

### **Good month for value added textiles**

The numbers for textile exports were released recently by the Pakistan Bureau of Statistics (PBS) and contained no surprises for the 7MFY19 period. However, the monthly numbers for Jan-19 did manage to fan some optimism where exports grew 8 percent as compared to the same period last year.

This growth was led by value added segments particularly knitwear and readymade garments which saw a decent increase of 16 percent and 10 percent respectively in Jan-19 on a year-on-year basis. Moreover, the volume growth was even more impressive with knitwear showing an increase of 36 percent in quantity exported while garments showed a boost of 26 percent in quantity exported for the aforementioned period.

The other positive factor has been the increase in cotton yarn exports which increased by 12 percent in terms of value and 17 percent in terms of quantity exported for Jan-19 on a yearly basis. Recall that cotton yarn has seen a sharp decline given the slowdown in China due to trade war between the US and China which has resulted in suppressed demand for yarn by Chinese companies. The decline in cotton cloth exports which saw a dip of 31 percent in terms of quantity might also be construed as a good sign as it is being supplied for value added product manufacturing which fetch a much higher export price than cotton cloth.

Industry pundits are expecting the second half of FY19 to bring more momentum to textile exports and their optimism might be well placed. Reasons for this are the lagged impact of a host of measures which will take time to reflect in increased exports for the sector. For example, the reduction in gas prices was only given a couple of months back while the issuance of promissory notes for pending sales tax refunds is set to begin by the end of this month.

Textile barons have already started to increase production capacity on the value added side. Nishat Mills Limited alone is set to increase its capacity by 50 percent in garments and knitwear and other value added products. Almost all demands of the sector have been met by the PTI government who has bet big on textile exports bringing the country's current account deficit much needed relief and now it is up to the textile firms to capitalise on the support.

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#### **Textile Exports (Value)**

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USD (Mn)	Jan-19	Jan-18	YoY	Dec-18	MoM	7MFY19	7MFY18	YoY
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Cotton yarn	87	78	12%	76	14%	635	739	-14%
Cotton cloth	181	182	-1%	172	5%	1234	1249	-1%
Knitwear	249	214	16%	260	-4%	1724	1548	11%
Bed wear	193	181	7%	193	0%	1355	1306	4%
Towels	68	72	-6%	64	6%	446	458	-3%
Readymade garments	256	233	10%	238	8%	1516	1483	2%
Total	1168	1079	8%	1140	2%	7813	7721	1.2%

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Source: PBS