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Government of The Punjab

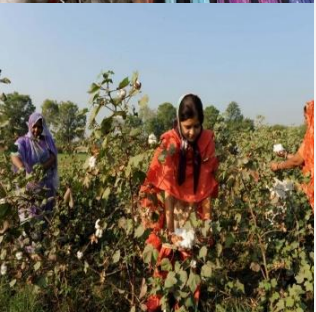


TEXTILE SECTOR OF PAKISTAN

Analysis by Projects & Policy Research Department | PBIT | Aug 2018



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Economic Overview

Pakistan economy is the 25th largest in the world in terms of purchasing power parity (PPP), and 42nd largest in terms of nominal gross domestic product. It has a population of over 207 million (the world's 5th-largest), giving it a nominal GDP per capita of \$1,641 in 2018, which ranks 147th in the world for 2016. Pakistan is a developing country and is one of the Next Eleven, the eleven countries that have a potential to be among the world's large economies in the 21st century. The economy is semi-industrialized where Primary export commodities include textiles, leather goods, sports goods, chemicals, carpets/rugs and medical instruments. The core sectors of Pakistan's economy are the agricultural sector, the industrial sector, the manufacturing sector and the service sector. All the sectors of the economy have shown growth in the fiscal year 2017. The agricultural sector grew at a rate of 2.07% whereas the industrial and the manufacturing sector both grew at a rate of 5.8% and 6.34% respectively. The service sector also showed improvement in the fiscal year 2017 by expanding by 6.46%, whereas the overall GDP growth accounted to 5.37%, which is the highest achievement since the year 2010-11.

During the last few years the Pakistani economy has been facing a multitude of challenges which have led the country to face stagnation and instability on the macroeconomic level. The fiscal deficit of the economy reduced to 5.8% of GDP in the year 2016-17 from 8.8% of the GDP in the year 2011-12, which clearly depicts a huge improvement. Foreign exchange reserves are bolstered by steady worker remittances, but a growing current account deficit driven by a widening trade gap as import growth outstrips export expansion could draw down reserves and dampen GDP growth in the medium term.

Pakistan is currently undergoing a process of economic liberalization, including privatization of all government corporations, aimed to attract foreign investment and decrease budget deficit. In October 2016, foreign currency reserves crossed \$24.0 billion which has led to stable outlook on the long-term rating by Standard & Poor's. In 2016, BMI Research report named Pakistan as one of the ten emerging economies with a particular focus on its manufacturing hub.

Despite of the challenges faced, there are number of factors favoring bright future ahead. Large agriculture base, developing industrialization, abundance of natural resources, proximity of emerging economic powers, like China, Russia and India, and young population are some of the factors which indicate that Pakistan has a huge economic potential. According to the World Bank, poverty in Pakistan fell from 64.3% in 2002 to 29.5% in 2014. Pakistan's fiscal position continues to improve as the budget deficit has fallen from 6.4% in 2013 to 5.8% in 2017. The country's improving macroeconomic position has led to Moody's upgrading Pakistan's debt outlook to "stable".

The new policies introduced by the government such as privatization, de-regulation and facilitation amongst others have resulted to an increase in foreign direct investment of 133.3% in the year 2013-14, from the year 2012 (Ministry of Finance, Economic Survey). As a consequence, Pakistan is slowly but steadily making huge progress in creating an investment friendly environment for foreign businesses. The major business areas in which foreign businesses invest in Pakistan comprise of financial business, energy, communications, oil and gas exploration as well as chemicals and textiles. United States, Hong Kong, UAE, UK and Switzerland are the countries from which the primary inflow of FDI comes from.



Overview

Area: 796,096 Km²
 Population: 212,742,631
 Currency: Pak Rupee
 Exchange Rate: 1USD=116Rupees (2018)
 GDP: \$297.5 Billion
 Inflation Rate: 6.50%
 Major Industries: Textile, Cement, Agriculture, Fertilizer

Sector/Industry

Percentage of GDP 2017-18
 Agriculture: 24.6%
 Industry: 20.8%
 Manufacturing: 13.7%
 Services: 60%
 Fiscal Year: 1July-30 June



Exports

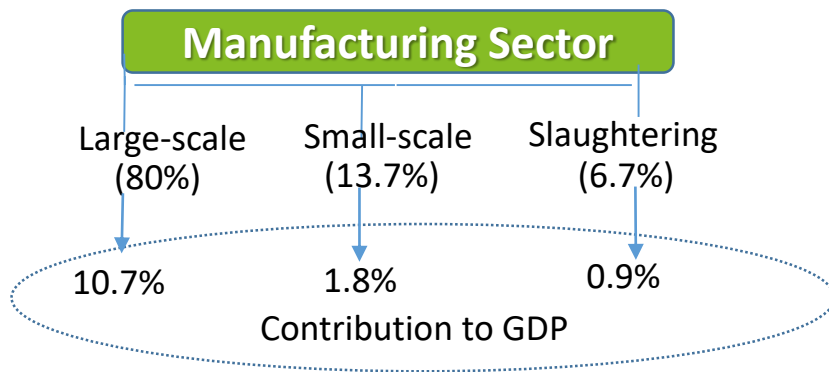
Exports: \$21.95 Billion (2017)
 Export Commodities: Cotton, Textile, Rice, Carpet
 Main Exporting Countries: USA, China, UK, Afghanistan

Imports

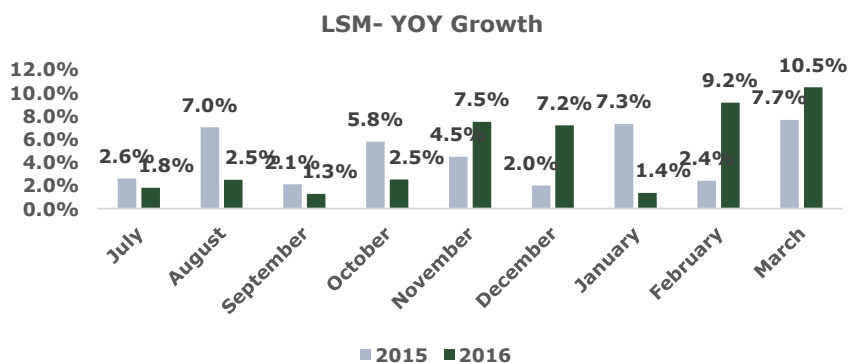
Imports: \$48.5 Billion (2017)
 Import Commodities Industrial Equipment's, Vehicles, Petroleum Products
 Main Importing Countries China, Japan, Taiwan



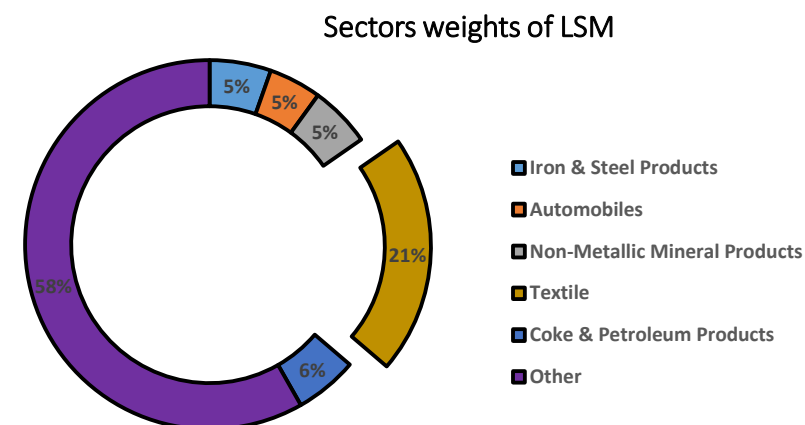
Manufacturing sector is the backbone of Pakistan's economy and constitutes the second largest sector of economy contributing 13.5 percent to Gross Domestic Product (GDP). It comprises mainly of Large Scale Manufacturing (LSM) with 80 percent share in Manufacturing and 10.7 percent in GDP, whereas small scale manufacturing accounts for 1.8 percent in total GDP and 13.7 percent share in manufacturing.



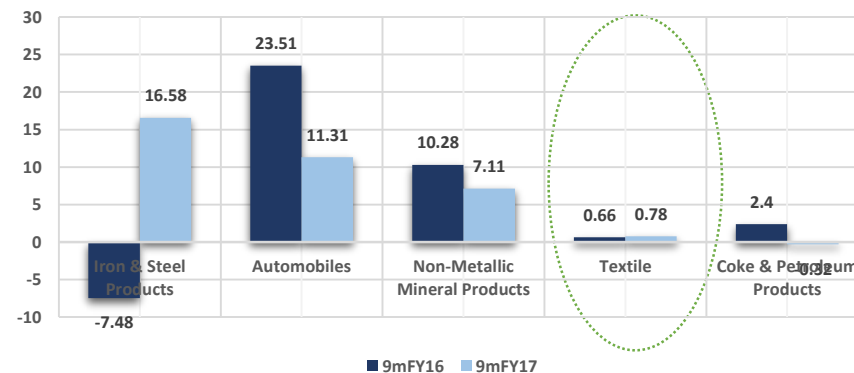
During FY 2017, Manufacturing sector recorded an impressive growth of 5.3 percent against 3.7 percent of last year which helped overall industrial sector to improve by 5.0 percent against 5.8 percent last year. The Year on Year (YoY), LSM recorded significant growth of 10.5 percent in March 2017 compared to 7.6 percent of March 2016.



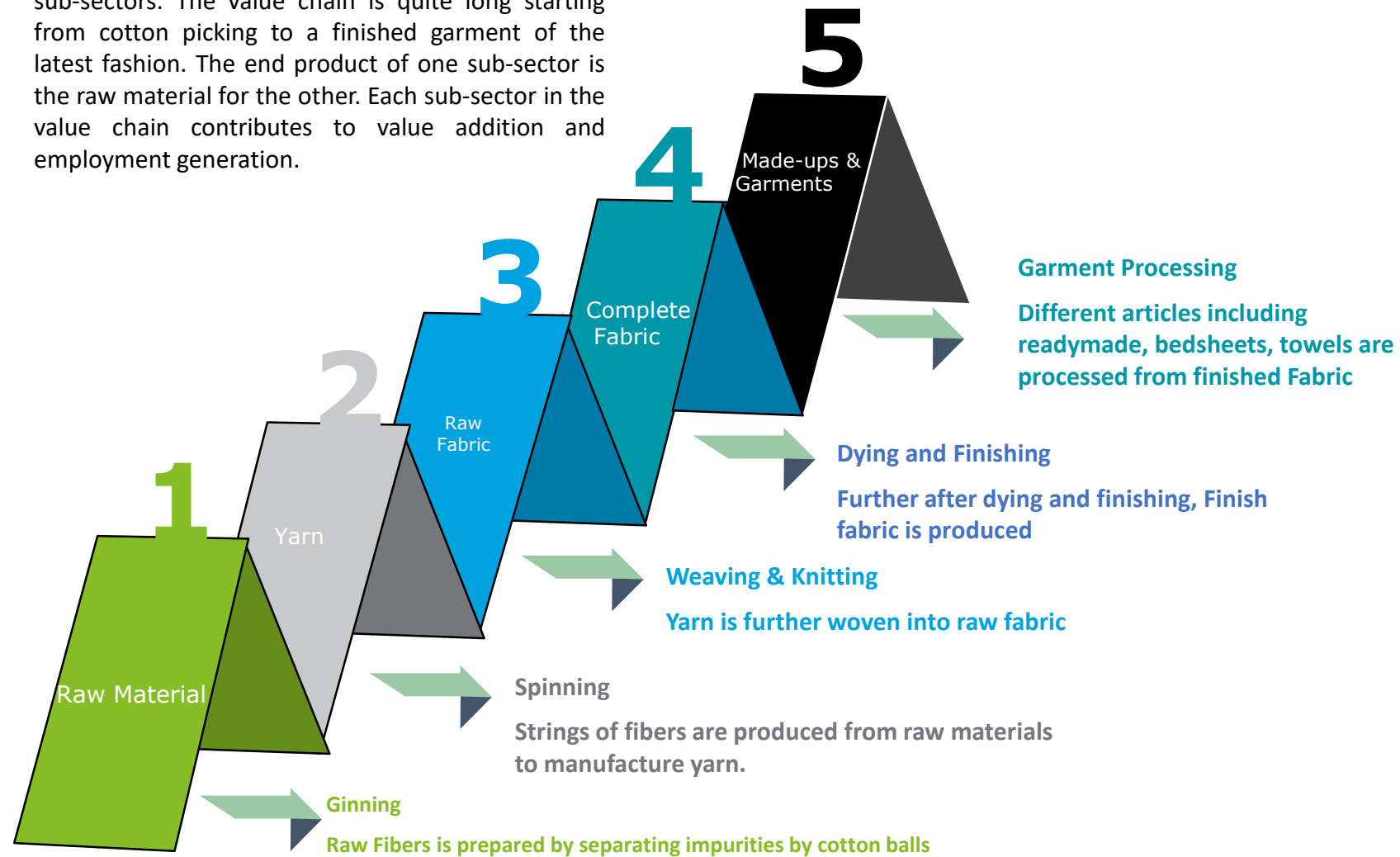
Growth in Sub sectors and sectors weights in LSM for the period of July-March FY 2016 versus July-March FY 2017 are below. The performance of Textile sector having highest weight of 20.91 in Quantum Index Manufacturing (QIM) remained depressed on account of lackluster performance of cotton yarn 0.78 percent and cotton cloth 0.51 percent having a combined weight of 20.15 in textile sector.



YoY- Growth in Sub sectors of LSM



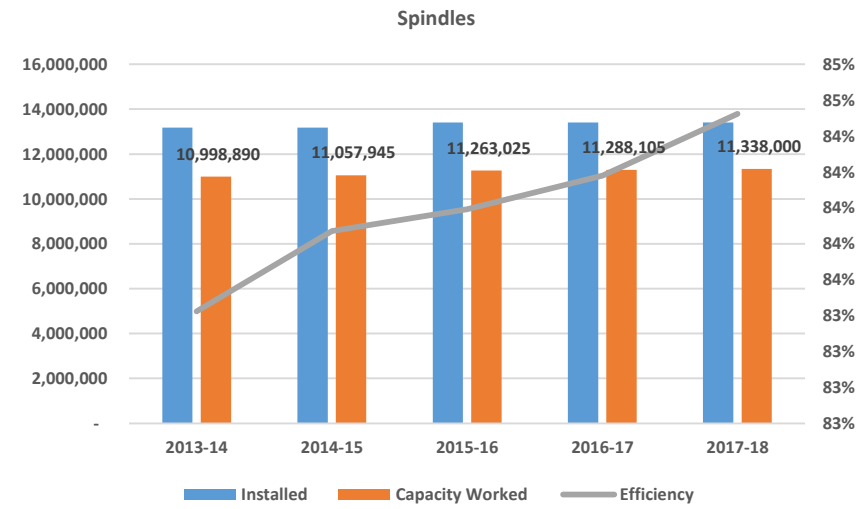
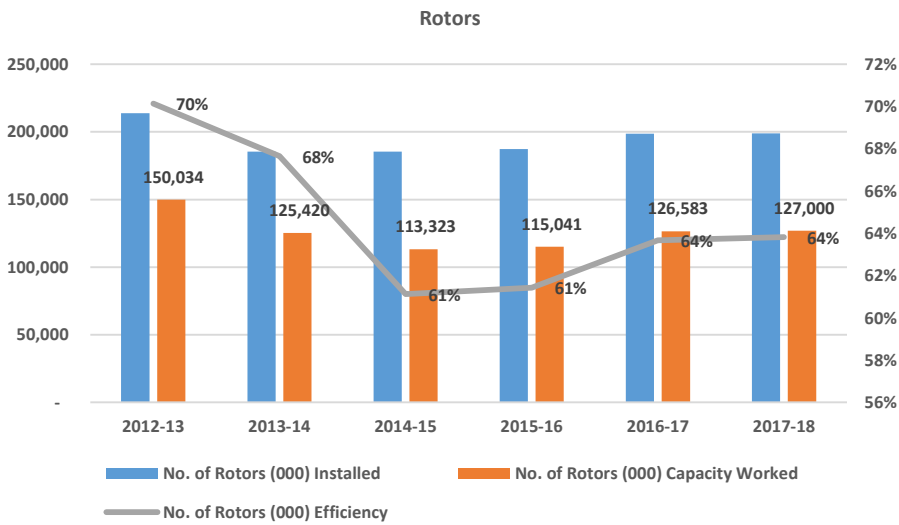
The textile value chain consists of multiple industrial sub-sectors. The value chain is quite long starting from cotton picking to a finished garment of the latest fashion. The end product of one sub-sector is the raw material for the other. Each sub-sector in the value chain contributes to value addition and employment generation.



