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Textile machinery imports: steep decline

Even though there are many factors at play in the demise of Pakistan's textile sector, an often overlooked reason is the failure to invest in balancing, modernisation and replacement activities by textile firms.

As the world moves on to fabric improvement using the latest technologies, and the use of synthetic fibres disrupts conventional apparel industries, Pakistan's textile industry has struggled to keep pace with modern developments.

A look at the historical context will help. The Textiles Policy 2014-19 made by the Ministry of Textile Industry (MoTI) rightly points out that the textile industry development in Pakistan was shaped in a large part by the Multifibre Arrangement (MFA) which imposed quotas on textile exports from developing countries to developed countries.

The spinning sector attracted more investment due to a higher quota in this segment while woven garments and other value added sectors such as weaving did not see the same influx of investment due to non-availability of quotas.

Once the MFA ended, Pakistan's textile sector had an issue of uneven capacities across the textile value chain with higher capacities in lower value added segments. The lack of investment in readymade garments and quality fabric production has now necessitated up-gradation of obsolete machinery.

According to the Research, Development and Advisory Cell (RDA) of the MoTI, the investment pattern remained the same following the end of the MFA where processing, apparel and readymade garments got less than 22 percent of new investment.

As the graph highlights, textile machinery imports reached their highest in FY05 which can be attributed the local industry investing for capacity up-gradation to prepare for a post-MFA era. The State Bank of Pakistan's scheme for Long Term Financing for the Export Oriented Projects in 2004 also proved to be a catalyst. The scheme offered long-term loans for machinery imports at interest rates ranging from 5-8 percent.

There was an up tick in textile machinery imports during FY10-FY14 which industry stakeholders attribute in some part to the Textile Policy 2009-14. The policy brought back the long term financing facility and introduced measures such as DLTL, Export Finance Mark-up facility as well as the Technology Up-gradation Fund. A transition from conventional power looms to shuttle-less and air jet looms also helped fuel textile machinery imports during this period.

However, the past two years have seen a steep plunge in imports of textile machinery once again. Textile machinery imports for FY18 clocked in at $325 million which is the lowest since the bottom of $252 million in FY09. Declining textile exports due to a high cost of production and the inability to adapt to evolving international consumer trends have not provided any incentive for further up-gradation to textile firms particularly the small and medium sized ones.

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In the long-run, the textile sector needs to continue investing in modern technology and up-gradation of existing infrastructure if it is to remain relevant in the modern world. Competitor countries including Vietnam and Bangladesh have witnessed a sharp increase in textile machinery imports owing to their robust growth in textile exports. While it might be true that large textile units in Pakistan might be at par with their regional peers in BMR activities, it is the SME's that are most at risk of becoming obsolete.