

Cotton Textile Industry in Pakistan

By ICMA Research and Publications Department

Historical Background

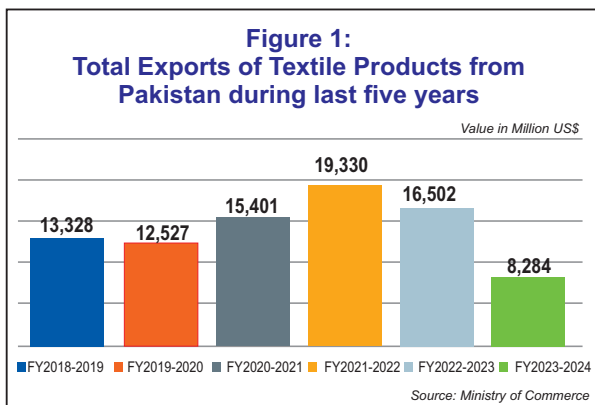
- 1947:** Pakistan's textile industry started with 78,000 spindles and 3,000 looms after independence.
- 1948:** Quaid-e-Azam inaugurated Karachi's Valikas Textile mill.
- 1951:** Spinning mills were established.
- 1955:** The First Five-Year Plan [1955-1960] aimed for industrialization with installed capacity of 2,397,000, 31,000 looms, and 273,236 metric tons of yarn production.
- 1971:** Nationalization policy impacted the BMR program in the textile sector. Japanese importers shifted focus from Pakistan to South Korea, India, and China for yarn import.
- 1980s:** Textile sector recovery under a new government. Introduction of Open-End Rotor spinning frames and shuttleless looms.
- 1989:** Import of 5,000 shuttleless looms (66.20% growth). Expansion of power loom sector led to a 43% decline in mill workers.
- 1990:** Spinning sector saw remarkable growth (56.5% installed capacity, 35.6% working capacity).
- 1992:** Pakistan textile industry faced recession due to international market slump, high mark-up rates, low cotton production.
- 1998:** APTMA reported closure of 91 mills out of 352 spinning mills. Two million spindles shut down out of 8.7 million total installed capacity.
- 1999:** Committee of Revival of Sick Industrial Units established. 113 out of 257 sick units successfully revived.
- 2000:** Textile Vision 2000 Policy introduced by the Government to transform the industry. Emphasis on value-added production and exports to address WTO challenges.
- 2001:** 9/11 incident led to the U.S. market closure, reducing yarn prices from 15% to 12%.
- 2003:** Government aimed for a US \$10.4 billion export target. Exceeded expectations, reaching US \$11.031 billion, with the textile sector contributing US \$7.17015 billion.

Industry Overview

- The Textile industry is a key contributor to Pakistan's economy, constituting 8.5% of the GDP and representing 46% of industrial output.
- Pakistan is the 6th largest global cotton producer, boasting the 3rd largest cotton spinning capacity in Asia after China and India.
- This sector plays a pivotal role, contributing 54% to total export earnings and employing 40% of the workforce, which translates to around 2 million direct jobs.
- Garments lead in value addition within the textile sector. Exporting a bale of raw cotton generates US \$238, whereas garments from the same bale yield US \$1,600.
- The recent approval of the National Textile Policy 2020-2025 (NTP) by the Pakistan government outlines an ambitious plan to double cotton production to US \$40 billion by the end of FY2025.
- About 5% of textile companies are listed on the stock exchange, and there are 423 operational textile industries in the country.
- The Pakistan Cotton Ginners Association (PCGA) notes Pakistan as the 3rd largest cotton consumer, with domestic usage fluctuating between 14-16 million bales on average.
- According to the Textile Commissioner's Organization, the textile sector comprises 408 units, including 40 composite and 368 spinning units.
- Currently, 9.5 million spindles and 112,600 rotors are operational out of a total of 13.414 million spindles and 140,000 rotors. The reported capacity utilization rates for spindles and rotors during July to March in FY2023 are 69.33% and 71%, respectively.

Exports of Textile products

As per the data available on the official website of the Ministry of Commerce, Government of Pakistan, the exports of textile products witnessed a decrease from \$19,330 million in FY2021-22 to \$16,502 million in FY2022-23. During the first half of FY2023-24, the total textile exports stood at \$8,284 million as shown in Figure-1. The percentage share of exports in the total exports of Pakistan has all along remained around 60 percent i.e. 58.05% in FY2018-19; 58.55% in FY2019-20; 60.86% in FY2020-21; 60.80% in FY2021-22 and 59.50% in FY2022-23.



The key textile products exported from Pakistan to various countries include Cotton Yarn, Cotton Cloth, Knitwear, Bedwear, Towels and Readymade Garments as show in Table-1.

Table 1: Exports of Key Textile Products from Pakistan

Sr.	Exports of Key Textile Products	FY Jul-Jun, 2021-2022	FY Jul-Jun, 2022-2023	FY Jul-Dec 2023-2024
1	Cotton Yarn	1,206.79	844.28	588.53
2	Cotton Cloth	2,437.88	2,022	926.68
3	Knitwear	5,121.04	4,436.78	2,202.53
4	Bedwear	3,292.88	2,691.65	1,377.11
5	Towels	1,111.34	999.59	500.13
6	Readymade Garments	3,904.65	3,491.95	1,669.25

Source: Ministry of Commerce

SWOT analysis of Cotton Textile Industry in Pakistan

Strengths

- Largest manufacturing sector in Pakistan
- Third largest spinning capacity in Asia
- Availability of abundant raw materials (cotton)
- Significant contribution to GDP and employment
- Expertise in high-value garment manufacturing
- Export focused sectoral structure
- exporting MMF-based textiles
- Availability of low-cost labor
- Duty-free access to EU market via GSP+ Scheme

Weaknesses

- High Cost of Energy
- Persistent issue of lack of quality seeds.
- Vulnerability to cotton price fluctuations
- Import restrictions
- Energy shortages and infrastructure challenges
- Lack of compliance with international standards and international marketing
- Lack of diversification for value addition
- Limited diversification beyond traditional textiles
- Cotton quality compromised due to malpractices.

Opportunities

- Enhancing profitability through improved yield and advanced seed technology.
- Expansion into value-added products
- Global market growth and diversification
- Increasing demand and supply in domestic market
- Textiles sector has \$25 billion export capacity; adding 1000 new garment plants will double it.
- Adoption of sustainable practices
- Government support and policy initiatives.
- Enhancing non-traditional e-commerce business in textile sector for revenue generation.

Threats

- Climate change poses great challenges for raw material production
- Inflated energy costs have forced thousands of firms to shut down.
- Pakistan's textile industry loses credibility and market share due to delayed shipment of orders.
- Depleting foreign currency reserves.
- Lack of industrial infrastructure with no backup supply chain.
- Lack of research and development
- Intense competition from other textile-producing countries
- Fluctuations in raw material prices
- Regulatory changes affecting international trade