Textile is the most important manufacturing sector of Pakistan and has the longest production chain, with inherent potential for value addition at each stage of processing, from cotton to ginning, spinning, fabric, dyeing and finishing, made-ups and garments. The sector contributes nearly one-fourth of industrial value-added, contributes 8.5% of GDP and provides employment to about 40 percent (about 19 million) of countries workforce. Barring seasonal and cyclical fluctuations, textiles products have maintained an average share of about 62 percent in national exports.

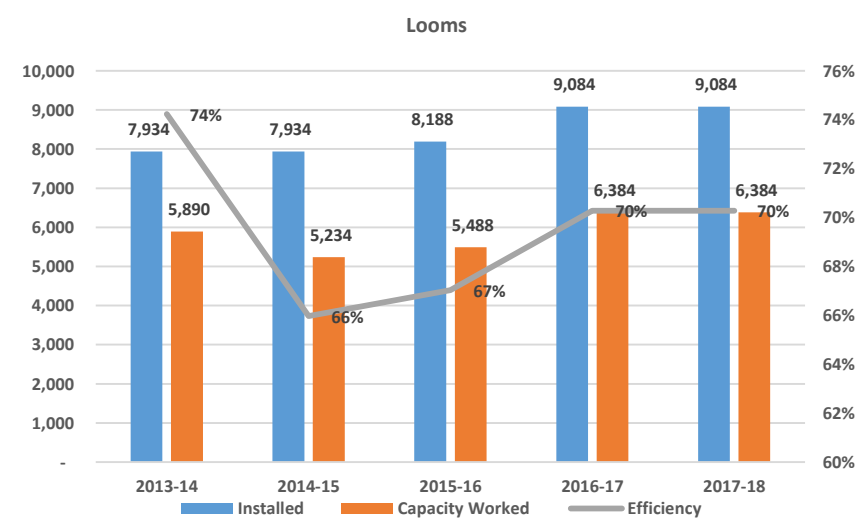


Pakistan Cotton Textile Statistics



Pakistan is the 4th largest producer of cotton with the third largest spinning capacity in Asia after China and India and contributes 5% to the global spinning capacity. The Spinning Sector (*output Yarn*) is the backbone of the Pakistan's textile industry. At present, as per record of Textile Commissioner's Organization (TCO), it comprises 523 textile units (40 composite units and 483 spinning units) *with 13.269 Million Spindles and 185 thousand Rotors installed and 11.083 million spindles and 140 thousands rotors in operation with capacity utilization of 84 percent and 76 percent respectively, during Jul-Mar, 2017.* More than 65% of textile units are in Punjab followed by 25% in Sindh, approx. 5% in KPK and remaining in Baluchistan and Azad Kashmir.

Problems of the power loom sector (*output Raw & complete fabric/cotton*) evolve mainly due to the poor technology and scarcity of quality yarn. Looms installed in Cotton Textile Mills are 9,084 and Looms worked were 6,384.





Nishaat Mills Limited



Yunus Textile Mills Limited



Gul Ahmed Textiles Mills Limited



Kohinoor mills Limited



Al Abid Silk Mills Limited



Al Karam Textile



ICC Textiles



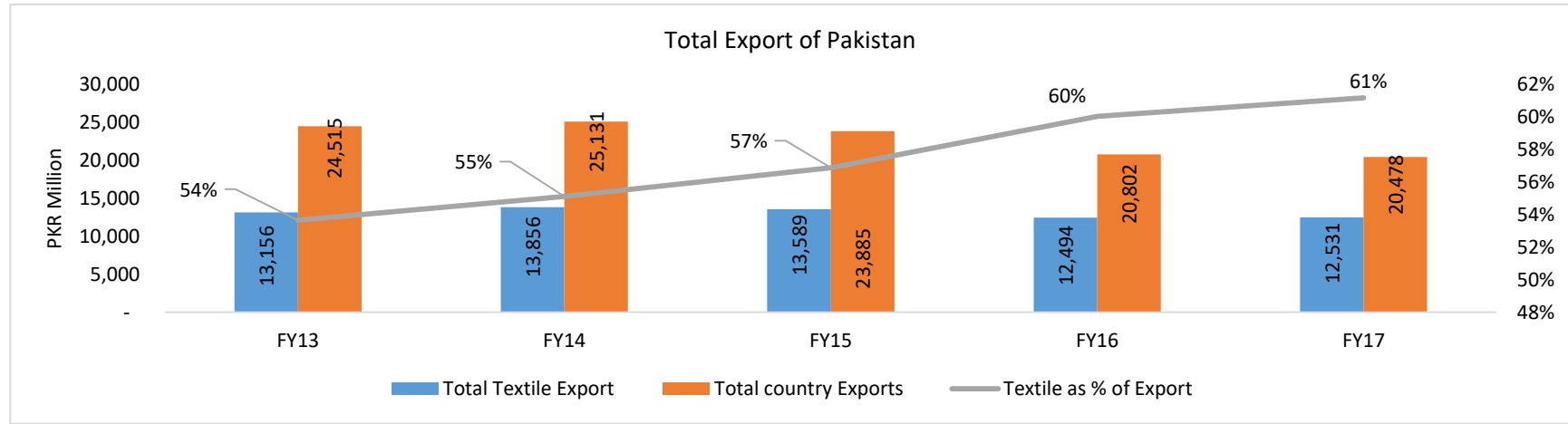
Sheh Taj group

Major Textiles Players



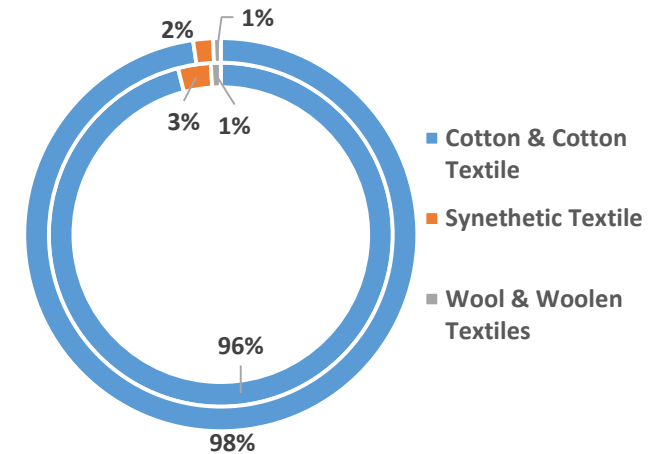
All Pakistan Textile Mills Association (APTMA)

- All Pakistan Textile Mills Association (APTMA) is the premier national trade association of the textile spinning, weaving, and composite mills representing the organized sector in Pakistan.
- The Association's members produce spun and open-end yarn, grey, printed dyed fabrics and bed linen.



- Pakistan country export is showing a decreasing trend YOY (24.5 Bn FY13; 20.4 Bn FY17) and down surge at a negative compound growth rate of 4% during the review period (FY13-17).
- Textile exports representing majority of Pakistan exports (61% in FY17) are inline with the decrease trend of total exports and shown a negative compound growth of 1% over the period (FY13-17).
- Cotton textile representing more than 95% of textile exports stood at \$12.5 Bn in FY17 as compare to 13.1 Bn in FY13.
- Although woolen and synthetic export jointly represents less than 4% of textile exports, both shown a significant decrease in export trend over the period (FY13-17) and depict negative compound growth of 16% and 10% respectively.
- Exports revenue heavily reliant on textile (61% in FY17) where as textile represents about 6% of Pakistan total Imports

Textile Categories



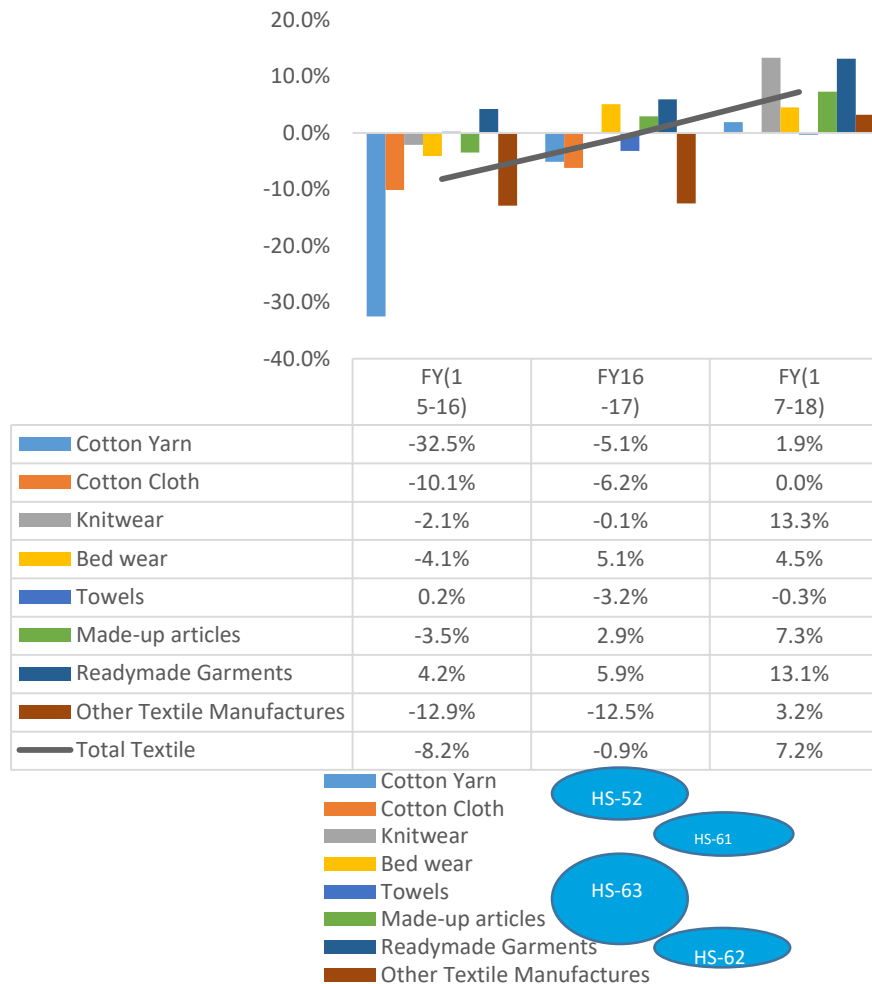
Major Exports markets

USA (17%), China (8%), Afghanistan (6%), United Kingdom (8%), Germany (6%), UAE (4%), Bangladesh (3%), ITALY (3%), Spain (4%), France (2%)



Export of textile manufactures, which account for around 60 percent of total exports, registered a growth of 7.2 percent during first eight months of current financial year 2018. All the sub-groups in this category witnessed a positive growth with the exception of cotton cloth, cotton carded and tents, canvas & tarpulin during current financial year. Exports of value added textile like bed wear, knit wear and readymade garments, towel and made-up articles (excluding towels) was up substantially during this period due to the growth in quantum terms.

Percentage Change in textile exports (FY16-18)



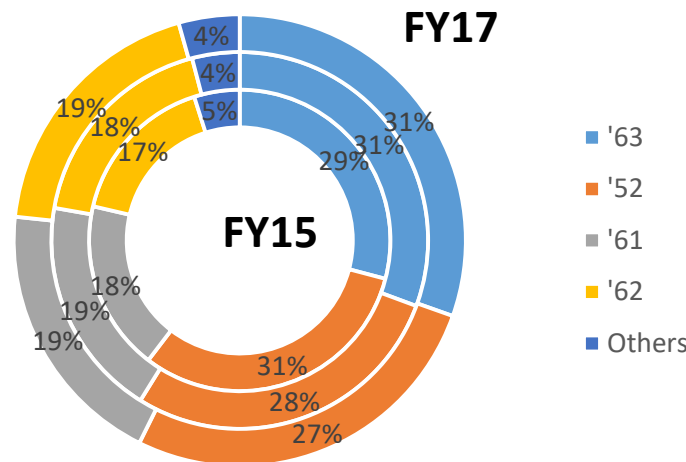
Exports of textile items like knitwear (Hs-61) which comprises 11.8 percent of total exports and 19.9 percent of textile group increased in both quantity and value by 2.7 and 13.3 percent, respectively. Readymade garments (Hs-62) with share of 11.4 percent in exports and 19.3 percent share in textile group increased in quantity by 12.8 percent and in value by 13.1 percent. Cotton cloth (Hs-52) which represents 9.6 percent of share in exports and 16.2 percent in textile group, decreased in quantity by 0.8 percent and its value meagerly by 0.04 percent, respectively. One of the reasons for the drop was sluggish Chinese demand for cotton cloth and yarn.

Bed wear (Hs-63) with a handsome share of 9.9 percent in exports and 16.8 percent in textile group, increased in both quantity and value by 2.1 percent and 4.5 percent, respectively. Cotton yarn (Hs-52) has 5.8 percent share in total exports and 9.8 percent in textile group, increased in both quantity and value by 9.8 percent and 1.9 percent, respectively. Towels (Hs-63) having share of 3.5 percent in total exports and 5.9 percent share in textile group, increased in quantity by 8.2 percent but in value decreased by 0.3 percent. Raw cotton having a share of 0.4 percent in total exports and 0.6 percent in textile group, increased both in quantity and value by 43.5 percent and 38.0 percent, respectively. (Refer section: Pakistan Cotton textile Trade statistics)

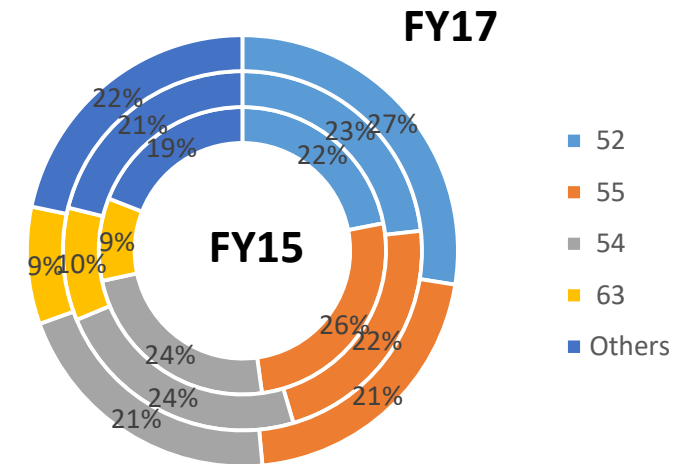
95% of
Pakistan Textile
Exports

78% of
Pakistan Textile
Import

Major Cotton Exports



Major Cotton Imports



Six Major Cotton textile categories represents more than 90%, and 75% of total cotton textile exports and imports respectively :-

- HS63-Other made-up textile articles; sets; worn clothing and worn textile articles; rags
- HS-52 Cotton
- HS-61 Articles of apparel and clothing accessories, knitted or crocheted
- HS-62 Articles of apparel and clothing accessories, not knitted or crocheted
- HS-54- Man-made filaments; strip and the like of man-made textile materials
- HS-55 -Man-made staple fibers

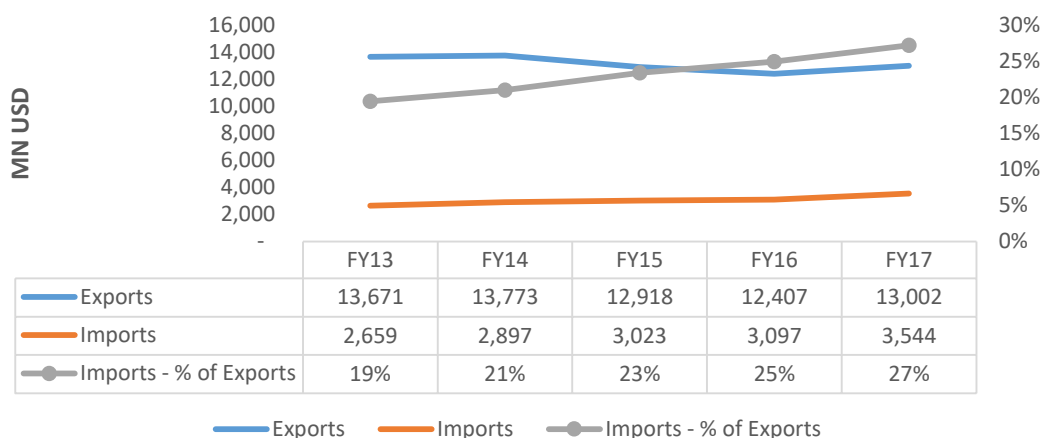
(1%)

