Pakistan

The Cotton Country

Compiled & presented by: PRGMEA

Share of textiles in Pakistan's economy

Contribution of the textile industry to Pakistan's economy is that it;

- **Generates** — **54 % of exports**
- **Constitutes** — **46 % of Manufacturing Industry**
- **Employs** — **38 % of country's working force**
- **Contributes** — **8.5% to the total GDP**
- **Drives** — **Banking, Shipping ,Transport , Insurance, Machinery & the ancillary industry.**

Source: TCO

Share of textiles in Pakistan's exports:

Source: TDAP

Pakistan's Textile Industry:

	No. of Units	Size	Production	Exports 2010
Ginning	1,260	-	20 mil bales	$ 0.36 bil.
Spinning	442	10 mil spindles	2.9 bil. kgs yarn	$ 2.23 bil
Weaving	124 large units 425 small units	7,170 integerated 28,500 shuttleless 400,670 p.looms	1 bil. sq. meters	$ 2.64 bil.
Finishing	10 large units 625 small units	-	4.8 bil. sq. meters	
Garments	50 large units 2,500 small units	450,000 machines	670 mil. Pieces	$ 1.77 bil.
Knitwear	600 units	21,000 knit machns	350 mil. pieces	$ 2.31 bil.
Towels	400 units	7,500 towel looms	53 mil. kgs	$ 0.76 bil.
MMF	-	-	635,000 tons	
Synthetic Fab.	-	90,000 looms	147,8571 mln. sq. mtrs	$ 0.67 bil.

Investment in Textiles:

Total investment = US$ 7.5 Billion (1999-2009)	
Spinning	50.20 %
Weaving	15.23 %
Textile Processing	17.08 %
Knitwear +Garments	7.02 %
Made Ups	4.71%
Synthetic Textiles	5.76%

Source: TCO

Cotton & Pakistan

Pakistan is the 4th largest cotton producer and 3rd largest consumer of cotton in the world.

World Cotton Production

(Millions of 480 lb. bales)	2007/08	2008/09	2009/10	2010/11
China	37.0	36.7	32.0	30.5
India	24.0	22.6	23.0	25.4
United States	19.2	12.8	12.2	18.1
Pakistan	**8.6**	**8.7**	**9.6**	**8.8**
Brazil	7.4	5.5	5.5	9.0

World Cotton Consumption

(Millions of 480 lb. bales)	2007/08	2008/09	2009/10	2010/11
China	51.0	44.0	50.0	46.0
India	18.6	17.8	19.9	20.5
Pakistan	**12.0**	**11.3**	**10.8**	**10.3**
Turkey	6.2	5.1	5.8	5.6

Source: USDA

Cotton: the silver fiber

Cotton and cotton products represent 61% of Pakistan's export earnings. Textiles are linked to the country's economic growth. The cotton consumption growth rate during the last five years was 5.7%.

Cotton is cultivated in two provinces: Punjab, which produces 79%, and Sindh, which produces 20%. Negligible quantities grow in the remaining two provinces, Khyber Pukhtunkwa and Balochistan.

Locally produced cotton has a staple length up to 30mm, which is used for producing up to 40s counts.

Source: ITC / UNIDO

Yarn Industry:

Pakistan has the third-largest spinning capacity in Asia, with over 10 million spindles and 200,000 rotors.

50% of the 1.9 billion metric tons of cotton yarn used in Pakistan is coarse count (up to 20s) while 22% is medium count (21s to 34s).

Approx. 25% of the yarn produced is exported while 75% is used by local textile and garment manufacturers.

Pakistan's cotton yarn is suited for product lines denim, canvas, twills, drills, towels, tents, knits and bedlinen.

Source: ITC / UNIDO

Weaving Industry:

Power Looms Sector: power loom sector produces low-grade fabrics

Independent Weaving Units: this sector consists of shuttle-less, air jet or rapier looms, capable of producing better quality cloth with a width ranging from 70 to 140 inches.

At present Pakistan, is one of the world's major suppliers of low to medium end quality grey cloth. This type of cloth is woven from coarse to medium counts of yarn and 70-80% consists of sheeting sizes.

Textile Processing Industry:

The Processing industry consists of dyeing, bleaching, printing, sanforising and fabric finishing units.

At present about 650 independent processing units based in Karachi, Lahore and Faisalabad.

Pakistan's processing sector is equipped with latest textile machinery. Open-width processing and 'rotary' screen printing is Pakistan's major strength.

Processing units are socially compliant and work on eco-friendly concepts.

Home Textile Industry:

Pakistan has a very strong base in home textile industry and it has the second largest share in home textile exports in the world after China.

Major products of this industry are bed linen, towels cleaning cloths, blankets, curtains and furnishings, canvas products and table linen.

Major clusters of bed linen are in Karachi, Faisalabad, Lahore, Multan and Hyderabad.

Knitwear Industry:

Pakistan knitwear (hosiery) industry is playing a vital role in value addition of textile sector.

