

# 2018 starts with cautious optimism for the textile industry

In the previous issue, we had provided our readers with a compendium of the annual textile statistics and analysis that covered the last fiscal year from July 2016 to June 2017. Analysis of the first seven months of the current fiscal year 2017-18 reveals that despite facing tremendous pressures of increased competition, the high cost of production and inconsistent government policies, the industry is moving ahead in the value-added textile sectors. Exports of yarn and fibres, the low value-added sectors have seen a steady decline over the last few years. On the other hand, exports of garments, home-textiles and other value sectors have shown remarkable performance. Let us analyse their performance.

**Apparel sector comprising ready made garments and knitwear** has led the growth with a total increase of 13.6%. Contrary to expectations, the total exports of knitwear (US\$1.55 Billion) exceeded Readymade garments exports (US\$1.48 Billion) in the first seven months of 2017-18. The unit value of knitwear increased by 7% while the unit value of garments remained practically unchanged at less than 1%. Apparently, the pressure on readymade garment prices is quite high, while knitwear from Pakistan is able to command 7 times higher unit value than ready-made garments while achieving a moderate increase in the total volume. This is the right step towards higher value addition.

**Home textiles**, especially bedware have shown an increase of 5.6% in value and 1.55% in the unit value. Recently held Heimtextil exhibition in Frankfurt reflected mixed sentiments from exhibitors from Pakistan. Apparently, the larger players are in a much more comfortable position due to vertical integration as well as a strong global marketing network. The pressure on price is high in the sector. The stiff competition from India, China and Bangladesh in a sector that was traditionally the core strength of Pakistan's textile industry has started to affect some of the commodity type home textile exports.

**Towels** that are part of the larger home textile sector are also under price pressure with a decline in the unit value of 3.79% while posting an increase of 5% in volume and 1% in value.

A good sign is an apparent recovery in the **Synthetic Textiles** exports of 93% in terms of value and 105% in volume. For the month of January 2018, the exports of synthetics surged by 335% in terms of value and 253% in volume and registered the highest unit value increase of 23%. It must be noted that the export volume of this niche sector accounts for only two percent of the total exports of textiles.

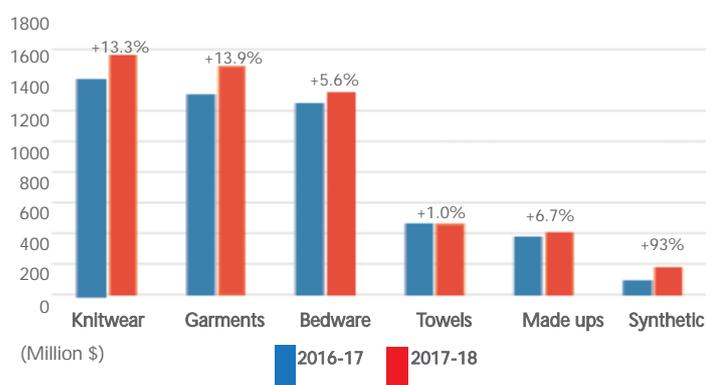
The textile industry of Pakistan is struggling to survive facing intense global competition. The USD 170 billion Prime Minister package announced last year has not been implemented completely with a large amount of the refunds due to the exporters yet to be disbursed causing serious and debilitating liquidity crunch for many players. The power supply situation although more regular is still far from satisfactory.

Devaluation of Pakistani Rupee by 5% in the month of December 2017 has definitely benefited the value-added sectors of garments, knitwear and synthetic textiles. The order intake for exports has increased and the final results of this fiscal year are expected to reflect on strong exports for 2017-18. The only way forward is to strive for the highest value addition through continuous R & D, brand development and marketing as well as lean and efficient manufacturing. ♦



**Textile and Clothing Exports Jul-Jan 2017-18**

Compared with Jul-Jan 2016-17



Source: Trade Development Authority of Pakistan.