CAGR of Textile Exports (FY13-17)

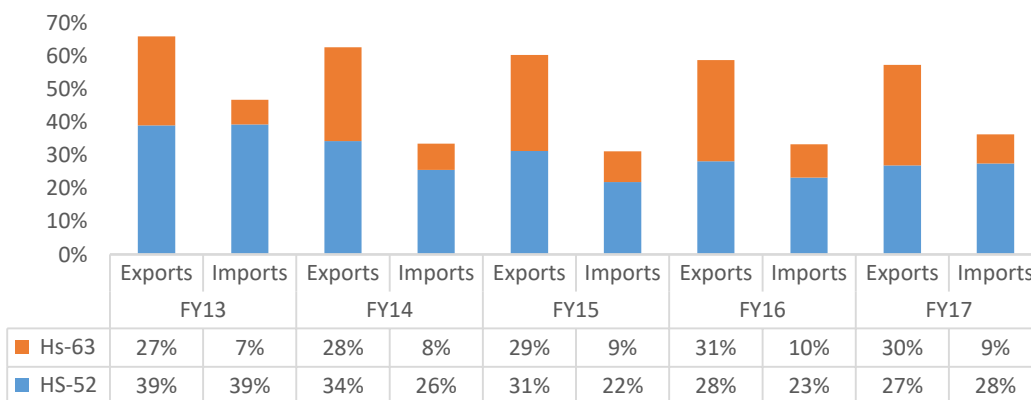
7% CAGR

of Textile Imports (FY13-17)

Textile- Export Vs Imports



Common Export & Imports



- Both HS codes jointly represents 57% of and 37% of total exports & imports respectively in 2017.
- Others two major textile import of Pakistan are HS-55 and Hs-54 which jointly represents 42% (1.5 Bn USD) of total imports (3.5 Bn USD) in 2017. It is important to mention here that Pakistan only exports 3% (280 m USD) of its total textile exports (13 Bn USD) of both these categories (Hs-54 & 55).
- Exports of Hs-63 is increasing by 2% (2013-17) as compare to increase in imports 12% over the same period.
- HS-52, exports are continuous decreasing at a CAGR of 12 % over the period 2013-17, where as imports initially decrease but later recover and depict a very less compound decline of only 2 % over the same period.
- Textile Imports as a percentage of exports are increasing year on year (2013-2017: 19% Vs 27%)



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Two main varieties of cotton are cultivated in Pakistan.

- I. American qualities
- II. Local qualities

The government has established two cotton research Centers at Multan (Punjab) and Tando Jam (Sindh).

Cotton Growing Area

In Pakistan, cotton is grown in canal irrigated areas of Punjab and Sindh provinces. In the province of Punjab, the Multan division ranks at the top, beside this Bahawalpur, Dera Ghazi Khan, Faisalabad, Sargodha, Lahore, Gujranwala and Rawalpindi divisions lies according to ascending order of production respectively. In these areas American medium staple cotton is grown, and a small quantity of native/local qualities of cotton is allowed to grow for domestic use.

The province of Sindh also produces cotton. The canal irrigated areas of Sindh, especially the Hyderabad division, is at the top followed by few districts of Sukkur division. Both types of cotton are produced in Sindh.

Cultivation

Cotton is cultivated in summer season in Pakistan. There is little difference between the seasons in various provinces. In the Sindh province, cotton cultivation begins in the month of **April and its picking starts from august**. In Punjab, Cotton is grown mostly in the month of **May or June and picking begins in September or October**.



Cotton Picking in Pakistan

In Pakistan, cotton picking is done by manual methods, which must be done when more than 50% bolls are opened. One of the prime reasons of contamination of Pakistani cotton is this method of picking up.

Contamination of raw cotton can take place at every step i.e. from the farm picking to the ginning stage. Since cotton is picked manually by rural women in Pakistan, so there are number of causes involved in this contamination.

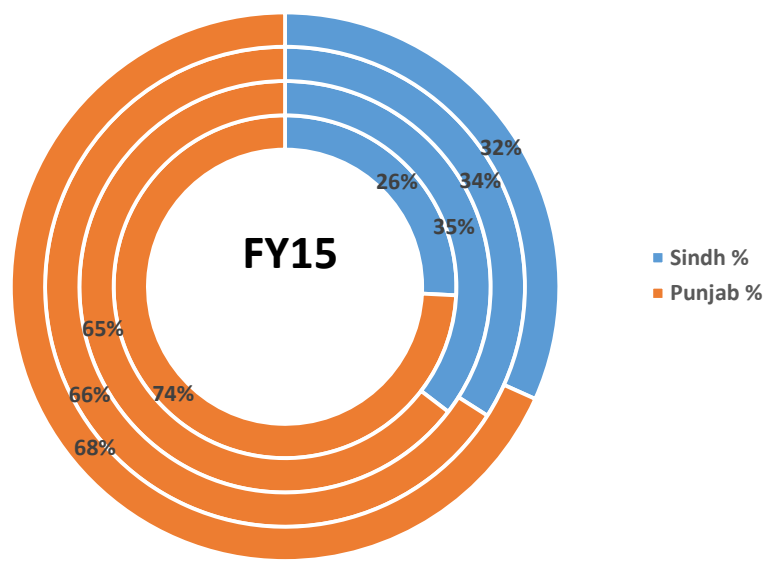
The biggest cause of cotton contamination includes Human hair, dupatta (Head Scarf) and any fabric sheet used by women's. In addition polypropylene bags used by pickers, leaves, flowers, immature balls (Due to disease), trash and dust are the other main sources of contamination. Moreover, addition of water by pickers, early morning picking of cotton before dew dry-up and storage of cotton on wet soil in order to increase its weight spoils its quality.

Brazilian cotton is famous among Pakistani importers due to its quality. In Brazil, cotton is picked up using machines but in Pakistan cotton is picked up using human hands. So, Brazilian cotton is widely used when contamination free cotton is required for manufacturing.

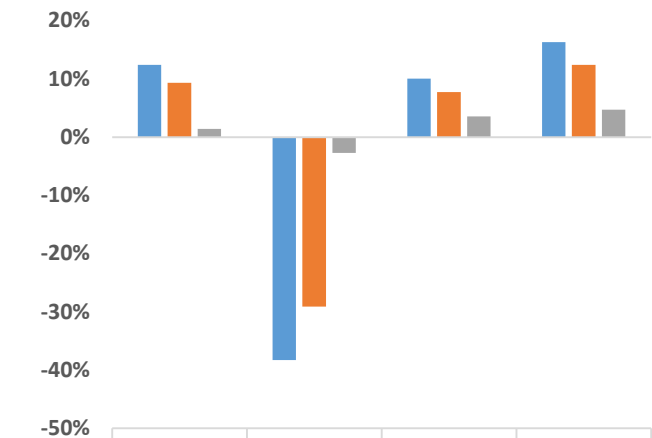


Cotton Statistics

Total Production Comparison- Pakistan FY18

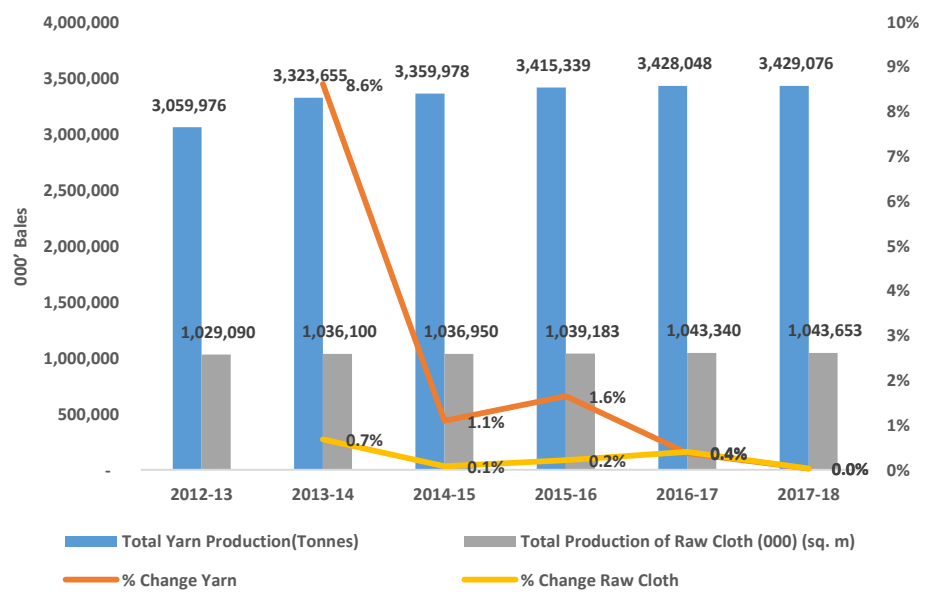


Change in Production YOY (FY15-18)

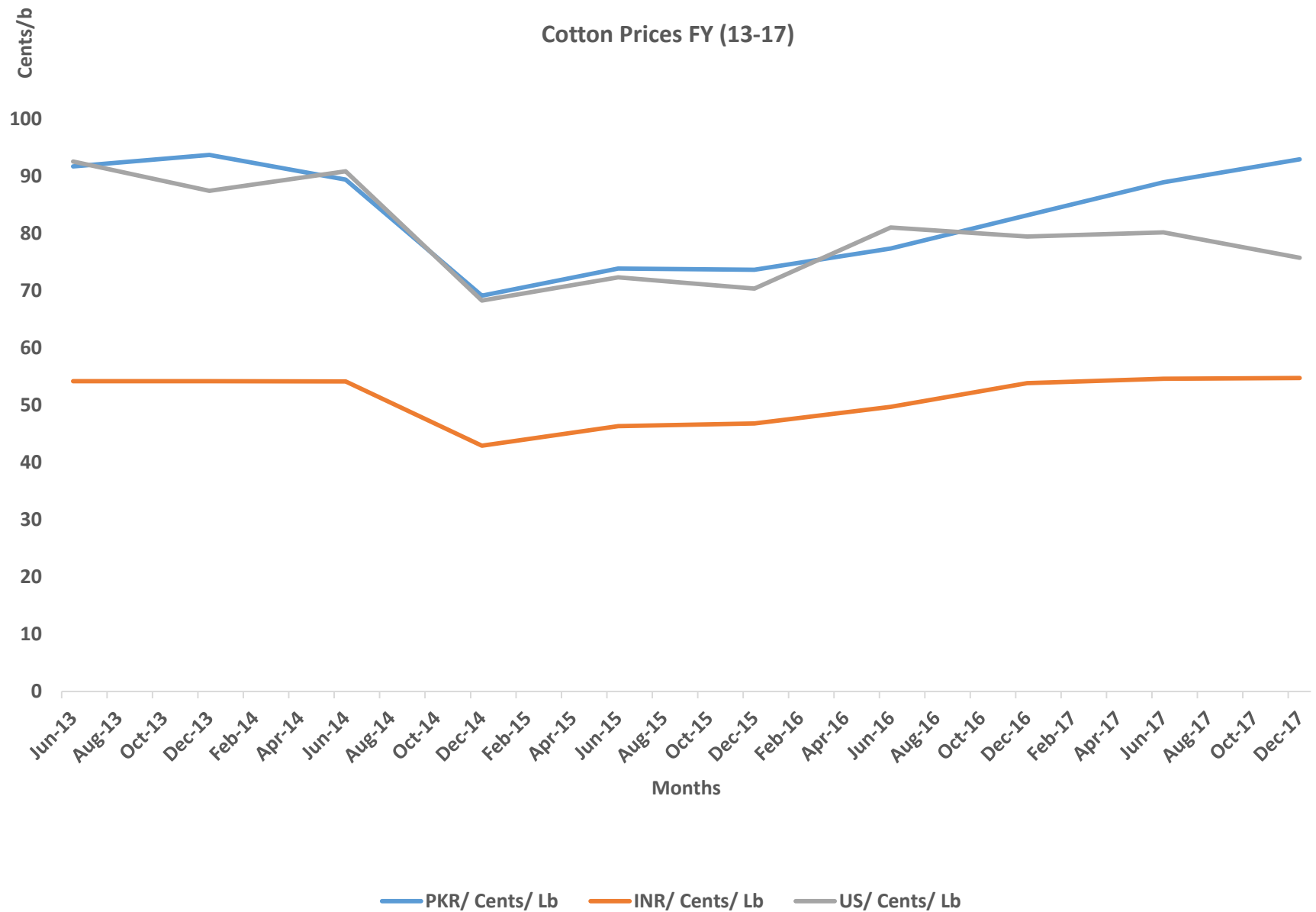


	FY15	FY16	FY17	FY18
Change YOY- Punjab %	12%	-38%	10%	16%
Change YOY- Pakistan %	9%	-29%	8%	12%
Change YOY- Sindh %	1%	-3%	4%	5%

Raw cotton and Yarn production YOY



- Cotton production in province of Sindh is showing an upsurge YOY (FY15-18).
- Total production of raw cotton is relatively consistent as it increased at a Compound growth of 1.4% (1.02 Bn sq.m in 2013-14 vs 1.04 Bn sq.m in 2017-18).
- Production of Yarn has shown a decreasing trend since 2013-14 till 2017-18.

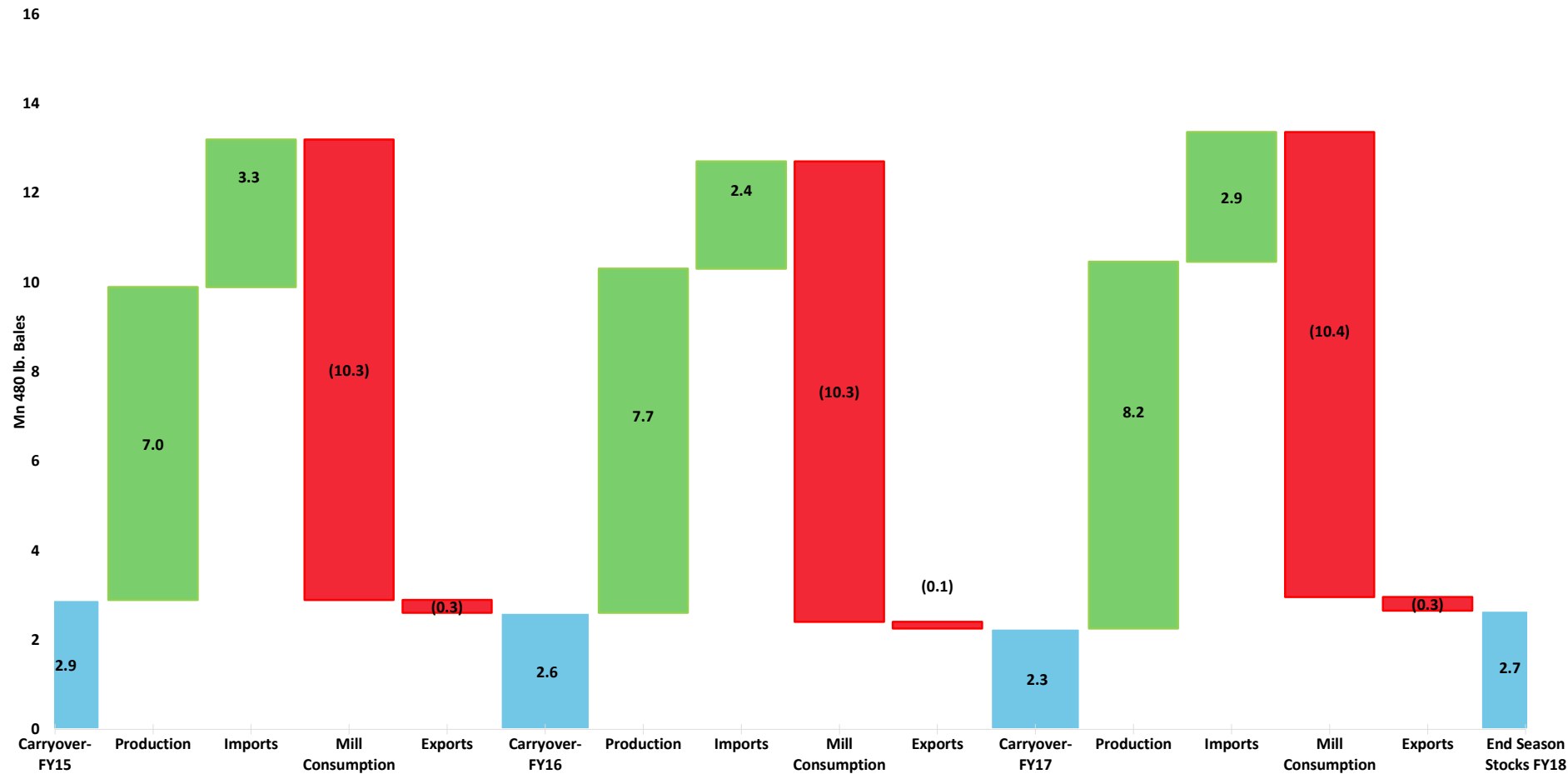


Cotton Balance Sheet- Pakistan



The production of cotton increased by 7.6 percent during last year while it recorded an increase of 11.8 percent in FY 2018 along with rise in cotton prices in international market depicts a positive growth in future. The government has recently revised the export package by further relaxing performance parameters. It remains to be seen how these measures draw a positive response from the local producers.

