16,100	13,339	9,616
All others	176,451	152,426	176,997
Total	2,361,458	2,363,622	2,406,488

Source: Trade Development Authority of Pakistan.

in the cost of production rendering Pakistani knitwear uncompetitive in international markets. China, India, Sri Lanka, Vietnam, Bangladesh and Korea are among major competitors in the industry. Small units face more challenges, as they get no facilities with regards to electricity services and financing.

Pakistani value-added textile export associations have welcomed the approval of the export package for 2017-18, but suggest it is a short-term solution to a long-term problem. The long-term solution is to reduce the cost of inputs like electricity, gas and water tariffs.

Recently Economic Coordination Committee (ECC) of the Cabinet approved the export package in a bid to

give a boost to shrinking exports of the country. Under the package, 50% of the incentive will be offered to eligible textile and non-textile exporters on the same terms as given for the period January to June 2017 without the condition of 10% increase in shipments. The remaining 50% of the incentive will be provided if an exporter achieves an increase of 10% or more in shipments compared to the corresponding period of previous year.

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