

Cotton weaving industry: Constant decline of average unit price in international markets

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Competition is on the rise in the global apparel and textile markets. Countries like Vietnam, Cambodia and Sri Lanka are vying to get a bigger share of the global textile pie. The stakes are even higher for Pakistan especially in light of the China Pak Economic Corridor (CPEC).

The export of cotton fabrics from Pakistan decreased from US\$ 2.77 billion in 2013-14 to US\$ 2.20 billion in 2017-18, due to decline average unit price in the international markets from US\$ 1.25 per sq. metre in 2014-15 to US\$ 0.98 per sq. metre in 2017-18, thus showing a decline of 20%.

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 the resources utilisation. It is a labour-intensive industry and offers entry-level jobs for unskilled labour, especially in the clothing sector which has been particularly suitable for female workers who had limited income opportunities.

The industry has expanded significantly since the country's independence in 1947, and has developed into one of the strongest export based industrial sub-sectors. Since the raw cotton production has potential to increase therefore, there is great potential for horizontal and vertical expansion in the domestic production of textile and textile goods.

Machines	Quantity: Numbers Value: Rs. Million			
	2017-18		2016-17	
	Quantity	Value	Quantity	Value
Weaving Machines (Shuttleless)	3,026	7,203	3,451	10,935
Weaving Machines (WD >30CM)	40	16	173	41
Power Looms Weaving (Esceed 30CM)	13	20	4	3
Other Weaving Machines (Looms)	402	941	771	1,249
Total	3,481	8,180	4,399	12,228

Source: Pakistan Bureau of Statistics

At present, the industry consists of a large scale organised sector as well as highly fragmented cottage/small scale sector. The organised sector is essentially the integrated textile mills large number of spinning units and a very small number of shuttles looms units. The downstream industry, which involves weaving, finishing, garment, towels and hosiery, which has a great export potential, exists in the unorganized sector. Some units have well grown to the international scale.

Pakistan offers various kinds of fabrics which include the famous grey fabric as well. Cotton grey fabric is an important intermediate product that is used to make many different types of textiles. The spinning sector has grown with export demand and cotton production. The weaving and processing sectors have followed. Air-Jet weaving units have been

set up either as independent units or together with spinning or processing units. Some of the clothing units are in process of backward integration while on the other hand, spinning units are in the process of developing weaving, finishing and making up facilities to complete the chain. However, both textile and clothing sectors are complementing each other and are horizontally or vertically integrated either under same management.

The pattern of cloth production is different from the spinning sector and there are three different sub-sectors in weaving industry: Integrated, Independent Weaving Units and Power Loom Units. The investment in the shuttle-less looms, both in integrated and independent weaving sector has increased gradually and this trend is likely to continue.



The weaving sector is comprised of two types of setups. One is the organised mill sector and the other is the unorganised non-mill sector. Major known power loom clusters are in Faisalabad, Gujranwala, Gujrat, Multan, Karachi, Kasur and Jhang. However, Faisalabad is the biggest cluster in Pakistan. There are a substantial number of small units in this sector, which have 50 to 100 looms in single premises as one unit. The organized sector seemingly made a shift towards cotton spinning rather than make efforts to develop and modernize the weaving sector.

The textile industry of Pakistan has time and again proven its strength in the global markets. Weaving companies are adapting to the new standards and norms of the emerging global market by applying high-quality standards and latest machines. The weaving sector is one of the most important textile sub-sectors in Pakistan. The world demand for textiles is rising, due to which there is a greater opportunity for a rise in exports from Pakistan.

The power loom sector is producing comparatively low value added grey cloth

Table 2: Production of Weaving Cloth (Million Sq. Mtrs.)

Year	Mill - Setor	Non - Mill Setor	Total
2013-14	1,36	8,089	9,125
2014-15	1,037	8,090	9,127
2015-16	1,039	8,120	9,159
2016-17	1,043	8,126	9,170
2017-18	1,044	8,127	9,171

Source: Textile Commissioner Organisation, Government of Pakistan

Table 3: Exports of Cotton Fabrics

Year	Quantity	Value	Unit Price
	(Million Sq. Mtr)	(US\$ Million)	(\$/ Sq. Mtr)
2013-14	2,520	2,770	1.10
2014-15	1,963	2,453	1.25
2015-16	2,106	2,214	1.05
2016-17	2,049	2,136	1.04
2017-18	2,250	2,204	0.98

Source: Trade Development Authority of Pakistan

in the unorganized sector. The weaving capacity of the mill sector has shrunk from 26,000 in 1978-79 to only 9,000 in 2017-18, the working looms were reported to be only 6,000. Thus, the organised sector seemingly made an all-out shift towards cotton spinning and almost completely gave up efforts to develop and modernise the weaving sector; the exception in this context is the denim weaving sector which had shown exponential growth.

Pakistan is now the 4th largest cotton grower in the world behind China, USA and India. The local availability of basic raw material is considered to be an added advantage for the success of any export led industry, being a key factor in reducing the cost of doing business. It is encouraging that Pakistan ranks as the 3rd largest yarn spinner.

