

Devaluation of Pak Rupee and its impact on textile exports

Pakistani Rupee has shown a steady decline since December 2017, having lost about 40% of its value. Is the situation really as bleak as portrayed in the news? The press has not reported any positive statement issued by the Ministry of Industry and the Ministry of Textiles. Therefore the editorial team of PTJ has analysed the latest export figures to come up with some very different and interesting conclusions as presented in the following analysis.

The decline of the Rupee started in December 2017 with a 5% depreciation against US\$ followed by 10% further depreciation for a total of 15% by June 2018 before the new government had taken charge. Since June 2018 the steady decline of Pakistan Rupee has continued and by April 2019 Pak Rupee had lost another 15% for a total of 30% with an expectation of further fall in the coming months before the announcement of the new budget in June. The Rupee value is expected to stabilise around US\$149 as projected by the analysts. The deficit is already shrinking due to a decline in the value of Pak Rupee.

Let us see how it translates in terms of the textile industry's performance. It would be logical to expect an increase in the exports due to devaluation. However, the press is reporting a decline in exports. Our analysis has revealed that the raw material goods of raw cotton, cotton yarn and fabrics have witnessed a decline, but the value added sectors has succeeded in achieving increase in exports exporting both quantities and values. The good news is that the situation for our value added sector is not quite as bleak as portrayed by the mainstream media. According to the latest provisional statistics by the Trade Development Authority of Pakistan, the value added exports have shown an increase both in terms of quantities as well as value. The percentage increase in terms of quantities exported is much higher than the value realised.

Value added sectors of knitwear (hosiery), ready made garments, bedwear, made ups and tents and canvas have shown an increase to 4.6% from July 2018 to April 2019 in terms of value. Knitwear exports increased by 8.76% to US\$ 2.4B, garments exports increased by 3.21% to US\$ 2.19B and home textiles increased by 2.4% to US\$ 1.9B. These are the most important value added sectors that accounted for US\$ 7.5B of exports. What is even more revealing is that from July 2018 to April 2019 the exports of ready made garments had a 30% increase in quantity and knitwear witnessed 15.6% increase in terms of quantity. Exports of bedwear in terms of quantity increased by 10%. Exports of cotton fabrics that declined by 2.7% in value increased by 18% in terms of quantity exported. Synthetic textile exports increased by 17.4% in terms of quantity while decreasing by 1.9% in value.

The above statistics indicate that depreciation of Pak Rupee has directly resulted in increased quantities of value added textiles exports with lesser increase in terms of value resulting in low unit values. It is evident that there is a severe pressure on price of value added textiles. This is a sign that the industry is trying to survive by all means possible especially by offering lower prices vis a vis the competition. However, in the long run this is not a sustainable situation. The focus should remain on providing quality and higher value textiles and garments rather than lower priced, lower quality products. ♦



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