

Pakistani spinning industry still facing problems

by Prof. Dr. Noor Ahmed Memon, Dadabhoy Institute of Higher Education.

The spinning industry still faces problems despite power tariff reduction of Rs 3 per unit that is insufficient to bring back its competitiveness, but it's quality yarn is bringing back global buyers being disappointed by inconsistent and low quality Indian yarn.

During the last year, the Indian government tried to boost its yarn and fabric exports by providing subsidies on the export of these two items. Later, it announced further subsidy on a few focused markets that included Pakistan. Chinese shifted their orders from Pakistan to the Indian spinners. Some large fabric manufacturers also preferred cheaper Indian yarn over the expensive domestic product.

Pakistani yarn manufacturers are however not prepared to export yarn at current global yarn rates as it is not commercially viable to match Indian rates that are subsidized by their government.

Pakistan's spinning industry has for the last decade been operating at much higher power tariff than regional economies and still remained competitive. The reason for the high tariff was dependence on high cost furnace oil for power generation.

The textile industry is the major industrial sector which plays an important role in the economic growth of the country. It continues to be the largest industry of Pakistan based on the local raw material and commands the strongest comparative advantages in resources utilization. The industry has

Table 1: Installed Working Capacity and Production of Yarn (000 Spindles)

Year	Installed Capacity	Working Capacity	Production of yarn (Million Kg)
2013-14	13.27	11.15	3,333
2014-15	13.18	11.08	3,370
2015-16	13.41	11.26	3,397
2016-17	13.41	11.88	3,428
2017-18	13.41	11.29	3,485

Source: Textile Commissioner Organization.

expanded significantly since independence and now developed into one of the strongest export based industrial sub-sector.

Pakistan has emerged as one of the major cotton textile product suppliers in the world market, with a share of world yarn and cotton fabric trade of about 30% and 8% respectively, maintaining the sector as a backbone of industrial activity for the country. The annual volume of total world textile and clothing trade is more than US\$ 755 billion; Pakistan's share is less than 3%.

The spinning industry of Pakistan functions in a competitive but free environment as long as procurement and use of raw materials are concerned. Scarcity of crop led the sourcing of international cotton in Pakistan, which began a decade ago. Today, the nation approximately sources 4 million bales from the international markets and produces close to 12 million bales domestically.

Since spinning is the beginning of value chain, all value added processes of weaving, knitting, processing, garments and made-ups are dependent upon this process. The effect of a sub-standard yarn by spinning segment can go right across the entire value chain. Pakistan's spinning sector caters not only to the requirements of the domestic industry but also about one third of the total production of yarn is exported to different destinations.

The rapid increase in spinning capacity due to technological advances has increased the production of cotton and related products substantially. The Textile Commissioner Organization reports that there are 517 textile units in operation (40 composite units and 477 spinning units) with 13.41 million spindles and 199,000 rotors installed and 11.29 million spindles and 127 thousand rotors in operation with capacity utilization of 83% and 84% respectively. All these factors now contribute about 55% of the country's total exports.

The production of yarn increased significantly from 2.13 billion kg in 2014-15 to 2.2 billion kg in 2017-18, thus showing an increase of 3% per annum.

The production of yarn share in coarse counts is 47.1%, medium counts 23.7%, whereas fine and super counts 5.4% and mixed polyester 23.8% respectively. China and India are producing both cotton and MMF yarns and fabrics at a comparatively lower energy cost. The textile industry in Pakistan is facing the highest energy cost in the region. Installed capacity, working and production of yarns are given in **Table 1**.

Exports

Export of cotton yarn increased from 456 million kgs worth US\$ 1.24 billion in 2016-17 to 522 million kgs worth US\$ 1.37 billion in 2017-18, showing an increase of 10%. Average unit price realization of Pakistani cotton yarn in the international markets is also very low compared to that of its competitors. The average unit price of cotton yarn

Table 3: Country wise Exports of Cotton Yarn
Value: US \$ 000

Country	2017-18	2016-17	2015-16
China	869,780	801,407	836,105
Bangladesh	83,602	83,669	100,827
Hong Kong	35,399	34,507	52,564
Turkey	72,540	62,550	42,778
Portugal	56,472	49,984	37,094
Korea	34,004	29,136	30,633
Japan	33,191	30,253	28,359
U.S.A	13,532	12,055	16,568
Italy	30,091	21,740	16,372
Vietnam	5,914	10,081	11,485
Bahrain	9,318	7,466	8,428
All other countries	124,685	70,644	53,879
Total	1,371,919	1,243,745	1,264,922

Source: Trade Development Authority of Pakistan.