The main items of export in knitwear from Pakistan are elegant men's T-shirts, fancy ladies T-shirts with exquisite embroidery and sequined work, night shirts for ladies and men's pyjamas sets and sportswear and jogging suit and boxer sets.

USA, UK, Germany, The Netherlands, Spain Canada, Belgium, France and UAE are the top nine trade partners for Pakistan in the knitwear exports.

Denim Industry:

Pakistan has emerged as a major player in the global denim industry.

The major reason for this has been investment in state-of-the-art technology and capacity buildup in the recent past.

The denim industry is growing at an average annual increase of 27% per annum in terms of value 38% in terms of quantity exported.

Garment Industry:

The Garment Industry provides highest value addition in Textile Sector.

The Industry is distributed in small, medium and large scale units, mostly based in Karachi, Lahore, Faisalabad and Sialkot.

The industry enjoys several incentives and benefits like, the duty free import of machinery, and tax exemption on equity investment for 5 years.

This sector has tremendous potential for generation of employment and foreign exchange earnings.

Garment Industry in Global Arena:

Clothing exports of selected economies, 1990-2009

	Value in Million dollars					Share in economy's total merchandise exports	
	1990	2000	2007	2008	2009	2000	2009
World	108,129	197,570	347,059	364,914	315,622	3%	3%
Bangladesh	643	5,067	8,855	10,920	10,726	79%	71%
Cambodia	...	970	2,851	2,985	2,974	70%	71%
China	9,669	36,071	115,516	120,399	107,261	14%	9%
India	2,530	5,960	9,932	11,495	11,454	14%	7%
Pakistan	**1,014**	**2,144**	**3,806**	**3,906**	**3,357**	**24%**	**19%**
Sri Lanka	638	2,812	3,272	3,437	2,991	52%	41%
Turkey	3,331	6,533	13,886	13,590	11,555	24%	11%
Viet Nam	...	1,821	7,400	8,724	8,629	13%	15%

Source: WTO

Garment Export Markets:

EU and the USA account for 91% of Pakistan's total garment exports.

Pakistan's exports of woven garments to EU and USA

Importers	Exports in 2008	Exports in 2009	Exports in 2010
Total Exports to World	1,361,171	1,206,499	1,461,643
USA	470,904	386,189	435,268
EU-27	729,398	668,475	859,684

Pakistan's exports of knit garments to EU and USA

Importers	Exports in 2008	Exports in 2009	Exports in 2010
Total Exports to World	1,888,467	1,680,773	1,982,423
USA	1,166,899	1,038,702	1,238,550
EU-27	569,690	497,859	580,854

All figures in USD 000

Applicable import duties on clothing:

Import duties on Cat 6203 (Men's suits, jackets, trousers etc & shorts)
Duty rates shown are total ad valorem equivalent tariff (estimated)

	USA	EU	Brazil	Australia	Canada
Pakistan	**10.85%**	**9.6%**	**35%**	***10%**	**17.46%**
China	10.85%	12%	35%	17.5%	17.46%
Bangladesh	10.85%	0%	35%	0%	0%
Vietnam	10.85%	9.6%	35%	17.5%	17.46%
Cambodia	10.85%	0%	35%	0%	0%
India	10.85%	9.6%	35%	17.5%	17.46%
Sri Lanka	10.85%	0%	35%	17.5%	17.46%

** WEF 1/1/2010*

Source: International Trade Centre (UNCTAD/WTO)

Trade between Pakistan & Turkey:

Turkey is Pakistan 8th largest importing partner

	Jul-Jun 2009-10	Jul-Jun 2008-09
Total Exports	US$ 504 million	US$ 403 million
Total Textile Exports	US$ 342.70 million	US$ 305.16 million
Cotton Cloth Exports	US$ 237.78 million	US$ 201.59 million
Bed linen Exports	US$ 3.98 million	US$ 3.44 million
Garment Exports	US$ 21.41 million	US$ 25.51 million
Knitwear Exports	US$ 2.83 million	US$ 3.25 million
Apparel Exports	US$ 14.56 million	US$ 30.99 million

Turkey Import duty Structure

Fabrics	6.4% previous	24.5% current
Garments	9.6% previous	24.4% current

Pakistan's Trade Agreements:

Pak-Afghanistan Trade Agreement

Agreement on South Asian Free Trade Area

Pak-Malaysia Trade Agreements

Pak-China Trade Agreements

Pak-Sri Lanka Free Trade Agreement

Pak-Iran Preferential Trade Agreement

Pak-Mauritius Preferential Trade Agreement

Trade Concessions to Pakistan (1/2):

The EU Trade Concessions:

To mitigate the effects of floods on Pakistan economy, the EU has proposed three years suspension of customs tariffs on limited tariff lines. These includes textiles and non-textiles items.

The proposed preferences would liberalize 75 tariff lines accounting for 27% of our exports to the EU.

An increase in exports of Euro 250-350 million is expected.

Concessions will take effect from Jan-2012 after clearance from WTO in November 2011.

