



# TEXTILE INDUSTRY

## Sector Update - December 2011

**T**extile sector has remained a major contributor to the national economy comprising about 9% of the total GDP. It provides employment to 38% of the manufacturing workforce and contributes about 55% of the national exports. Being an export based industry; it is primarily dependent upon international markets particularly those of developed countries.

World textile exports expanded in FY10 following a dip in FY09 in the aftermath of global financial crisis. In absolute terms, global textile exports increased to USD 600b in FY10 (FY09: USD 525b), depicting growth of 15% (2009: -14%) owing to spike in global prices. Prices particularly that of yarn continued to depict a rising trend in FY11 as a result of higher demand emanating from China. However prices have fallen since April 2011, which has increased pressure on textile manufacturers.

Competition in the international market remains fierce with Bangladesh, China and India being the major competitors in the region. Collective growth of these countries in the four year period ended June 30, 2010 has averaged 10% vis-à-vis that of 1% for Pakistan. This underperformance is largely a function of domestic problems faced by Pakistan. These include energy shortages, weak law & order situation and continuous rise in cost of doing business.

|   | FY08    | FY09    | FY10    |
|---|---------|---------|---------|
| <b>World Textile Exports (in million USD)</b> |         |         |         |
| Pakistan                                      | 11,092  | 9,867   | 11,778  |
| India   | 21,340  | 21,116  | 24,118  |
| Bangladesh                                    | 12,010  | 13,411  | 16,923  |
| China   | 185,772 | 167,088 | 206,738 |
| Rest of the World                             | 381,814 | 313,854 | 342,559 |
| <b>Share of Individual Countries</b>          |         |         |         |
| Pakistan                                      | 1.8%    | 1.9%    | 2.0%    |
| India   | 3.5%    | 4.0%    | 4.0%    |
| Bangladesh                                    | 2.0%    | 2.6%    | 2.8%    |
| China   | 30.4%   | 31.8%   | 34.3%   |
| Rest of the World                             | 62.4%   | 59.7%   | 56.9%   |

Source: World Trade Organization (WTO)

Nonetheless, total value of Pakistan's textile exports increased by 19% in FY10 (FY09: -11%) and amounted to USD 11.8b (FY09: USD 9.9b). This positive trend has continued in 2011 with total textile exports of the country amounting to USD 10b in 9M11 showcasing growth of

13% on annualized basis. Share of Pakistan in world textile exports was higher at 2% in FY10 (FY09: 1.9%). Growth in the sector is, however, primarily attributable to increase in global yarn prices.

Being the fourth largest producer of cotton in the world, Pakistan enjoys a competitive advantage. Domestic consumption has, however, surpassed cotton production. In FY11, total consumption was recorded at 2.23 million MT (FY10: 2.35 million MT) against the production of 1.92 million MT (FY10: 2.09 million MT) leaving a shortfall of 0.31 million MT for the year (FY10: 0.26 million MT).

### World's Cotton Production & Consumption

| (1,000 MT)        | Production    |               | Consumption   |               |
|-------------------|---------------|---------------|---------------|---------------|
|                   | 2009-10       | 2010-11       | 2009-10       | 2010-11       |
| China             | 6,967         | 6,641         | 10,886        | 10,051        |
| India             | 5,008         | 5,530         | 4,322         | 4,463         |
| USA               | 2,654         | 3,942         | 773           | 849           |
| Pakistan          | 2,090         | 1,916         | 2,351         | 2,232         |
| Brazil            | 1,187         | 1,960         | 958           | 958           |
| Rest of the World | 4,221         | 5,111         | 6,643         | 6,379         |
| <b>Total</b>      | <b>22,127</b> | <b>25,099</b> | <b>25,933</b> | <b>24,896</b> |

Source: United States Department of Agriculture (USDA)

Conversely, the textile sector of Pakistan has also become highly dependant upon the quality and quantity of domestic cotton production. While Pakistani cotton is good for high coarse count fabric, manufacturers rely on imported cotton for fine count fabric.

Given the shortage of cotton in the market on account of heavy rainfalls both in China and Pakistan, prices of cotton peaked in March 2011. However, high demand and prices of yarn in international markets largely compensated for increase in cost of raw material. Consequently, improvement was recorded in the performance of textile companies during FY11. However, subsequent to March 2011 since when the prices of cotton has witnessed a declining trend, companies that had taken forward exposure in cotton at higher prices have posted negative results.

**Cotton Prices (Rs. Per Maund)**

| <b>Month</b> | <b>FY10</b> | <b>FY11</b> | <b>FY12</b> |
|--------------|-------------|-------------|-------------|
| Jul          | 3,470       | 6,522       | 6,300       |
| August       | 3,446       | 6,556       | 6,140       |
| Sep          | 3,464       | 6,796       | 6,768       |
| Oct          | 3,597       | 7,521       | 6,102       |
| Nov          | 3,974       | 8,776       | 5,474       |
| Dec          | 4,364       | 9,117       | -           |
| Jan          | 4,605       | 10,019      | -           |
| Feb          | 4,935       | 11,577      | -           |
| Mar          | 5,540       | 12,412      | -           |
| Apr          | 5,930       | 11,550      | -           |
| May          | 6,554       | 8,635       | -           |
| June         | 6,419       | 8,544       | -           |
| Average      | 4,692       | 9,002       | 6,157       |

*Source: All Pakistan Textile Manufacturers Association*

Going forward, although production of cotton is expected to increase in FY12 given bumper crops, lower prices of produced goods is expected to maintain pressure on the textile industry.

Jahangir Kothari Parade (Lady Lloyd Pier)

Inspired by Her Excellency, The Honorable Lady Lloyd, this promenade pier and pavillion was constructed at a cost of 3 Lakhs and donated to the public of Karachi by Jahangir Kothari to whose genrosity and public spirit the gift is due. Foundation stone laid on January 5, 1920. Opened by Her Excellency, The Honorable Lady Lloyd on March 21, 1921.

*Dome: A roof or vault, usually hemispherical in form. Until the 19th century, domes were constructed of masonry, of wood, or of combinations of the two, frequently reinforced with iron chains around the base to counteract the outward thrust of the structure.*

*Origins: The dome seems to have developed as roofing for circular mud-brick huts in ancient Mesopotamia about 6000 years ago. In the 14th century B.C. the Mycenaean Greeks built tombs roofed with steep corbeled domes in the shape of pointed beehives (tholos tombs).*

*Otherwise, the dome was not important in ancient Greek architecture. The Romans developed the masonry dome in its purest form, culminating in a temple built by the emperor Hadrian. Set on a massive circular drum the coffered dome forms a perfect hemisphere on the interior, with a large oculus (eye) in its center to admit light.*



Jahangir Kothari  
Parade

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