Pakistan Cotton- Balance Sheet (FY15-18)



Source: PCCC



▪ Pakistan Textile Industry at a Glance

▪ Pakistan Cotton Industry

▪ Global Cotton Statistics Comparison

▪ Pakistan Cotton Textile Trade Statistics

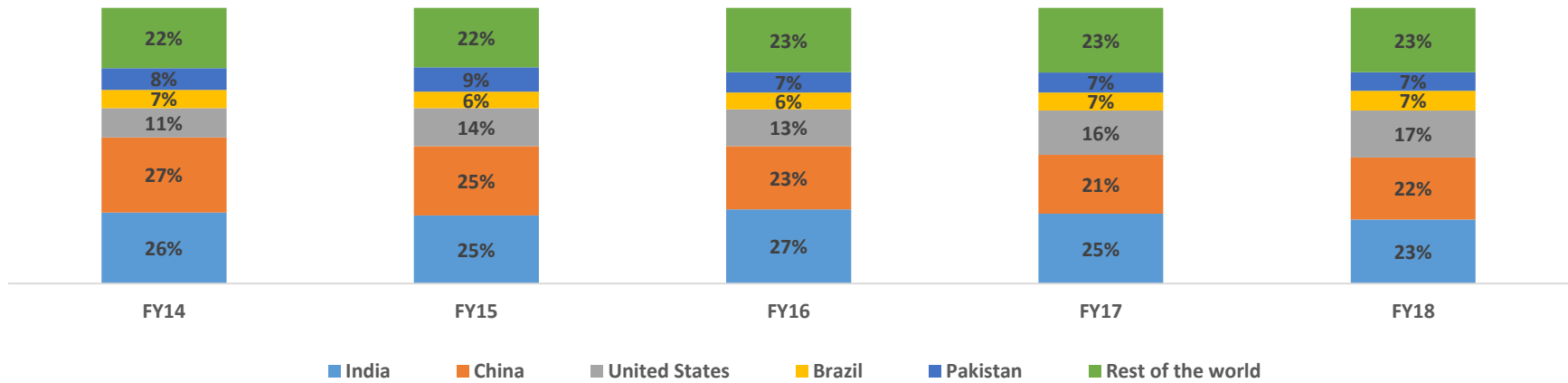
▪ SWOT Analysis

▪ Techniques To Increase the Textile Industry Growth

▪ EU GSP Plus Scheme

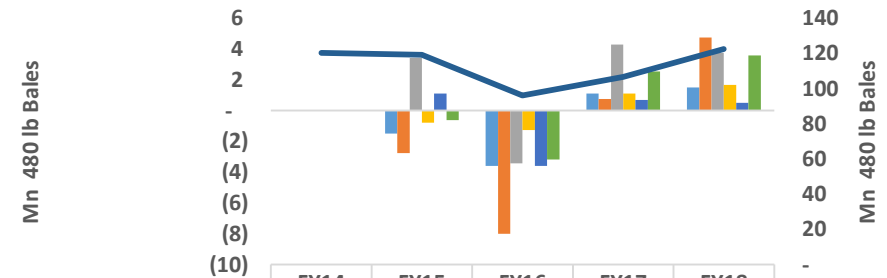
▪ Fashion Ware

Top Cotton Producers of the world

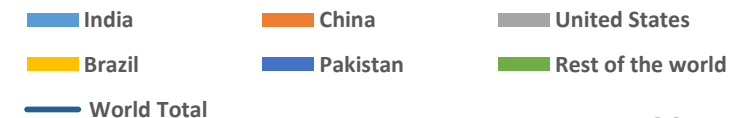


- China and India are world largest producers jointly represents 25% share followed by USA, Pakistan and Brazil
- India is the largest producer where as Pakistan fourth largest cotton producer globally.
- USA, China and Brazil has the highest increase in the cotton production in last 2 years
- Overall the global Production shows the decreasing trend until FY16, later it shows recovery in production.

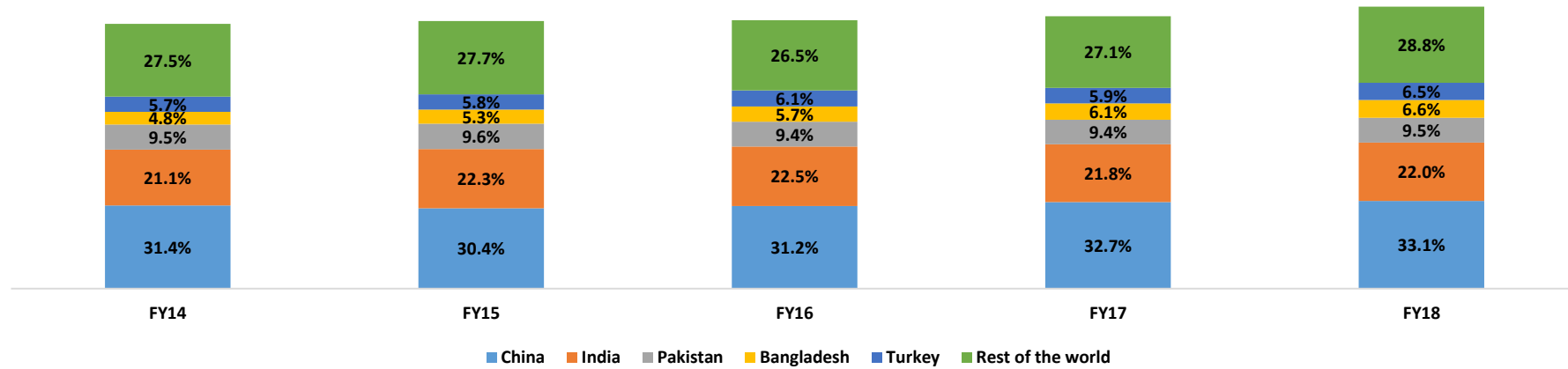
Change in Cotton Production



	FY14	FY15	FY16	FY17	FY18
India	-	(2)	(4)	1	2
China	-	(3)	(8)	1	5
United States	-	3	(3)	4	4
Brazil	-	(1)	(1)	1	2
Pakistan	-	1	(4)	1	1
Rest of the world	-	(1)	(3)	3	4
World Total	120	119	96	107	122

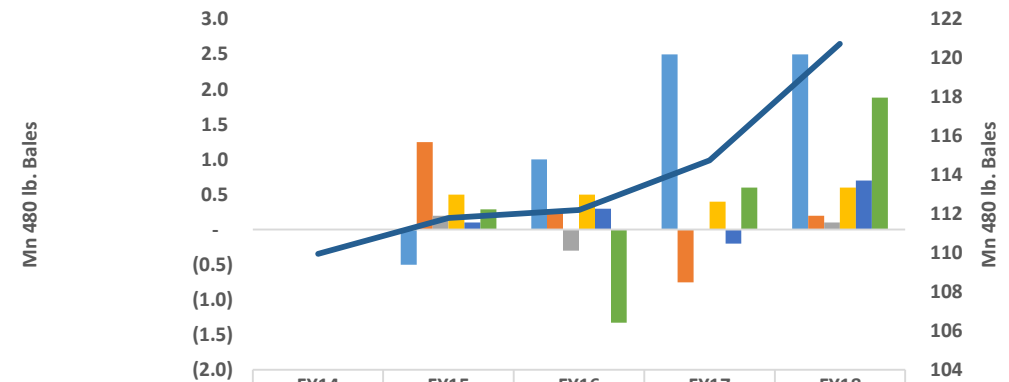


Top Countries by Cotton Consumption



- China is the largest consumer of cotton and showing and increasing trend YOY (2015-18).
- Bangladesh, Vietnam and Turkey are increasing their consumption and emerging as new global competitors.
- Overall global consumption is increasing as to that 121 million bales in FY18 as compared to 110 million bales in FY14

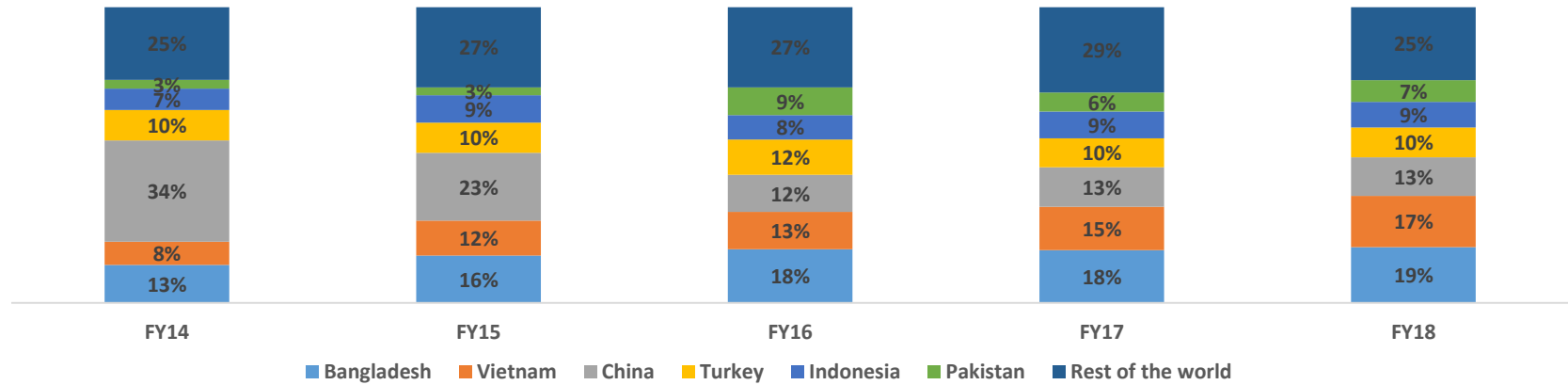
Change in Cotton Consumption



	FY14	FY15	FY16	FY17	FY18
China	-	(0.5)	1.0	2.5	2.5
India	-	1.3	0.3	(0.8)	0.2
Pakistan	-	0.2	(0.3)	-	0.1
Bangladesh	-	0.5	0.5	0.4	0.6
Turkey	-	0.1	0.3	(0.2)	0.7
Rest of the world	-	0.3	(1.3)	0.6	1.9
World Total	110	112	112	115	121

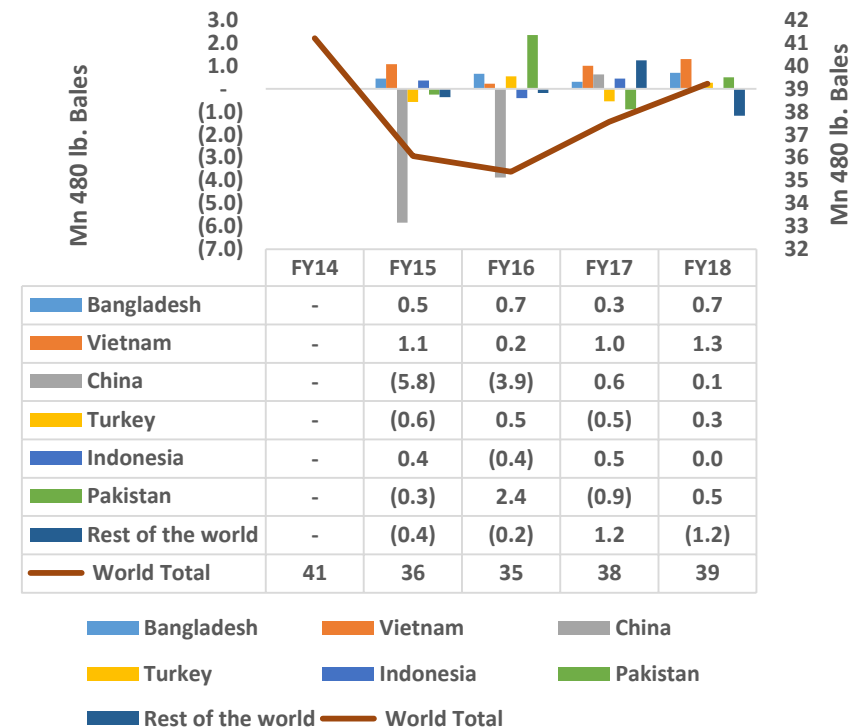
■ China ■ India ■ Pakistan ■ Bangladesh
■ Turkey ■ Rest of the world — World Total

Top Cotton importing Countries

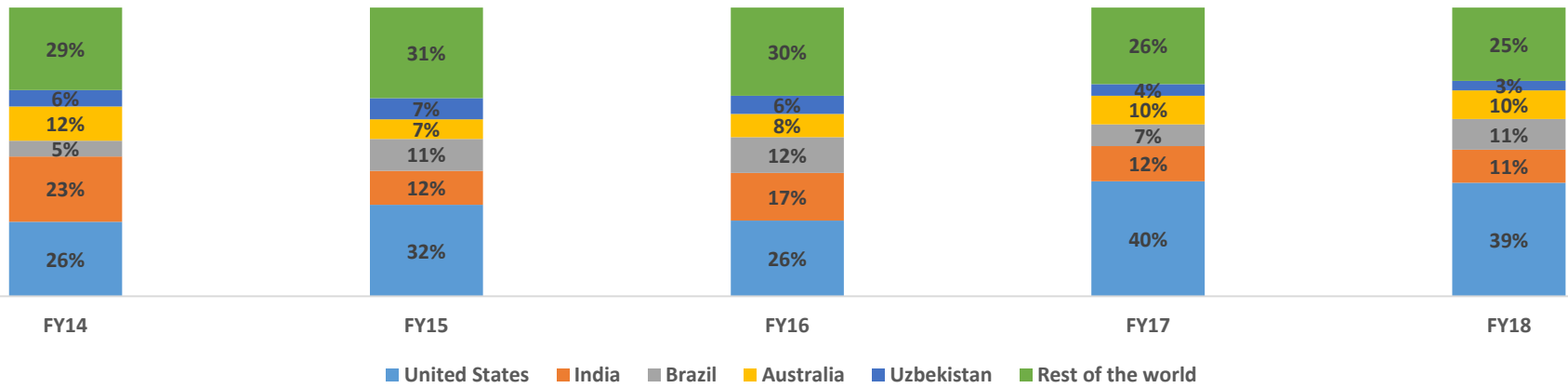


- Vietnam cotton imports have increased more than twice since FY13, Bangladesh has also shown a considerable increase in imports by more than 40% during the same period.
- Pakistan share of import accounts for about 7% of the world in FY18 and also increase from 3% share in FY14
- Pre FY2013, China carried out massive procurements of cotton with the intention to encourage its farmers to manufacture greater quantities of the crop. Given the large scale of its operations, China's policy increased worldwide demand and resulted in inflated world cotton prices, rising to a high of 229.7 US cents/lb. in 2011.
- China's policy reversal resulted in as significant decline in prices which fell to a low of 67.5 US cents/lb in November 2014. As a result china imports decrease by more than 50% post FY13.

