

Opening early helped Pakistan boost exports during pandemic

KARACHI: Pakistan's decision to loosen pandemic restrictions early has helped the nation's exports emerge stronger than its South Asian peers, Bloomberg reported.

Outbound shipments have grown at a faster pace than Bangladesh and India as textiles, which account for half of the total export, led the recovery, data show. Islamabad saw total shipments grow 7 percent in September, compared with New Delhi's 6 percent and Dhaka's 3.5 percent.

Pakistan Prime Minister Imran Khan's administration was the first in the region to ease pandemic restrictions, allowing export units to reopen in April, a month after locking them down to stem the spread of Covid-19. That's helped draw companies from Guess Inc., Hugo Boss AG, Target Corp. and Hanesbrands Inc. to the South Asian nation, according to people familiar with the matter, who requested anonymity since details about buyers is private.

"Pakistan has seen orders shifting from multiple nations including China, India and Bangladesh," said Shahid Sattar, secretary general at the All Pakistan Textile Mills Association. "Garment manufacturers are operating near maximum capacity and many can't take any orders for the next six months."

Hugo Boss said in an email that it focuses on long-term supplier partnerships while watching for "additional or new procurement channels." Hanesbrands said it sources from many countries, including China and Pakistan, to supplement production from company-owned facilities. Neither company provided details. Guess and Target didn't respond to requests for comment.

Even as lockdown curbs disrupted trade in India and Bangladesh for at least two months beginning late March, Pakistan was already making face masks and personal protective gear for export. The South Asian nation also gained some orders from companies looking to diversify their supply chains amid the trade war between the U.S. and China, the world's top textile exporter, despite factories there reopening as early as April. "This war between two giants has given us new opportunities in polyester-cotton products," said Khalid Mehmood, head of garment and home textile operations at Nishat Mills Ltd., the nation's largest textile maker. "So there is a six-month slot for Pakistan now to capture maximum number of customer that were China based."

Executives from Nishat Mills and Interloop Ltd., one of the world's largest manufacturers of socks that counts Nike Inc. and Adidas AG among its clients, said they have seen some orders diverted to them from China. Meanwhile, Gadoon Textile Mills Ltd. has received orders redirected from Bangladesh, the world's second-largest apparel exporter, and India, the third-largest textile exporter.

"The orders we were exporting to Europe and the U.S. have not recovered," Muhammad Imran Moten, chief financial officer at Gadoon, said during an analyst briefing. "But diversion of orders from China and Bangladesh is the compensating factor." Increase in exports, which account for some 10 percent of Pakistan's gross domestic product, can help spur growth in the economy after its first contraction in 68 years in the year ended June. Khan's government is targeting a growth of 2.1 percent in the current financial year.

But there are risks on the horizon that may temper growth prospects for the economy. Khan's government announced measures this week to contain a second wave of Covid-19 infections, including mandatory wearing of masks in public and early closure of markets and restaurants. Then there's the issue of competitiveness.

"Despite a relatively rapid recovery of exports, following the ease of the lockdown imposed by the Covid-19 pandemic, a long-term view reveals stagnation," said Gonzalo Varela, senior economist at the World Bank. "Pakistan needs an across the board tariff rationalization to encourage manufacturers to export and the nation to compete with other nations."