Cotton production increased to 11.9 million bales in FY18 compared to 10.7 million bales last year. This improvement was largely attributed to an

increase in area under cultivation in the cotton belt of Punjab. Furthermore, the farmers' confidence grew as the domestic market remained substantially shielded from cotton imports. In case of Sindh, cotton production also rose due to productivity gains of 9.2% in FY18, despite reduction in cultivable area due to water shortages in early sowing period, especially in lower part of the province. The high yield owed to better awareness and application of pesticides.

Import of machinery

Pakistan textile industry comprises of 517 textile units (40 composite units and 477 spinning units). There are 28,500 shuttles looms and 375,000 conventional looms. At present Pakistan's textile sector has made considerable advances in production capacity and capability during last few years. A remarkable progress of the power looms sector was seen and setting up of shuttle-less machines has resulted in high growth in fabric production and later on processing. At present, the shuttle-less weaving sector is believed to be the largest consumer of cotton yarn in Pakistan.

Import of textile weaving machines into Pakistan decreased from Rs 12.23 billion in 2016-17 to Rs8.18 billion in 2017-18, thus showing decline of 33%. The imports of textile weaving machines into Pakistan are given in **Table 1**.

Production of cloth

The total production of cloth (Mill and Non-mill sectors) increased from 9.12 billion square meters in 2013-14 to 91.17 billion square meters in 2017-18. However non-mill loom sector accounts more than 89% of the total fabric production. As a result, the non-mill sector weaving capacity continues to occupy the predominant position. The growth of shuttleless weaving machines capacity in this sector has resulted in high growth in fabric production. The shuttleless weaving is believed to be the largest consumer of cotton yarn in Pakistan. The non-mill weaving sector, although quite large, contributes to the exports by way of the production of low-quality sheeting fabrics. Production of weaving cloth is given in **Table 2**.

Exports

The global textiles and clothing trade has increased substantially since the post quota regime. However, Pakistan's share in the global textiles and clothing trade has remained stagnant due to changes in the distribution chain and also uneven playing field by the importing countries, through preferential trade agreements and special access provided to different competitor countries.

Pakistan has emerged as one of the major cotton textile product suppliers in the world market, with a share of world yarn trade of about 30% and cotton fabric about 8%, having total export value as US\$13.4 billion, which is 58% of the country's total exports during 2017-18.

The export of cotton fabrics from Pakistan decreased from 2.05 billion

square metres worth US\$ 2.77 billion in 2013-14 to 2.25 billion square metres worth the US \$ 2.20 billion in 2017-18, due to decline average unit price in the international markets from US\$ 1.25 in 2014-15 to US\$ 0.98 per sq. metre in 2017-18, thus showing a decline of 22% in terms of value. The export of cotton fabrics from Pakistan are given in **Table 3**.

Major markets for Pakistan's cotton fabrics are Bangladesh, China, Italy, Turkey, Germany, USA, and the Sri Lanka. The country-wise exports of cotton fabrics are given in **Table 4**.

Challenges

The textile industry faces pressure from factors including high energy prices, pending refunds and tough competition from India, Bangladesh, Vietnam, Thailand and others in the foreign market. The depreciation of Pakistani rupee that significantly raised the cost of imported inputs, rise in inflation rate and high cost of financing has also effected seriously the growth in the textile industry.

As a result neither the buyers are able to visit frequently Pakistan nor are the exporters able to travel abroad for effectively marketing their products. With an in-depth investigation it was found that the Pakistan's textile industry can once again be brought back on winning track if government takes serious action

Table 3: Country-wise Export of Cotton Fabrics

Value: (US \$ 000)

Country	2017-18	2016-17	2015-16
Bangladesh	479,254	442,598	488,390
China	122,449	116,794	154,364
Italy	163,869	152,468	152,209
Turkey	182,608	91,700	102,601
Germany	98,956	96,356	99,781
USA	90,042	90,537	82,572
Sri Lanka	79,169	76,125	78,353
U.K	56,130	69,621	62,217
Spain	85,955	86,932	78,368
Belgium	58,936	61,022	55,572
Netherland	69,860	60,958	62,273
Egypt	49,835	50,772	64,505
Portugal	86,869	74,476	72,610
Korea Republic	35,283	37,230	43,258
South Africa	41,021	45,696	37,567
Maxico	35,346	37,614	35,154
Japan	32,844	24,520	20,125
Vietnam	36,371	36,311	41,267
All others	398,790	484,687	482,673
Total	2,203,587	2,136,417	2,213,859

Source: Trade Development Authority of Pakistan.

with regard to the aforementioned hurdles. Purchasing new machinery or enhancing the quality of the existing machinery and introducing new technology can also be very useful in increasing the research and development related activities that in the modern era are very important for increasing the industrial growth of a country.

References

1. Textile Commissior Organization, Government of Pakistan.
2. Pakistan Bureau of Statistics.
3. Trade Development Authority of Pakistan. ♦

