BUSINESS
RECORDER
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Textile exports remain glum

Zero. That’s the growth witnessed by Pakistan textile exports for both the month of October 18 as well as the Jul-Oct FY19 period on a yearly basis. Those relying on the sector to alleviate Pakistan’s current account woes will have to wait more to see if things take a turn for the better.

While cotton yarn registered a decrease of 35 percent in Oct-18 and cotton cloth witnessed negligible growth, even value added segments with the exception of knitwear failed to make any meaningful contribution in raising exports. This is despite a depreciation of more than 18 percent and 15 percent against the dollar and the euro respectively.

However, the quantity has indeed increased with knitwear exports recording the highest growth of almost 38 percent across all segments whereas other value added segments including towels and readymade garments registered an increase in quantity-wise.

Readymade garments saw negligible growth for the 4MFY while for Oct-18, the numbers were slightly optimistic with 8 percent growth on a yearly basis.

Textile players attributed the lethargic performance to a variety of factors and believe that many of the actions that they have called for have only been taken recently by the government.

For instance the provision of cheaper gas at the cost of $6.5/mmbtu was only taken last month by the ECC whereas previously the Punjab based gas industry was getting expensive RLNG and only 28 percent system based gas.

The promised relief in electricity tariffs to the sector is also pending but textile associations are positive it will happen soon. Duty drawback and sales tax refunds have also not been cleared which exporters complain are hampering liquidity for further order processing.

These issues aside, this column has also highlighted the need for the textile firms to invest in upgrading their plant and machinery to be able to compete with the BMR intensive textile industries of Bangladesh and Vietnam.

Textile machinery imports have plunged sharply over the last few years and were only USD325 million in FY18 and are the lowest in the past decade. (Read: Textile machinery imports: steep decline)

There is also a strong need to tap in to non-traditional markets including Japan and South Korea.

The government has already provided additional rebate incentives on exports to non-traditional markets so the textile industry should make the most of it.

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Current Account Balance

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(mn dollars) Sep Oct MoM July-Oct July-Oct YoY

FY19 FY18 Y19

Current Account Deficit	909	1,218	34%	5,072	4,840	-5%
Workers Remittances	1,453	2,000	38%	6,444	7,420	15%
Exports	1,801	2,063	15%	7,652	7,960	4%
Imports	3,792	4,717	24%	17,448	18,462	6%

Source: SBP

USD (Mn)	Oct-18	Oct-17	YoY	Sep-18	MoM	4MFY19	4MFY18	YoY
Cotton yarn	79	121	-35%	90	-12%	393	442	-11%
Cotton cloth	184	187	-2%	182	1%	713	715	0%
Knitwear	262	225	16%	221	19%	963	872	10%
Bed wear	187	188	-1%	189	-1%	771	755	2%
Towels	65	67	-3%	59	10%	250	253	-1%
Readymade garments	211	196	8%	164	29%	810	805	1%
Total	1131	1132	-0.1%	1025	10%	4407	4389	0.4%

Source: PBS

Quantity	Oct-18	Oct-17	YoY	Sep-18	MoM	4MFY19	4MFY18	YoY

Cotton yarn (M.T)	28,732	47,245	-39.2%	31,292	-8.2%	140,286	171,141	-18.0%
Cotton cloth (Th.Sqm)	148,066	195,094	-24.1%	175,000	-15.4%	732,426	690,613	6.1%
Knitwear (Th.Doz)	11,678	8,473	37.8%	9,472	23.3%	39,880	34,060	17.1%
Bed wear (M.T)	31,002	32,934	-5.9%	30,254	2.5%	133,370	126,324	5.6%
Towels (M.T)	17,095	15,205	12.4%	15,543	10.0%	63,623	65,683	-3.1%
Readymade garments (Th. Doz)	3,766	3,071	22.6%	2,785	35.2%	14,303	12,011	19.1%

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Source: PBS