Change in Cotton Imports

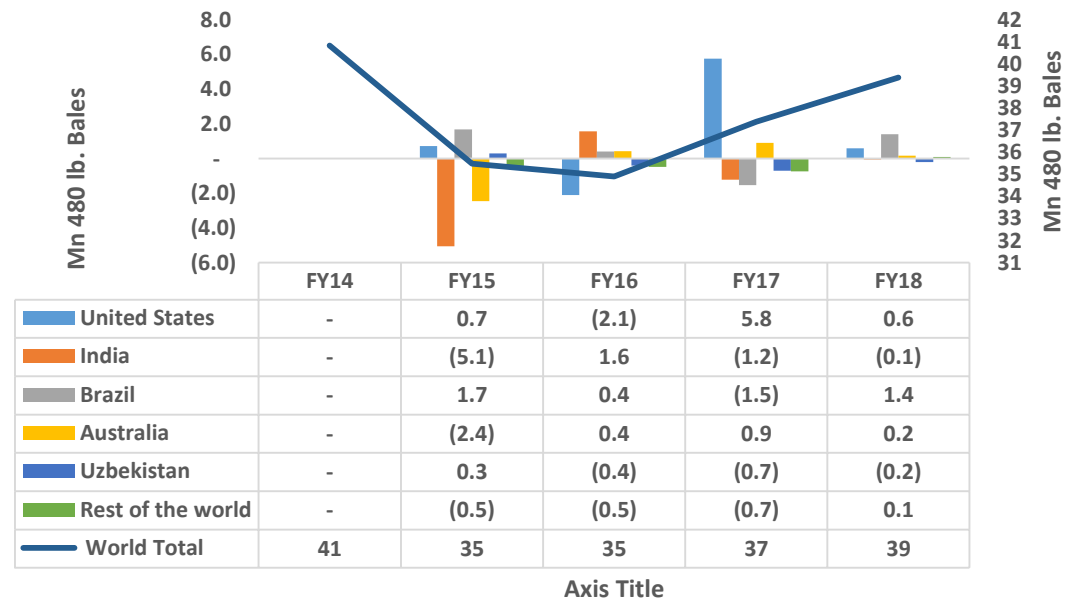


Top Cotton exporting Countries



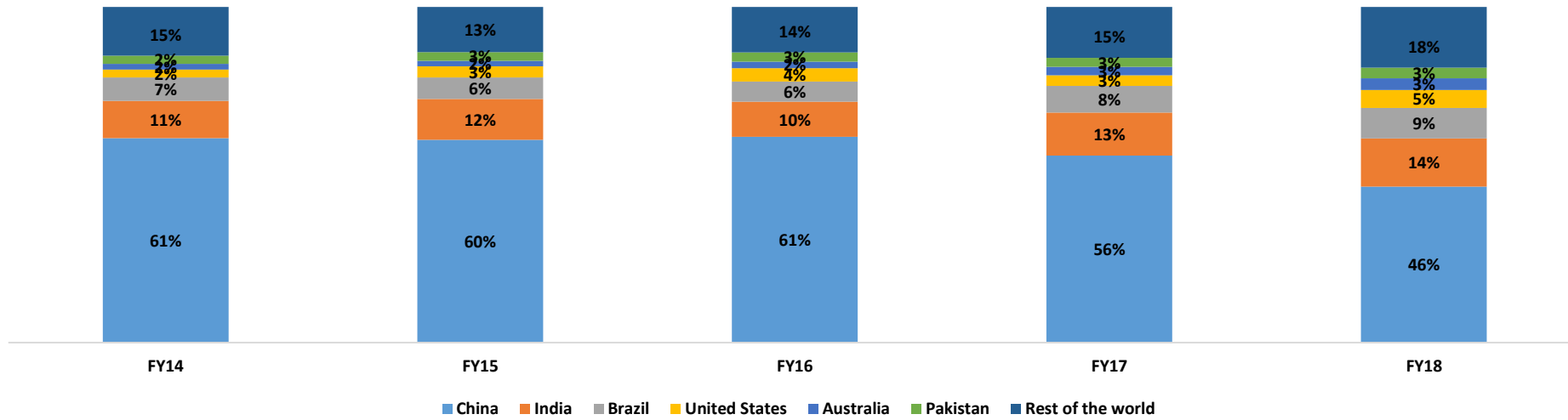
- USA and Brazil has emerged the largest exporter of the cotton jointly representing 50% of world export .
- Australia and India are both in the top 5 exporters of world where as Indian cotton exports are decreasing YoY 2013-18

Change in Cotton Exports



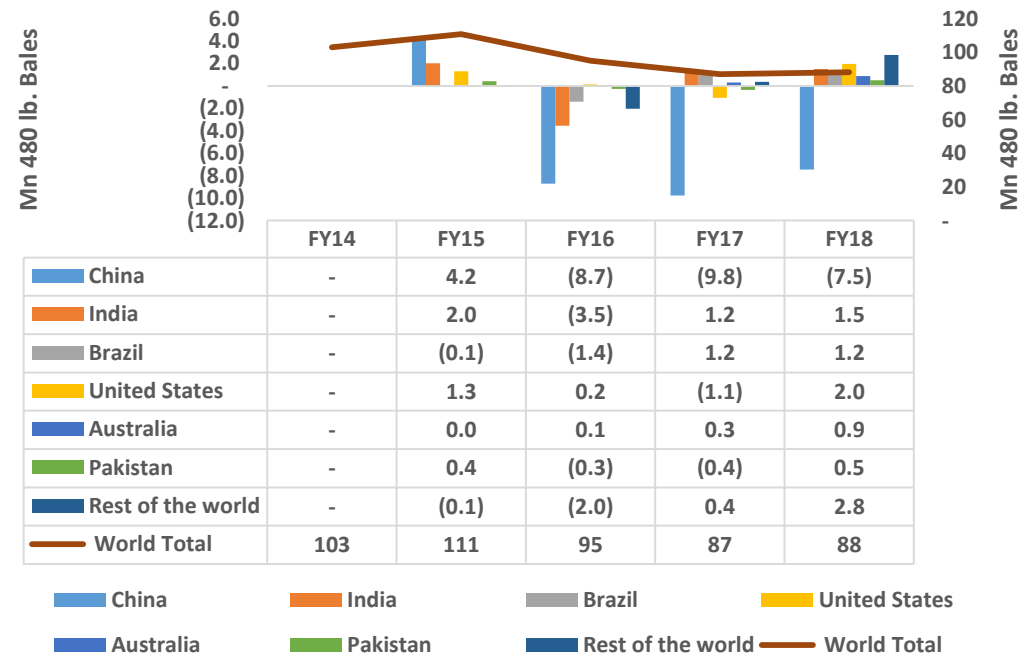
■ United States ■ India ■ Brazil ■ Australia
■ Uzbekistan ■ Rest of the world — World Total

Top Cotton Inventories Globally



- World stock of cotton has grown extensively and reached at its peak (110 million bales) in FY14 as compare to FY11 where 50million bales
- Later china sold its inventories (63,412 tones of cotton in FY15) and eventually its stock has decreased from the 60% of the world inventories to almost 50% in FY18.

Change in Cotton Inventories





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- Fashion Ware

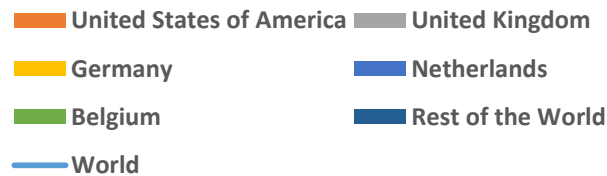
31% of
Cotton Textile
Exports

2% CAGR
(FY13-17)

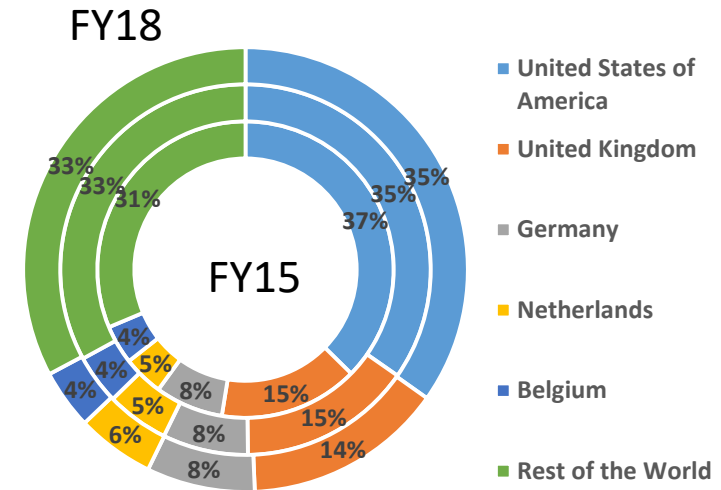
Export Analysis- Country wise



	FY13	FY14	FY15	FY16	FY17
United States of America	-	(35.0)	16.7	(85.2)	57.3
United Kingdom	-	95.4	2.8	3.0	0.1
Germany	-	67.2	(23.6)	4.4	28.1
Netherlands	-	43.8	(0.3)	41.1	17.0
Belgium	-	26.4	(26.2)	5.2	6.5
Rest of the World	-	23.1	(116.1)	75.7	42.9
World	3,685	3,906	3,760	3,804	3,956



Top Exporting Counties



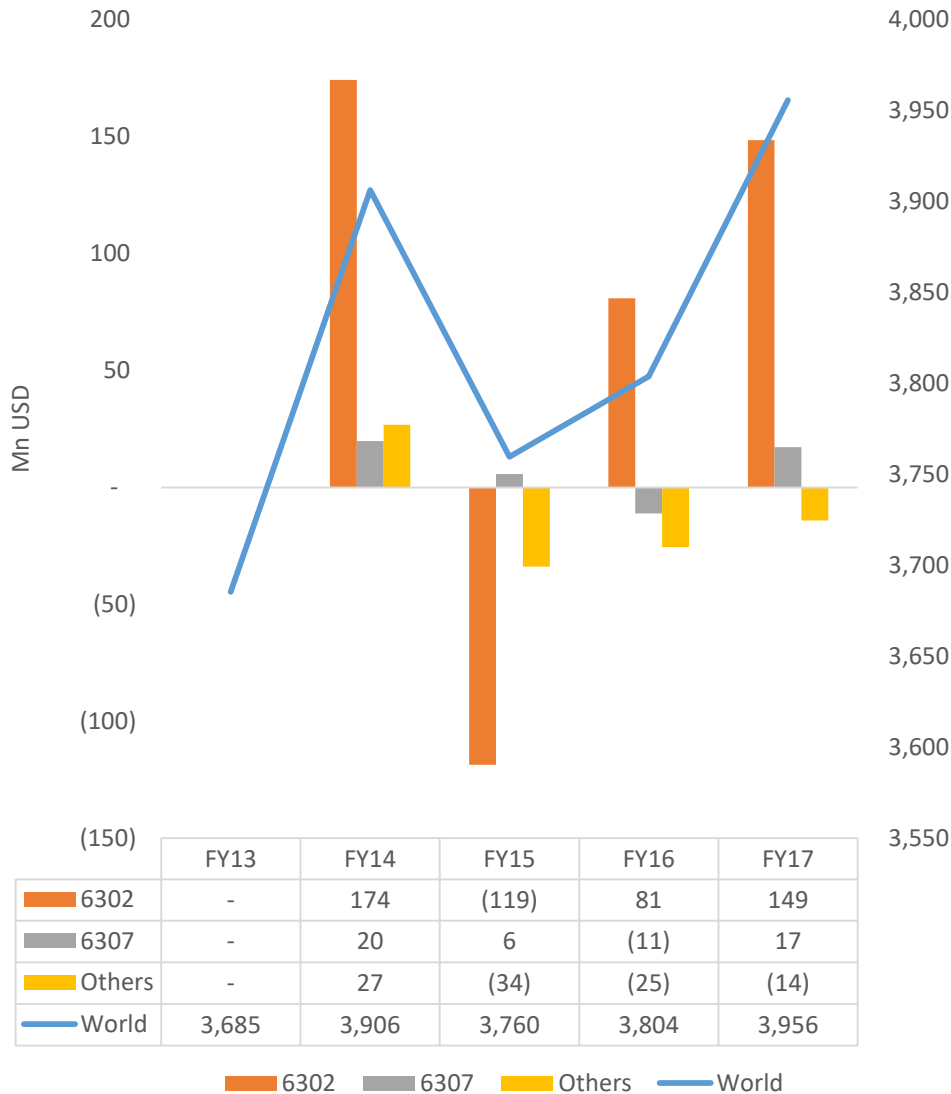
- Top five countries represents 67 % of Pakistan exports of this article in 2017.
- Exports over the period of five years is increasing with exception to 2015 where total exports of Hs-63 decrease by 4% as compare to 2014.
- Exports to Uk and USA is relatively consistent where as Netherland, Belgium and Germany exports of Hs-63 is increasing over the period.

HS-63: Other made-up textile articles; sets; worn clothing and worn textile articles; rags

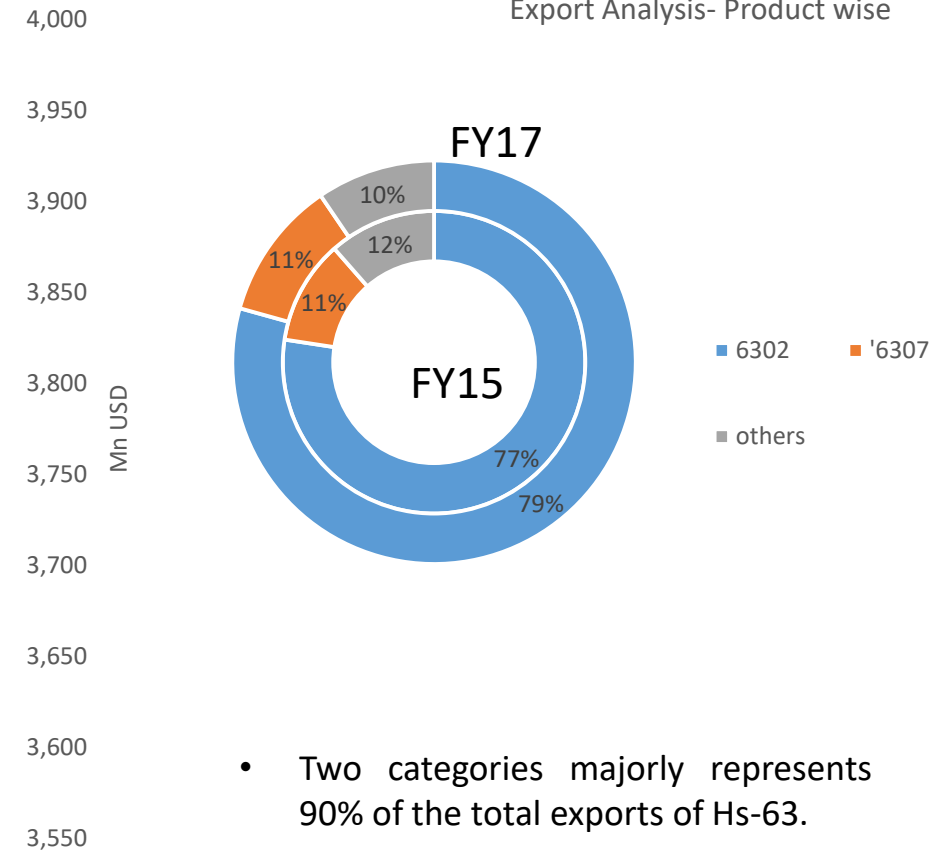
HS-63- Product wise Analysis



Export Analysis- Product wise



Export Analysis- Product wise



- Two categories majorly represents 90% of the total exports of Hs-63.
- Total exports of Hs-63 increased by 151m USD in 2017 where as exports of Hs-6302 increased by 149m USD representing the top share.