Items	Tariff Lines	Exports to EU 2009
Woven Garments	10 categories	Euro 124 million
Knit Garments	13 categories	Euro 129 million
Home Textiles	8 categories	Euro 208 million
Cotton Yarn & Fabrics	27 categories	Euro 241 million
Synthetic & Polyester	6 categories	Euro 46 million
Footwear	3 categories	Euro 25 million
Leather	6 categories	Euro 78 million
Mushrooms	1 category	Euro 4 million
Total	75 categories	Euro 855 million

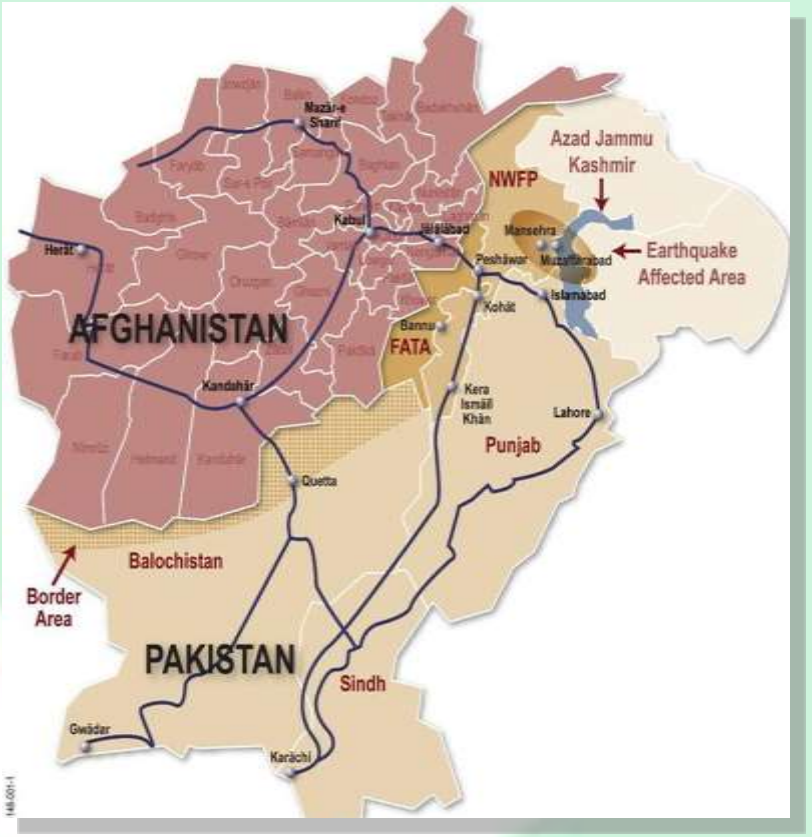
Trade Concessions to Pakistan (2/2):

USA, Reconstruction Opportunity Zones:

The legislation for the establishment of Reconstruction Opportunity Zones (ROZs) is currently pending with the US congress.

The proposed ROZ's will encompass portions of following areas of Pakistan:

- Federally Administered Tribal Areas (FATA)
- Earthquake Affected Areas of Pakistan administered Kashmir
- Balochistan – Areas within 100 miles of Pakistan's border with Afghanistan
- North West Frontier Province



Labor Cost Comparison 2008:

Average cost per operator hour:

	Direct Wages *	Other Costs Paid to Operator *	Other Costs paid by Company *	Total Cost per Hour *	Exchange Rate (a)	**Total Cost in US$**
Pakistan	34.18	7.31	2.41	44.00	78.68	0.56
Bangladesh	19.08	0.90	1.20	21.18	68.55	0.31
India	31.34	4.54	5.09	40.97	48.41	0.85
China – Coastal	8.93	0.78	3.06	12.77	6.79	1.88
China – Inland	6.74	0.74	2.33	9.81	6.79	1.44
Vietnam	7,812	700	1,400	9,912	17,389	0.57

* Local Currency (a) Exchange rate on December 30, 2008 Source: Werner International

Conclusion:

Need to expedite the Pakistan-Turkey PTA, which is under consideration. FPCCI could play a vital role here in pushing it through in double quick time.

Lobbying for the removal of dumping duties on Pakistani textile imports imposed and implemented by Turkey .

Joint ventures in Pakistan, especially in the RMG sector, where Pakistan not only has the top quality raw materials available, but also has a large labor force, which is both , low cost and efficient. This coupled with the technical support of the Turkish counterparts, in which they excel, could be a force to reckon with, in the world apparel market.

Pakistan has two great potential markets, in the shape of India and China, in close proximity to which we can cater together.

Pakistan is expected to get the duty concession from EU on 75 tariff lines later this year and the GSP+ by 2014, which would open up tremendous opportunities for the RMG sector, here in Pakistan.

Thank you

PRGMEA

Pakistan Readymade Garments Manufacturers & Exporters Association
Shaheen View Building, 18-A, Block-VI, PECHS, Shahra-e-Faisal,
Karachi -75400 Pakistan
Tel # 0092-21- 34549073, 34547912
Fax # 0092-21- 34539669
Email: info@prgmea.org; research@prgmea.org
Website: www.prgmea.org