Table 2: Exports of Cotton Yarn

Year	Quantity	Value	Unit Value
	(000 Kgs)	(US \$ 000)	(\$/ Kg)
2013-14	663,895	1,997,338	2.75
2014-15	671,293	1,849,389	2.74
2015-16	423,624	1,264,922	2.98
2016-17	456,074	1,243,745	2.73
2017-18	521,959	1,371,919	2.63

Source: Trade Development Authority of Pakistan.

decreased from US\$ 2.98/kg in 2015-16 to \$ 2.63/kg in 2017-18.

The average unit price realization of Pakistani cotton yarn in the international markets is very low compared to that of its competitors. There are two major reasons. First, cotton quality; the deterioration in cotton quality occurs during unsatisfactory storage and handling of seed cotton by growers. Most of the ginners indulge in malpractices involving a mixture of varieties and grades, low standards of ginning and addition of excess moisture just before pressing lint into bales. This results in the production of contaminated yarn that sells for a much lower price.

The second reason for low unit value realization is the product mix of Pakistani cotton yarn. More than 70% of the total yarn production is that of coarse and medium count yarns. In yarn exports, this percentage is about 99%, and therefore, coarse and medium counts fetch a lower price compared to fine and superfine counts that ultimately manifests in low unit value realization. Moreover, the share of other high value-added yarns like dyed and melange, or core spun yarns are also very small in terms of total exports volume. Exports of cotton yarn from Pakistan are given in **Table 2**.

Pakistan's leading buyers of cotton yarn are China, Bangladesh, Turkey, Portugal, Hong Kong and Korea. Country-wise exports of cotton yarn from Pakistan are given in **Table 3**.

Raw material

Pakistan is among the leading cotton producing countries, however from the last few years, the cotton production is on the downward side and declined

drastically to 11.85 million bales in 2017-18. For the current fiscal year the Federal government has estimated cotton production at 11 million bales against a total requirement of around 15 million bales.

Pakistan imported 458 thousand metric tonnes of cotton during 2017-18. USA and India accounted for 76% of the total cotton imports. The unit value of the US cotton and Indian cotton is almost the same indicating strong competition between these two supplying countries. However Egypt and Turkmenistan garner the highest unit values, while accounting for less than 3% of the total cotton imports. The imports of cotton during 2017-18 is given in **Table 4**.

Table 4: Country wise Imports of Cotton 2017-18

Country	Quantity (Metric Tonne)	Value (Million US\$)	Unit Value (US\$ / Met Tonne)
USA	188,403	339	1,799
India	146,159	259	1,771
Afghanistan	40,269	48.5	1,206
Brazil	22,778	38	1,669
Mexico	13,585	21.7	1,604
Turkmenistan	6039	13.3	2,210
South Sudan	8005	11.5	1,435
Egypt	3041	7.7	2,540
Others	30,260	49.8	1,640
Total	458,539	788.5	1,725

Source: Pakistan Bureau of Statistics

Imports of spinning machinery

The imports of textile spinning machines and parts decreased from Rs. 23.68 billion in 2016-17 to Rs.22.22 billion in 2017-18, thus showing a decline of 6%. China, Italy, Germany and Switzerland have been among top exporters of textile machinery to Pakistan. Import of textile spinning machinery and parts are given in Table 5.

Global shipments of spinning machinery

Shipments of new short-staple spindles increased for the first time since 2013. The level of short-staple spindles increased to 1.65 million spindles. Most of the new short-staple spindles (95%) were shipped to Asia, whereby shipments rose by almost 24% year-on-year. Thereby China, the world's largest investor of short-staple spindles, experienced an increase of 34%, whereas deliveries to Bangladesh and Vietnam decreased by 33% and 39%, respectively. Shipment to Indonesia strongly increased last year (+ 135%). The six largest investors in the short-staple segment in 2017 were China, India, Uzbekistan, Bangladesh, Pakistan, and Indonesia.