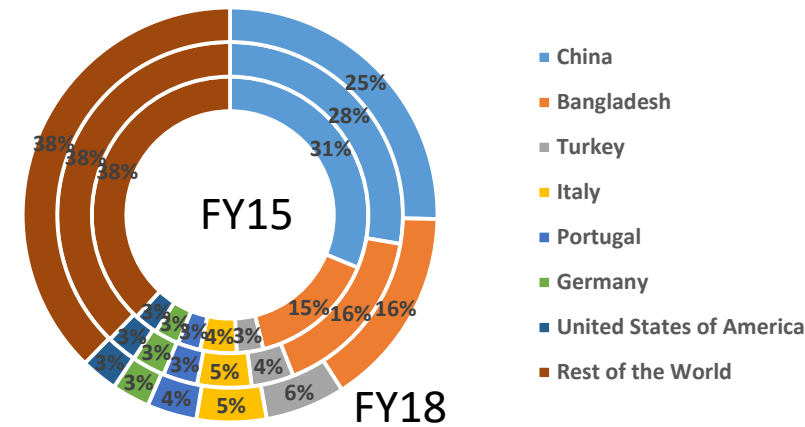
Hs-6302 Bedlinen, table linen, toilet linen and kitchen linen of all types of textile materials (excluding floorcloths, polishing cloths, dishcloths and dusters)

Hs- 6307 Made-up articles of textile materials, incl. dress patterns, n.e.s.

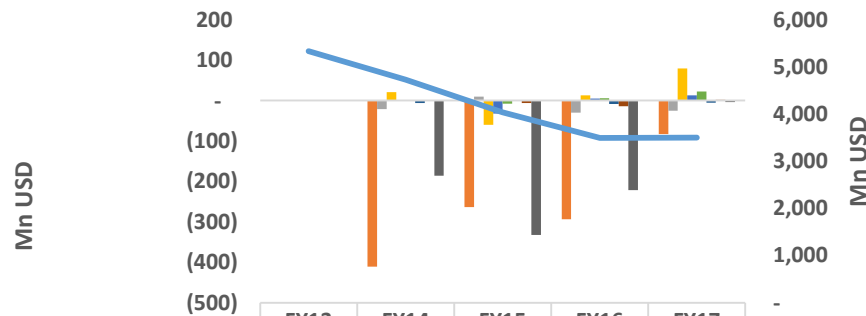
27% of
Cotton Textile
Exports

(10%)
CAGR (FY13-17)

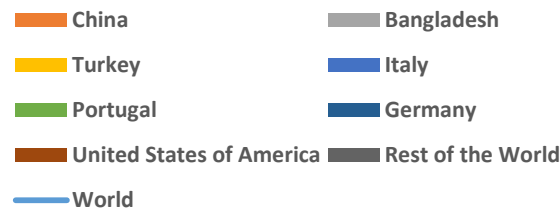
Top Exporting Countries



Export Analysis- Country Wise



	FY13	FY14	FY15	FY16	FY17
China	-	(410.7)	(263.6)	(293.5)	(82.8)
Bangladesh	-	(21.1)	9.5	(30.0)	(25.3)
Turkey	-	21.2	(59.6)	13.0	79.2
Italy	-	0.5	(31.8)	5.2	13.0
Portugal	-	(0.2)	(7.8)	6.2	22.9
Germany	-	(6.0)	0.5	(8.3)	(5.1)
United States of America	-	0.0	(6.1)	(14.0)	2.1
Rest of the World	-	(186.2)	(332.3)	(221.5)	(3.6)
World	5,334	4,731	4,040	3,497	3,498

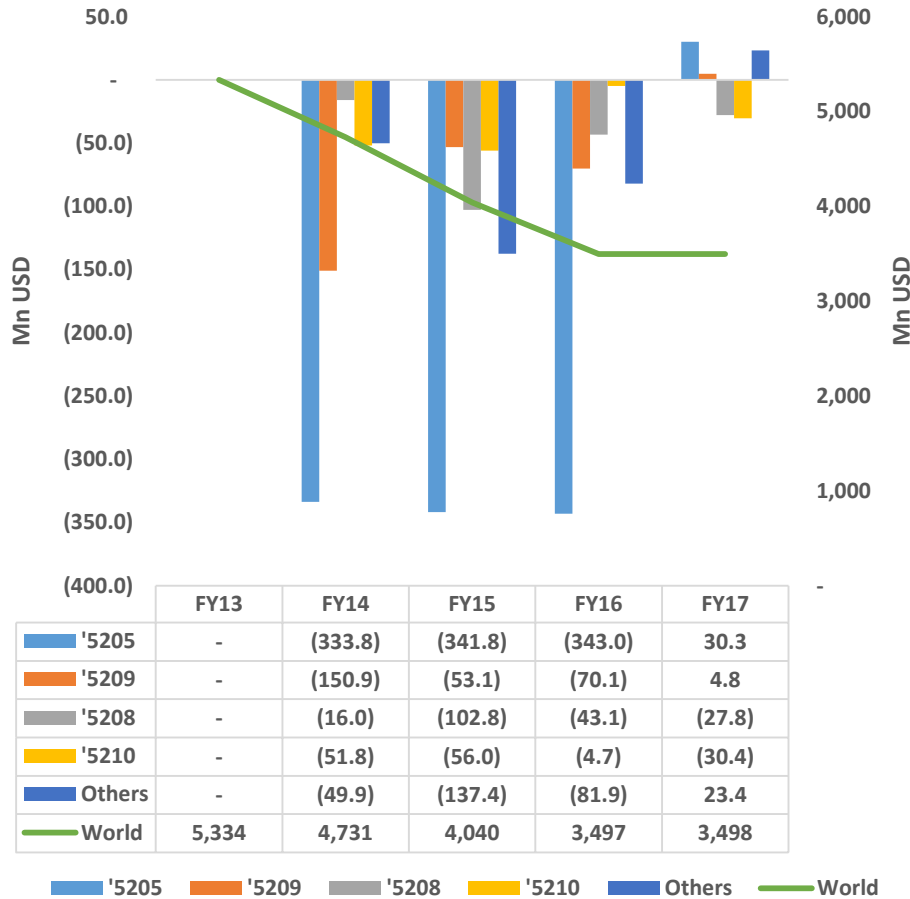


- Top five countries represents 56 % of Pakistan exports of this article in 2017.
- Exports over the period of five years is continuously decreasing at a CAGR of (10%) and stood at 3.49 Bn USD in 2017 as compare to 5.3 Bn USD in 2013.
- China the largest importer of Hs-52 from Pakistan has decreased its cotton stock policy post 2014 as a result Pakistan's exports of Cotton has come down. (China 36% share in Pakistan exports year 2013 to 25% share in 2017).
- Pakistan export to Bangladesh, USA and Germany have decreased slightly YOY (2013-2017).
- Importantly, exports to Turkey, Italy and Portugal have increased considerably in last three years (2015-17) jointly by 115 m USD in 2017 and 25m USD in 2016.

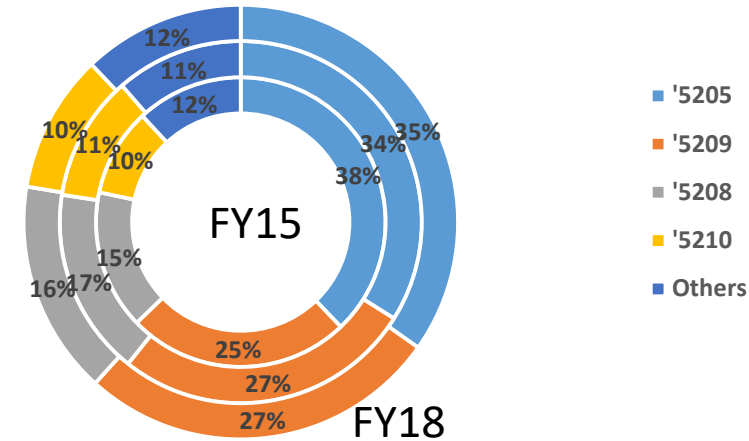
HS-52- Product wise Analysis



Export Analysis- Product wise



Export Analysis- Product wise



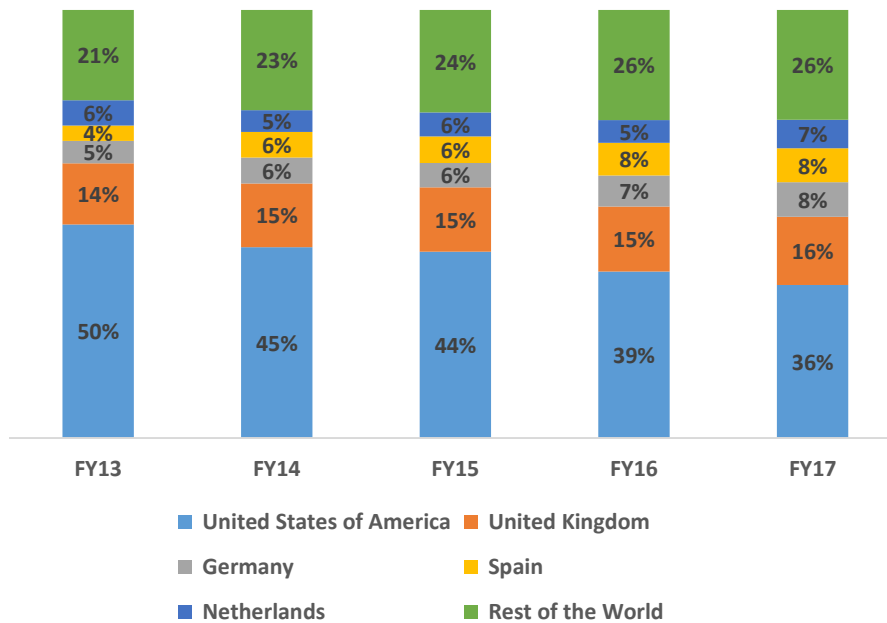
- Four categories majorly represents almost 90% of the total exports of Hs-52.
- Export to all categories of cotton are decreasing as post 2013, prices of cotton has come down and china policy shift of massive procurement has ended. (being the major producer in the global market, china influence on cotton market boosted the demand for overall cotton importers globally pre 2013).

Hs-5205 Cotton yarn other than sewing thread, containing >= 85% cotton by weight (excluding that put
Hs-5209 Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m²
Hs-5208 Woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 200 g/m²
Hs-5210 Woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, mixed principally

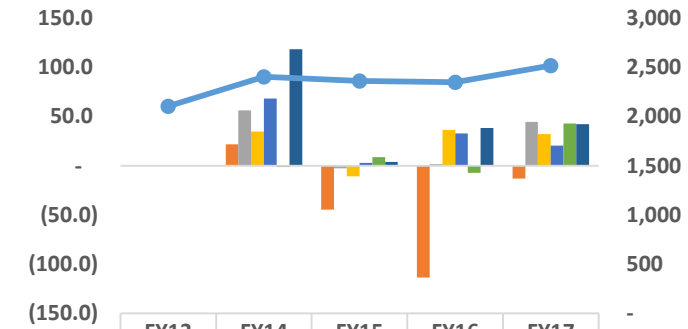
20% of
Cotton Textile
Exports

5% CAGR
(FY13-17)

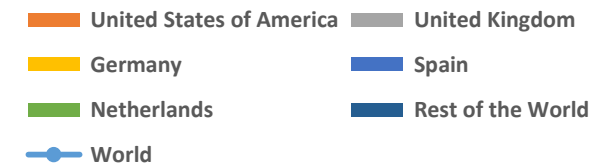
Top Exporting Countries



Export Analysis- Country Wise



	FY13	FY14	FY15	FY16	FY17
United States of America	-	21.7	(44.9)	(113.8)	(13.3)
United Kingdom	-	56.3	(2.6)	1.6	44.5
Germany	-	34.5	(11.0)	36.2	32.0
Spain	-	68.3	2.8	32.7	20.5
Netherlands	-	(1.6)	8.7	(7.2)	42.8
Rest of the World	-	118.1	3.9	38.4	42.0
World	2,105	2,403	2,360	2,347	2,516

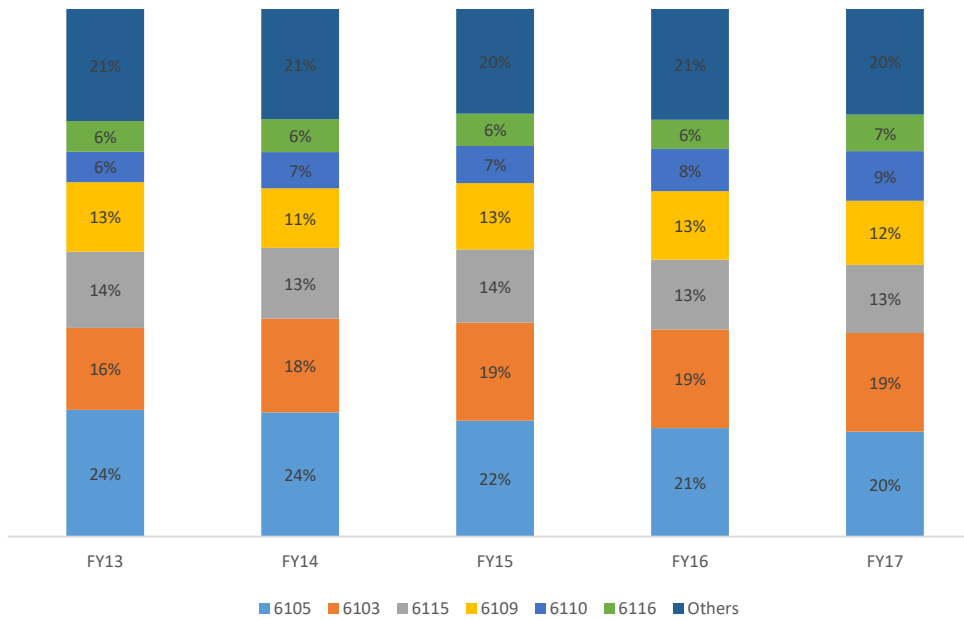


- Top five countries represents 74 % of Pakistan exports of this article in 2017.
- Exports over the period of five years is relatively consistent and depict a CAGR of 5%. (stood at 2.5 Bn USD in 2017 as compare to 2.3 Bn USD in 2013).
- Pakistan Export to USA its largest exporting country is showing a decreasing trend. overall CAGR of (4%) and decrease the most by 11% in 2016. Exports to all other countries are increasing year on year.

HS-61 Articles of apparel and clothing accessories, knitted or crocheted

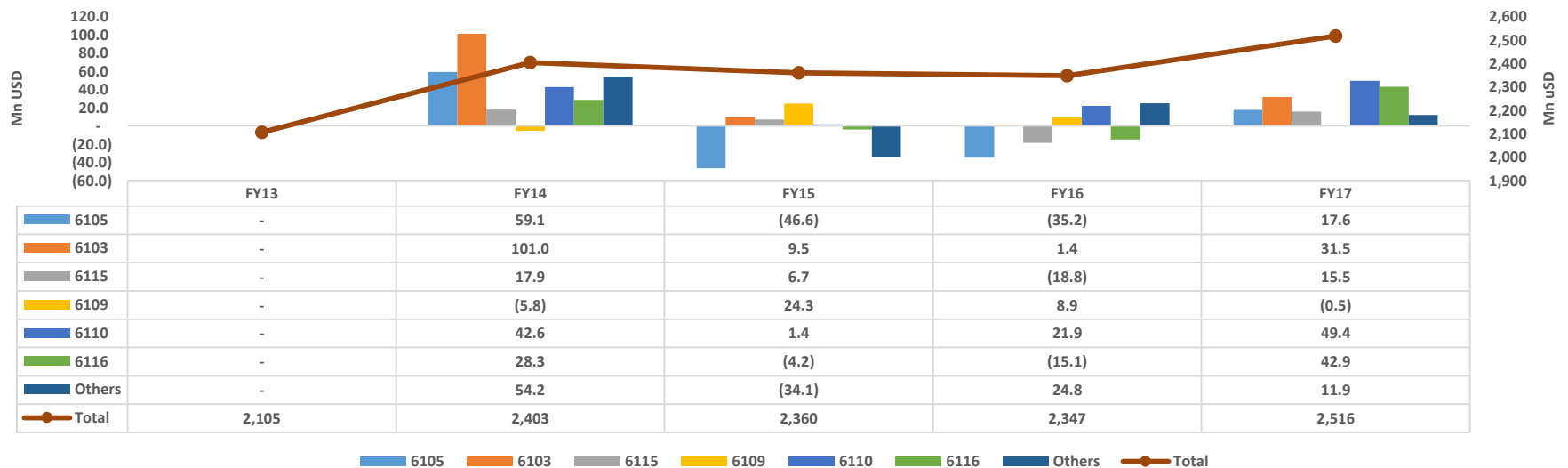
HS-61- Product wise Analysis

Export Analysis- Product Wise



- Five categories majorly represents 73% of the total exports of Hs-61.
- Total exports of Hs-61 increased by 168m USD in 2017 compare to last year whereas the products with the least share increased the most (HS-6110, 6116).

