

Devaluation of Rupee and its impact on Pakistan's textile industry

Pakistani Rupee has seen a downward spiral since January 2018 with more than 25% decline in the last 10 months. With the devaluation of Rupee imported inputs and raw material have become more expensive. However, there is a reason for certain optimism despite the negative impact of devaluation on the input cost.

At least in the short run, our textile exports will be rendered competitive in the international markets. This will have a significantly positive effect on the economy since the share of textiles in the total exports of Pakistan is more than 50%. It has been four years since Pakistan attained the GSP Plus status from the European Union subject to the implementation of 27 core conventions.

In February 2018, after a review, the scheme was continued for two more years enabling Pakistani exporters to enjoy preferential duties on exports for another two years. The GSP status is subject to ratification and actual implementation of 27 international conventions on social compliance and environment. While the GSP Plus facility has been renewed for another two years, the European Union is going to closely monitor the implementations of the treaties to launch an investigation in case of significant shortcomings. While Pakistan's overall exports have declined over the last 10 years, the value added textiles have been the beneficiary of the GSP Plus, particularly the Readymade Garments and the Knitwear.

However, the huge potential for growth in the high value-added textiles exists in Pakistan. There is dire need to increase the unit value of textile exports rather than an increase in volume which is usually attainable due to the low unit price. The dilemma which Pakistan faces is that it is becoming increasingly difficult to compete in the low-cost commodity business in view of the increasing cost of production primarily due to the higher energy and input costs.

Those industrial units that manufacture high-quality value-added textiles are able to meet this increase in the production cost much better due to the better prices they can secure from their buyers. That is why there is such a strong interest shown by our textile industry in the digital printing technology in the last few years. Digital printing technology such as that offered by MS, Reggiani and Mimaki allows high-value addition to basic fabrics that can garner much higher prices from international buyers. On the other hand, discerning local consumers in Pakistan are also demanding quality textiles significantly augmenting the demand for digital printing in Pakistan. The current issue is devoted to digital printing technology.

Textile processing particularly printing technology cannot run efficiently without an adequate and continuous supply of electricity. The textile units that had opted for natural gas more than a decade ago as an inexpensive and viable solution to the inconsistent and short supply of electricity are now converting to alternative sources of energy such as coal and LPG due to a severe shortage of gas supply.

Devaluation of Pak Rupee has forced us to reevaluate our priorities and it is clear that those who will take the direction of the higher end high-quality products will remain viable in the highly competitive world of tomorrow. ♦

