**Textile industry of Pakistan in the time of Covid-19**

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Pakistan’s textile sector has seen to go through different challenges in the time of Covid-19 pandemic shocks. During this period sector though witnessed recovery and have been growing but overall industry seemed to fluctuate significantly over the period. In terms of export, sector witnessed a significant shift. According to the statistics given by State Bank of Pakistan (SBP) textile exports in 2020 declined to USD 12,782,608 thousand from USD 13,580,585 thousand in 2019.

The decline can be seen possibly due to many factors such as shift in the fiscal and monetary policy at federal level, order cancellations and shipment delays amid pandemic-led global lockdowns. Studies showed that major decline in the exports to particularly Europe and North America followed by Iran and Afghanistan while looking into different routes and modes of transportation.

Government of Pakistan thus to meet the challenges announced different policy measures for the industry such as reduction in policy rates, refinance schemes to support employment and prevent layoffs, reduction in tax rates at federal and provincial level, promotion of digital payments, reduction in utility costs, temporary reduction of social insurance premiums and support enterprises discouraging layoffs along with online payment gateways through SBP and commercial banks. Though these policy measures were successful and it resulted in strengthening the industry which particularly in case of textile sector can also be viewed as it was more resilient industry in comparison to others.

There were certain cases where industry was either lacking support or the extended support was not sufficient enough to meet costs under different heads.

According to the recent survey of Sustainable Development Policy Institute (SDPI)in collaboration with Foreign Commonwealth & Development Office (FCDO) and UKaid, textile sector has seen drop in exports with challenges resulting in the low turnover/sales, decline in exports, change in export and import documentation and additional costs to deal with Covid-19.

Due to the absence of policy document majority of the measures though documented are not significantly effective. Key responsibility here comes on Ministry of Commerce which now need to shift focus towards SMEs in general and mid-size exporters in particular

Survey showed that 84% of the enterprises were not operational during Covid-19 out of which Punjab and Sindh had major share because of textile being mostly operational in Punjab and Sindh followed by Khyber Pakhtunkhwa. As a result of non-operationality firms did faced challenges related to turnover sales with highest share going to Sindh followed by Punjab and Khyber Pakthunkhwa. In Sindh there were some of the cases 6.2% of the enterprises observed no change in turnover sales but in Punjab and Khyber Pakthunkhwa firms completely reported low turnover sales.

Question here is what were the major factors that led to this decline in earnings of the enterprises. First and foremost, reason for low turnover sales was the decline in export orders followed by disruption in logistics, shift in consumer demand and producer supply along with upstream and downstream chain distribution. Beside these reasons there were costs involved as well such as damage to products procured (procurement cost), increased difficulty in meeting the financial needs and conditions imposed by commercial banks (financial costs).

Second, the financial costs as key to the operations of the enterprise also helps in determining its sustainability. As Covid-19 resulted in the financial challenges, maintainability of cashflow was the key indicator which enterprises reported that it has declined. In Punjab (96%) majority of the enterprises were of the view that they can sustain for period of up to 3 months whereas in Khyber Pakthunkhwa (50%) followed by Sindh (43%) of the enterprises reported that they can sustain for time period up to 3 months.

Contrary to this, enterprises in Sindh (38%) showed higher resilience and it was found that they can sustain for period of over 3 months. This was followed by enterprises in Khyber Pakhtunkhwa (21%) and Punjab (4%). In Punjab firms were found to be less resilient against rest depending upon the overall lockdown policies implemented by federal and provincial government.

Third important reason for low turnover sales resulting in low revenue in textile industry was weaker integration and business to business (B2B) connect thus hindering the local value chain. Higher disconnect between the businesses was primarily due to the lockdown situation and differences within the product manufacturing along with the affiliations within trade bodies functioning.

Fourth reason for decline in turnover sales was the reduction in export orders or the low capacity of firm to take more orders. This was backed by changes in the regulatory environment such as changes in the export and import time and increase in export and import documentation by number of days. Majority of the enterprises here reported that though there was a change but it was not static and it ranges from 7 days period to 3 months.

Beside the above-mentioned reasons and challenges, there was product loss as input materials such as chemicals and dyes with expiry dates or was in the process during the Covid-19 period became malfunctional. Similarly, other challenges include costs related to utilities such as electricity cost, communication cost and energy (gas) cost.

To meet these challenges enterprises followed certain actions such as there were cases where enterprises helped its labour to cope with pressure followed by temporary shut-down as major measures (work from home was opted for different units working within the enterprise). Along with these to remain operational and make different units functional enterprises opted to borrow from commercial banks, microfinance companies and reduce operating costs. Though successful but borrowing from bank itself was a challenging task because of the compliance involved.

Further enterprises did innovate and moved towards new products required in the times of Covid-19. Number of textile firms though focused on training related to SoPs issued by Government of Pakistan in the time of Covid-19 also shifted towards manufacturing of new products such as KN95 masks and Personal Protective Equipments (PPEs) to the exporting partners. Firms also switched to online business in order to manage the local demand and supply framework.

These measures were taken by enterprises in order to meet the gap between forecasted and actual costs (fixed and variable). Costs such as rents, salaries, insurances, premiums and wages were the key costs met with these measures.

Since, this government in 2018 first and foremost responsibility of the government is to announce the trade policy which is pending from long term. Due to the absence of policy document majority of the measures though documented are not significantly effective. Key responsibility here comes on Ministry of Commerce which now need to shift focus towards SMEs in general and mid-size exporters in particular.

Further with the existing policies having effectiveness and through which industry somehow showed resilience need to be in place. Consistent policies will have long term impact on development and economic system of the country. The overall impact will be on the output and employment. Industry through consistent policies will have success in integrating among themselves (B2B) and with consumer (B2C) along with the improvement in value chain.

Second, though government has its policy measures in place along with vaccination for Covid-19 and to meet the losses to industry in upcoming budget, government needs to stress upon reduction in compliance costs. These compliance costs include borrowing from banks, border compliance and tax related compliance. For this purpose, there is need to have integration between all the authorities and institutions involved with monitoring framework in place.

Third, government should bring in exemption on import items which are of primary use in manufacturing the product. For this purpose, Ministry of Finance, Federal Board of Revenue (FBR), SBP and Ministry of Commerce need to have integrated approach with the uniform and single documentation in order to facilitate the businessman and reducing majority of the costs incurred thus it will help in increasing of business time. This will also help in improving the trade documentation thus resulting in more reduction of compliance cost.

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