Export Analysis- Product Wise

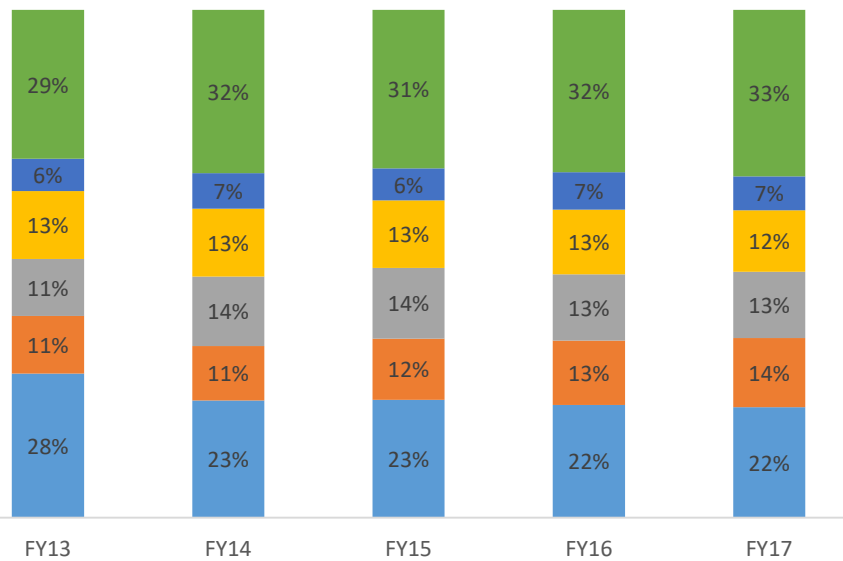




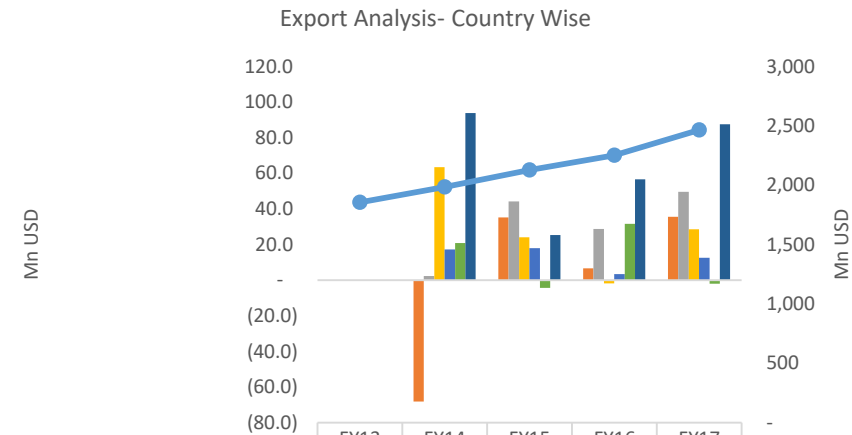
19% of
Cotton Textile Exports

7% CAGR
(FY13-17)

Top Exporting Countries



■ United States of America ■ Germany ■ Spain
■ United Kingdom ■ Belgium ■ Rest of World



	FY13	FY14	FY15	FY16	FY17
United States of America	-	(68.1)	35.3	6.7	35.7
Germany	-	2.4	44.2	28.7	49.7
Spain	-	63.5	24.1	(1.8)	28.6
United Kingdom	-	17.2	18.0	3.5	12.7
Belgium	-	20.9	(4.3)	31.7	(1.9)
Rest of World	-	93.9	25.5	56.7	87.6
World	1,855	1,985	2,127	2,253	2,465

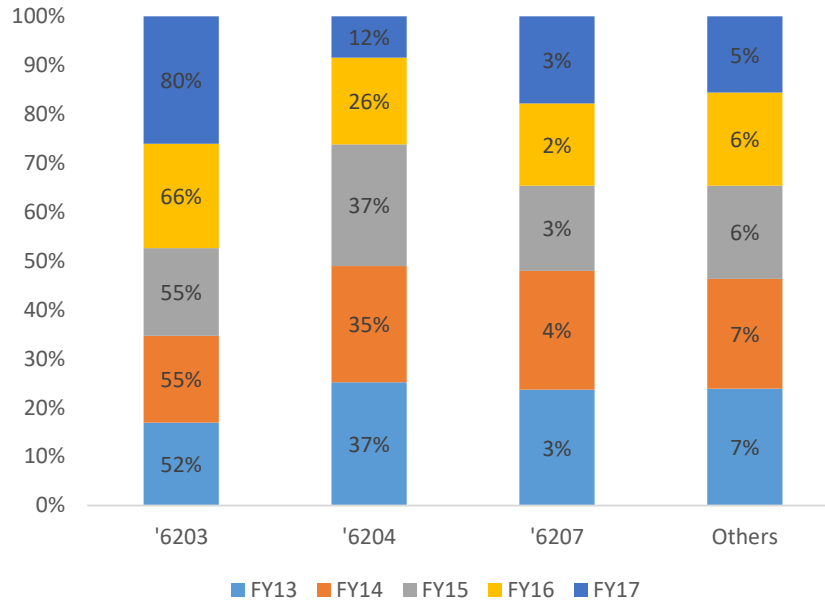
■ United States of America ■ Germany
■ Spain ■ United Kingdom
■ Belgium ■ Rest of World
● World

- Top five countries represents 67% of Pakistan exports of this article in 2017.
- Exports over the period of five years is continuously increasing and depict a CAGR of 7%. (stood at 2.46 Bn USD in 2017 as compare to 1.85 Bn USD in 2013).
- Pakistan Export of Hs-62 to Germany and Spain increased the most (CAGR of 12% each-FY13-17) followed Belgium and UK (CAGR 9% & 5% respectively).

HS-62 Articles of apparel and clothing accessories, not knitted or crocheted

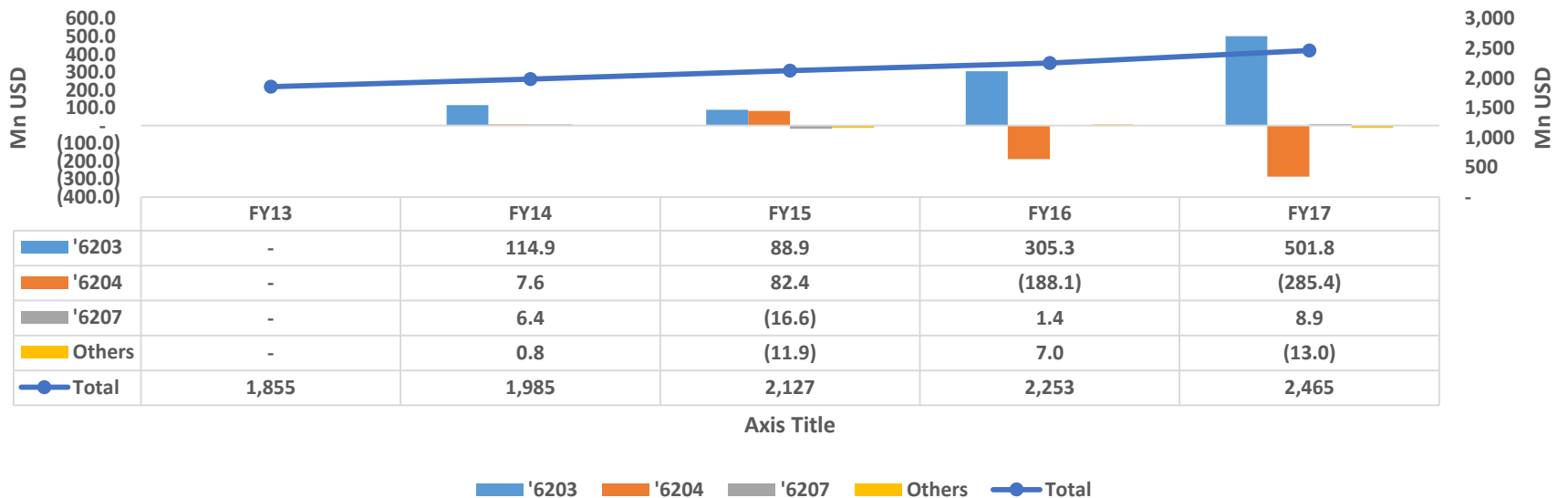
HS-62- Product wise Analysis

Export Analysis- Product Wise



- Two major categories represents more than 90% of the total exports of Hs-62.
- Total exports of Hs-62 increased by 610m USD from 2013-17 where exports of Hs-6203 increased by more than 1 Bn USD and Hs-6204 decreased by 383 Mn USD. (market share in exports 12% in 2017 Vs 37% in 2013).

Export Analysis- Product Wise



HS-62 Articles of apparel and clothing accessories, not knitted or crocheted



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Strengths

- Cotton an ideal clothing material for countries like Pakistan where climate is sub-tropical with mean temperature on a higher side.
- 4th largest producer of cotton.
- Cotton Spinning capacity in Pakistan falls among the top five countries. Thus value addition opportunities further prevails.
- Domestic demand is continuously increasing due to change in trends and client base more inclined in to branded lawns/ apparel and replicas.
- Export base economy with textile share more than 60 % will lead more growth potential and new opportunities.

Weaknesses

- Minimal and low value-added products dominate exports, constituting over 50% of the exported value. Cotton cloth, cotton yarn, bed sheets and knitwear remain major export generators.
- Pakistan's product mix of natural to synthetic fiber (80:20) does not correspond to the international standards (60:40). The international product mix enhances the usability of raw material as synthetic fiber offers greater flexibility as opposed to natural fiber.
- Lack of developed infrastructure facilities has hindered the growth of textile sector. The country wide energy crisis has adversely affected the textile sector and led to closure and transfer of units to Bangladesh, Turkey and other countries. The facilities installed require up-gradation but the sector is facing lack of from local bodies as well as foreigners.
- Low yield as compare to other top producing countries.
- Unskilled or poorly trained Human Resources.



Opportunities

- Pakistan's textile trade is heavily tilted towards China. However, other markets like Africa and Russia can be explored, which will not only broaden the export market but facilitate the enhancement of Pakistan's exports to suit the customer.
- With abundant good quality raw material at its disposal, Pakistan can alter its product line from low to high value added items. Countries import raw material from Pakistan, process it and sell it with a high mark up which reflects the significant impact of value addition.
- Sales are driven primarily through the "brand name". Through in-depth research and effective marketing efforts, Pakistan can either launch its own new brands or partner with existing ones to enter new markets .
- World-wide fashion industry is flourishing, the resources can be redirected to produce items that cater to international demands.
- Under the GSP Plus regime all of the products of Pakistan's export interest would be entitled to duty free treatment which includes all Textiles, Textiles made ups, bed linen, garments, leather products, footwear, plastics, ethanol, agriculture products and processed food etc. Out of a total of 6,000 products that are allowed duty free access, Pakistan only exports 150 clearly indicative of the need to diversify.

Threats

- Declining international cotton prices have adversely impacted the local market as well. The reduction can be attributed to lower demand on account of reduced prices of polyester, an alternate man-made fiber.
- China's dismissal of the stockpiling policy has adversely effect Pakistan exports. For over 5 years, more than 60% of Pakistan's cotton yarn has been exported to China.
- Pakistan's products become more expensive abroad as Euro has devalued considerably against Pakistan compared to Chinese yuan and Indian rupee. Pakistan's products become more expensive abroad, they become less competitive, translating into decline in exports.
- As per the Trans Pacific Partnership, member countries will be allowed duty free import of goods. Pakistan's major markets like EU, USA and Canada are signatories to this agreement which would extend the preferential access to all the members and provide a level playing field, posing a threat to Pakistan's exports. Vietnam, as the third largest garent exporter, and other countries like Malaysia and Mexico are expected to dent Pakistan's exports share .
- As part and parcel of GSP Plus Status, Pakistan is required to adhere to the conventions of the United Nations, which primarily pertain to human rights and good governance. Given the negligent implementation of these conventions in Pakistan, any instance of non-compliance can result in suspension of the status as has been the case with Sri Lanka.



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Techniques to increase the textile industry growth

The industry is losing its competitiveness to other countries, especially to South East Asian Countries. Pakistan's main competitors in primary textile products with the advantage of large engineering segment in this region are China, Bangladesh and India. Looking into the future, strong competitors like China can be used to develop the industry with close cooperation and to start assembly plants under their guidance and cooperation.

Financial and technical investment requirement in engineering industry

To cater to the rising demand and challenges, the Industry is in urgent need of financial and technological investments. The only country in this region without strong engineering base (using old less efficient machinery) is Pakistan and our dependence upon outside Engineering Industry keeps our cost of production higher with low engineering skills.

Improve quality and value addition

There is a need for the industry to improve the quality of its products. Also the industry require the need for greater value addition in its products. There is Lack of expertise in the field of "Product development and design". Currently, no priority is given to establish and upgrade the areas of designing and development to create high demand of the local product globally to compete professionally.

Increase training and development programs

The textile machinery used in Pakistan is imported mainly from countries like Japan, Switzerland, Germany, China and Belgium. There is lack of efficient training and development program from these countries. Further, intensive efforts are require to improve the HR skill levels on the basis of intense trainings and setting up of required infrastructure (in accordance with latest techniques and requirements to compete with the local as well as international Standards)

Need Stable political situation and reduce Energy crises

The textile industry is also unable to meet local and international demand (not fulfill the orders on time) due to prevailing economic and political situation and the continuing energy crisis. Power shortage has led to closure of numerous textile mills in Faisalabad region. The government needs to step ahead and assure consistent supply of all forms of energy to the textile segment of Pakistan.

Raw material prices along with excise and Import duties need to be generous

High excise and import duties on raw material increases the prices of raw material. This will ultimately lead to Shortages of textile merchandize in the market (barrier to consistent supply in the industry) and unduly high prices for household commodities. The Government of Pakistan should launch and approve the development of a textiles vision to provide consistent supply of raw materials to revive the textile industry.

Tax Refund from Government need to be processed efficiently

Stuck-up tax refunds from the government leading to liquidity problems. The process should be efficient to improve production and exports.

Development of strong R&D Facilities & Infrastructure

Need of R&D facilities and strong infrastructure to deal with the current product innovation challenges and sustainable growth of the industry.

Establish marketing and publicity framework

There is a need to establish the market intelligence and refine the marketing and publicity framework in an effort to build a high class image of the Pakistani textile products in the international markets.

Machine base cotton picking facility

One of the prime reasons of contamination of Pakistani cotton is this method of picking up. Brazilian cotton is famous among Pakistani importers due to its quality, the reason being cotton is picked up using machines not human hands. Brazilian companies can offer their services to Pakistanis farmers and industrialist to get better quality cotton.



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Tariff preferences in the EU market enable Developing Countries to participate more fully in international trade and generate additional export revenue to support implementation of their own sustainable development and poverty reduction policy strategies.

The European Union's GSP covers three separate regimes;

- (i) The **standard GSP**, provides preferences to 90 (previously 177) Developing Countries and Territories on over 6300 tariff lines;
- (ii) The special incentive arrangement for Sustainable Development and Good Governance, **known as GSP+**, which offers additional duty free exports to support vulnerable developing countries (previously 16 now 25 countries – Including Pakistan) in their ratification and implementation of relevant international conventions in these fields;
- (iii) The Everything but Arms (**EBA**) arrangement, which provides Duty-Free, Quota-Free access for the 50 Least-Developed Countries (LDCs).

