EDITOR'S PAGE

2019 was a year full of challenges with signs of stability and recovery

December 2019.

While 2018 was the year of turmoil and change for Pakistan with the new government that took over in mid-2018, 2019 was a year of increased input costs due to continued depreciation of the Pakistani Rupee, as well as higher energy cost. During this year, the Pakistani Rupee was 33% of its value against US$ from July 2018 to June 2019 to a record high of PKR 162.9. However, the momentum reversed from the start of 2019-20 in July 2019; the Rupee gained 6% of its value and was able to retain it. The Rupee has now been steady at around PKR 154.

June 2019 was the year when ITMA, the Olympics of the textile industry took place in Barcelona. Despite the difficult situation faced by the economy a large number of Pakistani decision makers attended the premium textile machinery exhibition and showed interest in the latest technology. However, due to the higher US$ / PKR parity, many of the negotiated contracts did not materialize. Exports continued to remain stagnant with a meagre 3% increase despite the devaluation. The value added textile sector has continued to show modest but steady growth during the first quarter of fiscal year 2019-20 (July 2019 – Sept 2019). The provisional statistics show that the value added sectors of Readymade Garments and Knitwear showed growth compared to the dismal performance of the yarn and fabric exports. Knitted garments and fabrics accounted for 23% percent of total textile exports in the first quarter of 2019-20 with a growth of 11.4%. Readymade garments matched with a growth rate of 11.4% accounting for 19% of textile exports in the first quarter 2019-20.

It is encouraging that the value added sectors have shown a continued increase in exports accounted for 60% of total textile exports in the first quarter. There seems to be severe price pressure from the customers who are well aware of the declining rupee and demand and negotiate for lower prices negating the benefit of the devaluation.

Furthermore, the raw material import costs have increased significantly due to the weaker Pakistani rupee. The energy cost also increased particularly for the industry in the north due to higher imported RLNG price post-devaluation. While being the fourth largest producer of cotton in the world, the cotton crop remained to be a disaster this year staying closer to 10 million bales leaving a shortfall of 5 million bales that need to be imported. The prices of imported chemicals and inks have also increased severely affecting the bottom line of the textile industry.

The stability of Pakistani Rupee was absolutely necessary for a climate conducive to investment. If it is evident that the current account deficit has declined and the reserves are increasing. The IMF has acknowledged that Pakistan had made "considerable progress in advancing reforms and continuing with sound economic policies". Economic activity in the country has "stabilised and remains on the path of gradual recovery". It also noted that the current account deficit had declined due to the "real exchange rate that is now broadly in line with fundamentals".

In the current issue our readers will find a comprehensive overview of Pakistan's textile industry in the annual Fact File. The review includes the current status, industry's performance and a competitive analysis. The data is for the fiscal year 2018-19, from July 2018 to June 2019. In the next few months we shall continue to update our valued readers of the fast evolving conditions and developments.◆