



Textiles – Largest Contribution to National Exports

Pakistan is the 8th largest exporter of textile products in Asia. It is 4th largest producer and 3rd largest consumer of cotton. Textile sector is the backbone of Pakistan's economy. It is the single largest sector, which contributes 60 percent to Pakistan's total exports. It comprises 46 percent of total manufacturing sector and provides employment to 40 percent of total labor force. It is worthy to mention that textile sector contributes 8.5 percent to gross domestic product of the country. Market Capitalization (Listed Companies) of textile sector is 5.0 percent of total market capitalization. There are 423 textile industries working in the country.

Broad Textiles Base

Textile sector is the largest manufacturing sector of Pakistan. The industry consists of 11.3 million spindles, 3 million rotors, 350,000 power looms, 18,000 knitting machines and processing capacity of 5.2 billion sqm. It has about 700,000 industrial and domestic stitching machines. There are 21 filament yarn units having capacity of 100,000 tons. A complete textile value chain exists in the country, unlike many other countries that possess only the primary base or the finished base

Textiles

Government of Punjab

The government offers budgetary support to the textile manufacturers and exporters. Mark-up rates for 'Export Refinance Scheme' of State Bank of Pakistan has been reduced from 9.4% to 7.5%. 'Textiles Industry Units' in the value added sector have been provided Long Term Financing Facility (LTFF) for up gradation of technology from State Bank of Pakistan at the rate of 9% for 3-10 years duration, duty free import of machinery has been extended for another two years and drawback on local taxes and levies has been provided to manufacturing-cum-exporting units on exports of products under specific tariff codes of the Pakistan customs tariff at rates included: 1% for eligible product lines of processed fabrics; eligible products of made-ups category at 2%; & eligible products of garments category at 4%.

Besides immense contribution of the sector to the economic growth, it also possesses huge investment potential that enhances the attractiveness of the sector. Pakistan is ranked as the 4th largest cotton producer in the world but it ranks 12th in global textile exports by value due to its low value added exports. As a result of this gap, there is immense room for opportunities of investment to set up additional value-addition units e.g. in apparel. Also, Pakistan is the 3rd largest in cotton consumption, which shows high demand of cotton in the domestic market and creates a requirement for its expansion. The local market also reflects a high demand of finished cotton apparel, which provides avenues for new entrants to step into the local market and create their mark in the apparel industry.



Reinventing Textile Industry in Pakistan

Government of Pakistan has been supporting the textile sector through various schemes. The 'Technology Up-gradation Fund Support Scheme' is a noteworthy contribution on part of the government through which a 'mark-up' and 'investment' support is extended to the textile sector players. As a part of this scheme the federal government may reimburse 50% of markup subject to a maximum of 5% per annum (whichever is less) and also extend up to 20% investment support to SMEs and 5% to non-SMEs for the import of new plant and machinery up-to Rs 10 million, through loans or their own sources. The aim of this scheme is to improve overall technological configuration of the sector, remove critical imbalances in the value chain and achieve compliance with international standards. The government has also set various ambitious goals to be achieved until the end of 2019. It plans to

double the value-addition from \$1 billion per million bales to \$2 billion per million bales along with aiming at doubling the textiles exports from \$13 billion per annum to \$26 billion per annum. The government also plans to heavily invest in ICT-based textile innovations in order to achieve greater efficiency. Initiatives are being taken to strengthen the strategic and competitive capacities of textiles value chain and allied firms. Under performing units are being supported through management capacity building, business development services support, facilitating mergers and any other viable options. Besides the ministry is taking measures to give priority to textiles sector for availability of energy to fully utilize the 'Generalized System of Preferences Plus Status' (GSP+) granted by the European Union allowing Pakistani products a duty free access to the European market.