Pakistan has traditionally been benefiting from the standard GSP regime of the EU and our exports to the EU have been subjected to 20% less duty than the normal MFN duties charged by the European Union. Before **GSP Plus status**, Pakistani products, especially; Textiles and Garments, were facing stiff competition not only from efficient suppliers like; China, India, Indonesia, Thailand and Vietnam but were also at a disadvantage through parallel exports from LDCs like Bangladesh, which were already accorded duty free access to the EU through the Everything But Arms regime of the EU GSP.

Pakistan's qualification as a GSP Plus beneficiary country would put us in a tremendously advantageous position, as;

- (i) China, Colombia India, Indonesia, Thailand and Vietnam are not eligible for **GSP Plus**.
- (ii) China and India has both graduated out of the Textile and Garments sections of the **standard GSP**, meaning whereby that imports from China and India will not be benefiting from preferential duties either.
- (iii) Pakistan and Bangladesh will only be the two textile and garment exporting country in the South and South East Asian region which will have duty free access into the EU.

Taking the overall economic perspective of Pakistan in view, this opportunity not only promises manifold increase in our exports but would also act as an instigator for; investment, both domestic and FDI, employment generation, inculcation of best practices resulting in enhanced institutional capacity and sustained economic growth. Under the GSP Plus regime all of the products of Pakistan's export interest would be entitled to duty free treatment which includes all Textiles, Textiles made ups, bed linen, garments, leather products, footwear, plastics, ethanol, agriculture products and processed food etc.

Lack of diversification, low income, low share in EU GSP imports and signing/ratification of the core Conventions are a prequalification for a GSP Plus beneficiary country (which Pakistan fulfills), and the implementation of these conventions is the core issue which would ensure Pakistan's continuity in the GSP plus regime. In this regard the EU has devised a monitoring mechanism and it is expected of the beneficiary countries to fully cooperate in providing information, whereby the EU would gauge the satisfactory implementation of these Conventions, failing which, the country could face withdrawal of GSP Plus status.



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Apparel brand going Global

Our Fashion Designing & Apparel Industry is becoming an important dimension of Pakistan's economy due to its export potential worldwide. In Pakistan, the significance of Fashion industry is being realized in view of its huge potential for future expansion.

Post 2010, Pakistan apparel brand have emerged in the local market due to two major reasons, a specific cloth which is Lawn and the Pakistani consumer is becoming more brand conscious.

Apparel Brand like J., Khaadi, Sapphire, Sana Safinaz and etc. capitalized on the true value addition and side by side consumer were becoming brand conscious which help the apparel companies to yield high profit.

In the last 10 year first time ever apparel brand started to cross borders. One apparel company which was aggressive in there global recognition was Khaadi. The luxury fashion house, Khaadi, first expanded internationally to UAE in 2010. Khaadi now boasts successful outlets in United Arab Emirates, Saudi Arab, Australia, the United States of America, Mexico, Malaysia, Canada and the United Kingdom.

To Follow was J. (Junaid Jamshed apparel brand) to open store in Europe and GCC region. Relatively new apparel brand Almas in there 3 year of business have opened stores in Dubai.

The leading menswear fashion house is recognized for its revival of the 'sherwani', and for being Pakistan's first international menswear brand.

Famously known for designing sherwani's for Mr. Pervez Musharraf and Mr. Atal Bihari Vajpae. Amir Adnan currently runs an outlet in Dubai. FnkAsia, another brand under the label of Amir Adnan boasts a flagship store in the USA.

Chen One, one of Pakistan's leading Home textile fashion house, operates seven outlets internationally, across UAE and Saudi Arab.

Top Textile Brands of Pakistan

JUNAID JAMSHED

almas

Khaadi

SAPPHIRE

SANA SAFINAZ

ChenOne
Changing Lifestyle

Amir Adnan
SINCE 1990

Breakout

Bareezé

alkaram
Design with a Difference

ASIM JOFA

Outfitters®

Online Shopping and E-commerce

Fashion has become an integral part of the operations of E-commerce businesses. It has helped to contribute a great deal to the revenues and profits of online businesses with a recorded 16.648 million fans on the Ecommerce platform.

Fashion designers, both male and female, have mushroomed with the recent collection of the most innovative clothing, footwear and accessories' designs in the fashion and apparel industry.

Amidst the lawn frenzy and designers swooping the fashion arena with their latest lawn collections, most recently, these fashion trendsetters will have set the stage for the biggest fashion revolution in the country, in most part led by E-commerce ventures and online businesses.

Top 10 E-commerce business now in Pakistan, when started their operation 7 out of 10 started selling Ready made garments. And the other remaining have now started selling with the passage of time as the industry started booming.

Biggest E-commerce platform Daraz had started selling ready-made garment. All the apparel brand by the support of local Logistics companies made their online platform. According to a survey on e-commerce each branded apparel online platform aided in 15 % of sale in 2017.

Top E-commerce Player in Pakistan



Pakistani fashion garment industry is able to offer a large volume of its products for export. The industry turns out various kinds of garments for men, women, boys such as plain / embroidered /printed dresses, blouses, maxis, shirts, skirts, night dresses, track suits, middies, trousers, sub-dresses etc. Pakistani fashion garment industry is able to offer a large volume of its products for export. The industry turns out various kinds of garments for men, women, boys such as plain / embroidered /printed dresses, blouses, maxis, shirts, skirts, night dresses, track suits, middies, trousers, sub-dresses etc.

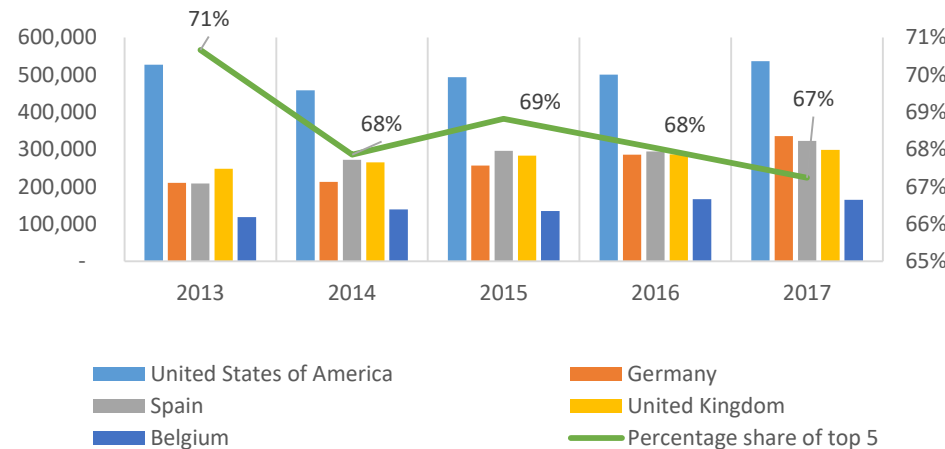
Production of garments by units depends entirely on export orders directly or indirectly. These orders have somewhat risen in terms of value, but they have fluctuated widely in terms of quantity. Export of fashion garments from Pakistan increased from 32.7 million dozens worth PKR 0.28 billion in 2015- 16 to 35.1 million dozens worth PKR 0.24 billion in 2016- 17, thus showing an average increase of 6% in term of value.

Export and Import of readymade garments is given under in the table. Pakistan exports fashion garments to a number of countries. Major buyers of fashion garments during 2016-17 were USA, UK, Spain, Germany, Belgium, Spain The Netherlands, France, Italy and UAE.

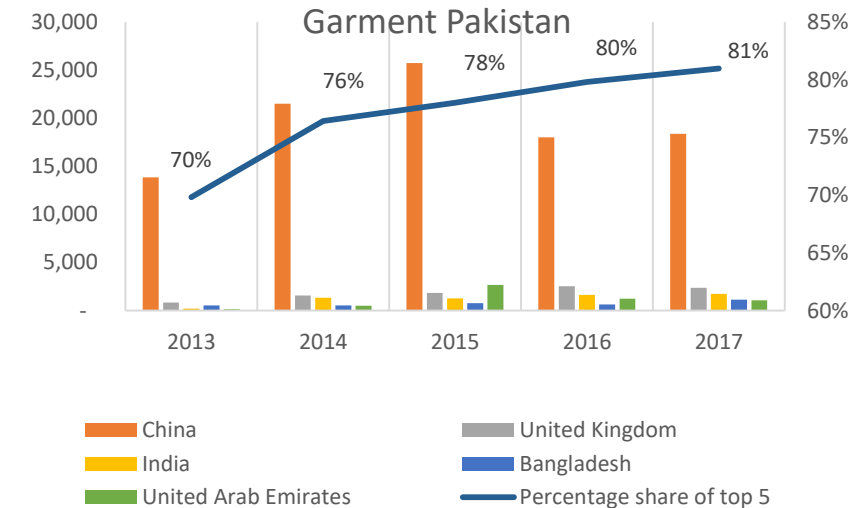
Major markets of import of ready-made garments for Pakistan are China, India, UK.

Ready-made garments	2015-16		2016-17	
	Quantity (Doz.)	Value (PKR-000)	Quantity (Doz.)	Value (PKR-000)
Exports	32,774,587	228,861,229	35,157,527	242,782,472
Imports	797,086	3,742,271	1,190,136	2,623,583

Top 5 Export Markets Of Ready-Made Garments Pakistan



Top 5 Import Markets Of Ready-Made Garment Pakistan





Global Ready Made Fashion wear Mareket

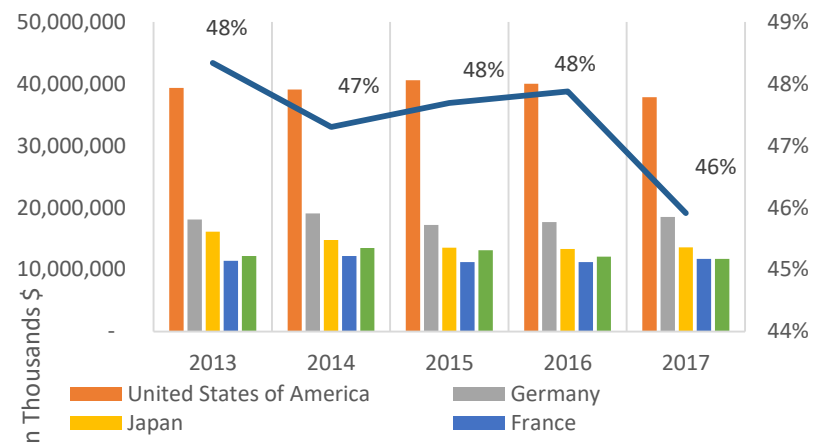
The apparel segment is the highest value added a link in the entire textile value chain. The global trade in the sector accounts for 53% of the total value of global textiles trade and is consistently growing since the last two decades.

The USA and the European Union remain as the largest markets for fashion garments and other apparel products with a combined share of 39 % in the total imports of Fashion wear clothing trade. US and European were the pioneers of creating brand and extracting the highest value addition in the textile value chain.

All the Top 5 importers of Fashion wear have well-established clothing brand which earns the highest value. Brands like Ralph Lauren, Gucci, Louis Vuitton had changed the global arena and brought the concept of brand creation, the rest of the world was to follow. Concept of Local brand is relatively new in Pakistan.

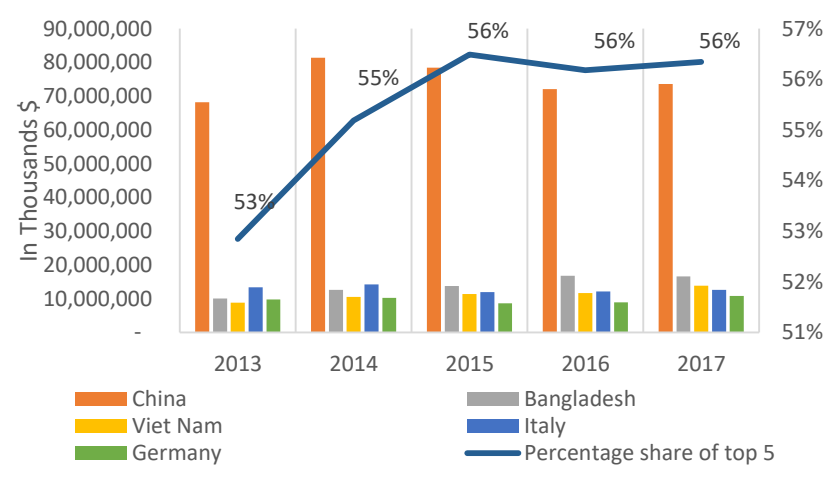
Top 5 exporters of Fashion wear, China hold the highest share in the manufacturing market and still haven't emerged as a global apparel brand creator yet. All the top 5 exports except for Germany and Italy have lacked in creating world recognized apparel brands.

Top 5 Importers of Fashion wear



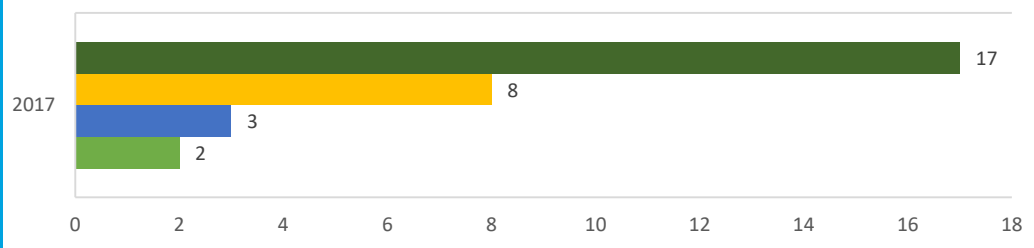
Source : trademap.org

Top 5 exporters of Fashion wear



Source : trademap.org

World Ranking in Exports of Fashion Wear



Source : trademap.org



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ABOUT US

Punjab board of investment & trade is a provincial trade and investment promotion agency established by the Government of Punjab in 2009. In today's global economy, trade and investment play an increasingly important role in generating means for transformative change. At PBIT, we strive to ensure that this transformative change is sustainable and more impactful. PBIT is committed to enhancing the global competitiveness of Punjab and its business. To this end, we work to attract new investments in the region and strengthen the existing ones by promoting local investment opportunities, facilitating businesses and highlighting the distinct advantages of Punjab as a business location.

Incorporated under Section 42 under the Companies Ordinance of 1984, Punjab Board of Investments & Trade (PBIT) assists companies which intend to invest in the manufacturing and services sectors of Punjab. The wide range of services provided by PBIT include providing information on the opportunities for investments, as well as facilitating companies which are looking for joint venture partners. PBIT acts as Punjab's marketing arm and actively promotes the province worldwide as one of the best investment hubs in Asia. PBIT as Special Economic Zone Authority Punjab also evaluates the applications/proposals from Developers to declare their Industrial Parks as Special Economic Zones. For granting one time import duty exemption on machinery, equipment, spare parts, consumables in Special Economic Zones, PBIT is responsible to issue a confirmation Letter on the status of the applicant prior to seeking the permission from the relevant department/agencies to claim for the exemption. Investors are always encouraged to discuss their project interests with PBIT officers, wherein Information can be obtained on major public/private projects, prevailing sectoral policy framework, existing incentive regime, financing options, trade statistics etc. Punjab Board of Investment & Trade is a Steering Committee Member and the Director of South Asia at the World Association of Investment Promotion Agencies (WAIPA) - a prestigious world association of organizations similar to PBIT created by UNCTAD.

Projects and Policy Research Department

Punjab Board of Investment and Trade targets a socio-economic growth through its P&PR. The department plans to fortify its deep roots, both locally and internationally, by reaching out to leading businesses for discussing the panoramic commercial opportunities. As per the initiative of inventiveness, the department plans to provide a transaction advisory as defined in its role to bring-in the investments and establish new businesses. For this purpose, Pitch books of different identified sectors are a new resourcefulness of this department which would target to develop the in-house capacity of production by connecting the local and international market players. This would not only ensure the technology transfer but also create several jobs in the province. The department plans to connect through the regional IPAs, financial institutions, the embassies in different countries and local chambers as well so as to fast-track the process of economic growth and industrialization in Punjab in regard to its recognition as 'The Land of Opportunities

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