**Pakistan textile industry windfall: sustainable or fizzle**

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Textile exports of Pakistan seem to have stabilized substantially from the Covid-19 pandemic shocks and are still increasing. Recent monthly data released by the Pakistan Bureau of Statistics for the first four months of the current financial year shows that exports of textiles and garments are back on a pace of growth in terms of both supply and market price. The statistics show that between July and October, textile shipments rose by 3.8% to $4.8 billion from $4.6 billion a year earlier. The increase in the textile and clothing group was a week faster than the overall export rise of 0.6pc. In the knitwear, home textiles and denim categories, the export recovery is most pronounced.

In some of these cases, there is also a major decline in exports of basic textile goods such as yarn and grey cloth, signaling that more value-added items are being exported by the country than ever before. It also represents a shortage of raw materials due to an incredibly low cotton harvest this year for the value-added industry. Furthermore, due to a sharp drop of 37.6pc in cotton arrivals for ginning to 4.6 million bales by December 3, local cotton prices have peaked to a 10- year high compared to 7.4 million bales last year.

A competitive energy package for the industry has been recently announced by the government to help exporters recover from the impact of Covid-19. The package reduces peak energy prices, provides reduced tariffs on additional power usage, and fixes the export industries&#39; power price at $0.07 a unit and gas tariff at $0.065mmbtu. Moreover, the central bank has reduced interest rates by 625bps, permitted wage refinancing to avoid lockdowns and deferred payments of the principal amount of loans in the sense of debt restructuring offered to households and companies, provided relief under the Export Financing Scheme (EFS) and the Long-Term Financing Facility (LTFF). In addition, a long-term subsidised funding facility has also been introduced by the State Bank to boost investment in new capacity growth and technology upgrades. In addition, Pakistan textile manufacturers have received massive export orders as the intense winter season has approached Europe and the United States.

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After three tough years, I felt textile exports are driven by several internal and external factors. Internally, exports have helped to become sustainable by the energy package announced for the export industry and market-based exchange rates. Besides that, the termination of the economic stabilisation programme of the International Monetary Fund has also provided the economy with some room to maneuver.

External factors that have helped Western orders to almost double since July include tensions between the US and China and continuing supply disruptions caused in India and Bangladesh by the Covid-19 pandemic. Such factors also allowed Pakistan to win additional European and American export orders. The buyers had only Pakistan, where factories had unused production capacity, to turn to, with Vietnam and Cambodia already functioning to their maximum capacity.

As demand in the US remains subdued owing to growing infections there, Europe remains Pakistan&#39;s largest buyer at the moment. But many textile producers in Pakistan are now preparing to expand their production capacity, hoping that they will also be able to increase and maintain their market share in the future. At present, because of product quality problems, Pakistan has not been able to raise its unit prices in dollars. Since the majority of exporters of value-added textiles are small to medium-sized companies, they do not have the capacity to enhance the quality of the commodity. Moreover, Pakistan is growing very low-quality cotton. If agricultural reforms are not updated, particularly in the booming textile industry across the textile supply chain to improve product quality, Pakistan&#39;s exports will not grow rapidly (both in dollar and volume terms).

Pakistan is one of the most competitive textiles exporting countries in the world at present. It is currently experiencing an ongoing export demand boom. Fortunately, in the European and American markets, we have both cost and tariff advantages over Chinese competitors, while Indian and Bangladeshi rivals are suffering due to supply chain disruptions. Pakistan is an emerging textile country now. Thus, all stakeholders should give top priority to this industry. There is a comeback of a strong appetite for value-addition in the country, based on market research. The statistics show that at the cost of raw materials such as cotton, yarn and cloth, value-added exports are growing. Therefore, before our rivals return to it and fight back for their lost share, Pakistan needs to brace themselves to retain an increased share of the international market. The domestic industry is already preparing to grow and is ready to invest $5 billion to double our exports by 2025 across the textile chain. To do this, however, Pakistan holistically needs a long-term policy structure in the form of a textile policy to ensure that the existing desirable policies are not reversed in the middle of the road.

To conclude, Pakistan experienced unprecedented growth in exports of textiles and clothing, especially during the pandemic Covid-19. A boost to the economy for Pakistan&#39;s industry is observed through export orders. But, how long this lottery win is going to last is still a question mark. Never do you know. It can last for years to come and it can soon fade out as well. It all depends on how all the stakeholders involved want to lead this sector into the future. Special Advisor (Pakistan Institute of Management, Lahore operated under Federal Ministry of Industries and Production, Islamabad) and Foreign Research Associate (Centre of Excellence, China Pakistan Economic Corridor, Islamabad)