Shipment of open-end rotors rose by 24% to a level over 788,000 rotors in 2017. About 85% of a worldwide shipment of open-end rotors was destined for Asia. Thereby, delivery to Asia increased by about 15% to nearly 674,000 rotors. However, China, the world's largest investor in open-end rotors, increased its investments by only 6% in 2017 when countries like Iran, Brazil, Uzbekistan, and Japan saw 2 to 4 times more deliveries compared to 2016. The world's second and third largest investors in 2016 were Turkey and India.

Challenges

Pakistani textile industry considered as the backbone of the export sector is facing new issues which should be dealt with promptly. The textile industry crumbling under high energy prices, struck up refunds and tight monetary policy is facing tough competition from India, Bangladesh, Vietnam, Thailand and other states in the foreign market. Therefore, the government should take serious initiatives to safeguard local

Table 4: Imports of Textile Spinning Machines and Parts

Value: Rs. in 000

Machines / Parts	Unit	2017-18		2016-17	
		Quantity	Value	Quantity	Value
Carding machines	No	152	1,486,727	389	2813,833
Combing machines	No	80	959,046	56	776,100
Drawing /roving machines	No	295	1,815,260	290	1,765,961
Blow room machinery	No	117	906,674	134	1,213,685
Other mach preparing text fibres	No	40	117,063	278	99,728
Texting spinning machines	No	1,040	7,968,789	937	8,853,940
Textile doubling or twist machines	No	479	630,401	245	531,682
Weft winding machine	No	144	512,714	38	207,302
Cone/bobbin winding machines	Kg	393	1,185,777	636	1,349,345
Other textile winding machine	Kg	189	1,753,587	298	1,885,613
Tops & flats card clothing	Kg	182,222	721,240	154,824	584,313
Other card clothing	Kg	176,095	647,376	152,385	539,018
Part accessory mach text fibre	Kg	20,933	83,528	16,213	57,019
Spindle flyer ring travellers	Kg	115,928	669,666	116,443	575,110
Spindles textile machine	Kg	119,298	371,967	131,821	351,207
Spinning rings	Kg	98,896	332,522	87,370	287,541
Other parts & accessories	No	563,480	2,057,070	530,782	1,789,917
Total	--	--	22,219,407	--	23,681,314

Source: Pakistan Federal Bureau of Statistics.

industry which is the highest foreign exchange earner and the largest urban employment provider.

The All Pakistan Textile Mills Association (APTMA) needs to enhance the quality of its products, upgrade the technology used, and encourage effective Research and Development (R&D) in order to compete internationally. However, APTMA argues other factors such as high interest rates and cost of inputs, non-conducive government policies, and non-guaranteed energy supplies hinder their competitiveness.

While several manufacturers have upgraded their production units by installing technologically advanced machinery and equipment, the trend has failed to pick up momentum across the entire spinning sector.

During the past two years, Pakistan has a steep plunge in imports of textile machinery once again. Textile machinery imports for FY18 clocked in at US\$ 325 million which is the lowest since the bottom of US\$ 252 million in FY09.

Pakistan is among the leading cotton producing countries, however from the

last few years it's cotton production is on the downward side and declined drastically to 12 million bales in 2017-18.

According to the report, Pakistan, which is the world's fourth-largest cotton producing country, falls short of around 4.0 million bales a year to meet the local demand of nearly 16 million bales.

State Bank of Pakistan (SBP) in a recent report observed that with adequate availability of raw materials in the country, Pakistan could have excelled in global synthetic textiles markets such as Vietnam, Bangladesh, and Cambodia, which are leading exporters of synthetic textiles following China.

Internationally cotton is now 30% of the total fibre consumption and manmade fibre and filament are now at 70%, while the situation domestically is quite the opposite.

References

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4. Trade Development Authority of Pakistan. ♦