

# Pakistan Update

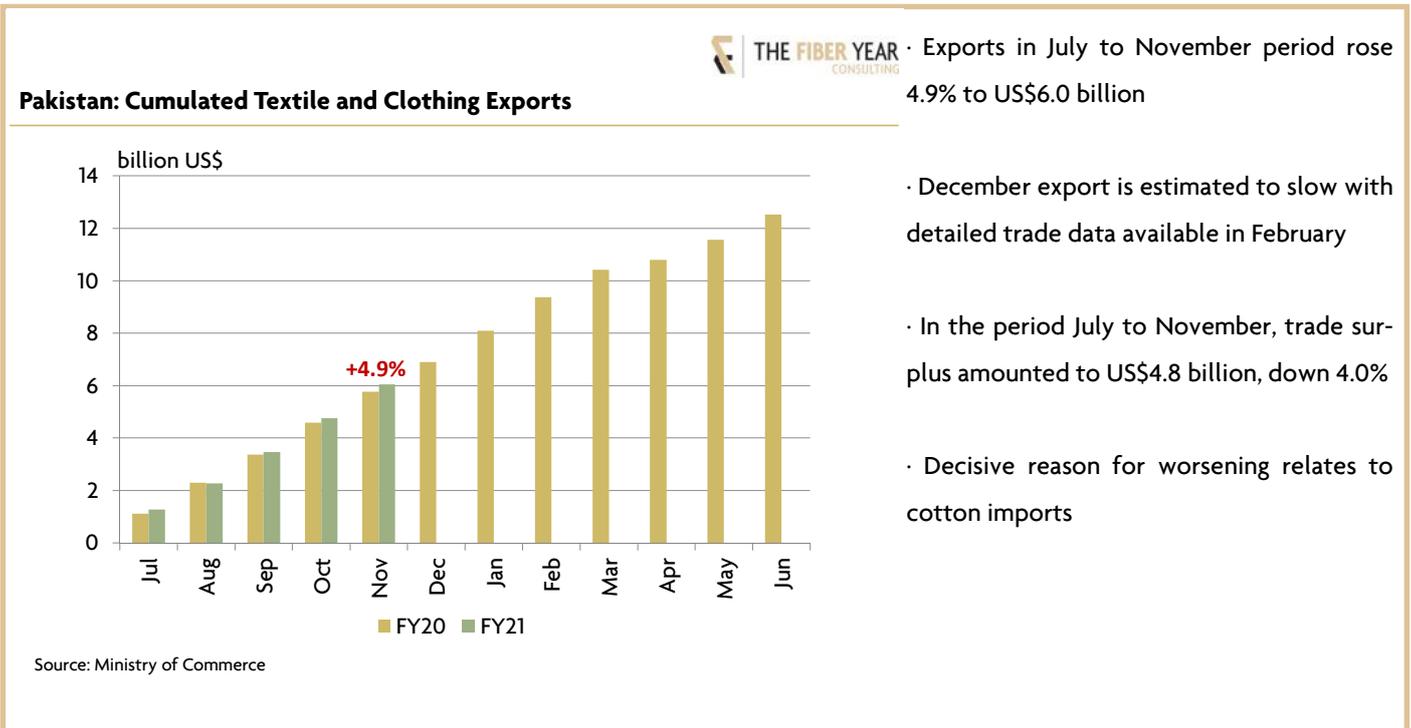


January 2021

## Economy & Politics

- ➔ GDP growth rate for fiscal year 2019-20 at -0.4% - first time negative in seven decades - but economy appears to be on track to achieve the real GDP growth target of 2.1% in FY 2021
- ➔ Per capita income in FY 2019-20 fell from US\$1,625 to US\$1,325
- ➔ Government of Pakistan's main priority at present is to facilitate the business community, enhance the industrialization in the country and promote private investments across the country
- ➔ Confidence building measures adopted by the government has improved Pakistan's position on the World Bank Ease of Doing Business Index; Pakistan has improved its position by 28 points from 136 to 108 as per the latest ratings
- ➔ Similarly, Government's timely decision to ease the lockdown and revive the business activities allowed Pakistan to quickly recover from the effects of the pandemic. The World Economic Forum (WEF) celebrated 'Pakistan Strategy Day' on November 25, 2020 to acknowledge the efforts of the government to minimize the effects of pandemic on the country's economy
- ➔ Government of Pakistan is expected to soon announce the approval of textile and apparel policy (2020–2025). The holistic policy will encourage growth of value-added textile exports and explore the non-traditional markets for the textile sector
- ➔ Government of Pakistan has undertaken several tariff rationalization studies including that of textile value chain to remove any tariff anomalies in the system
- ➔ State Bank of Pakistan left its key policy rate unchanged at 7% on November 23rd, saying the economic recovery has gradually gained traction, in line with expectations for growth of slightly above 2% in FY21
- ➔ Asian Development Bank sees economic recovery in Pakistan particularly in the manufacturing and construction sectors supported by the government emergency relief

## Trade Data & Issues



· Exports in July to November period rose 4.9% to US\$6.0 billion

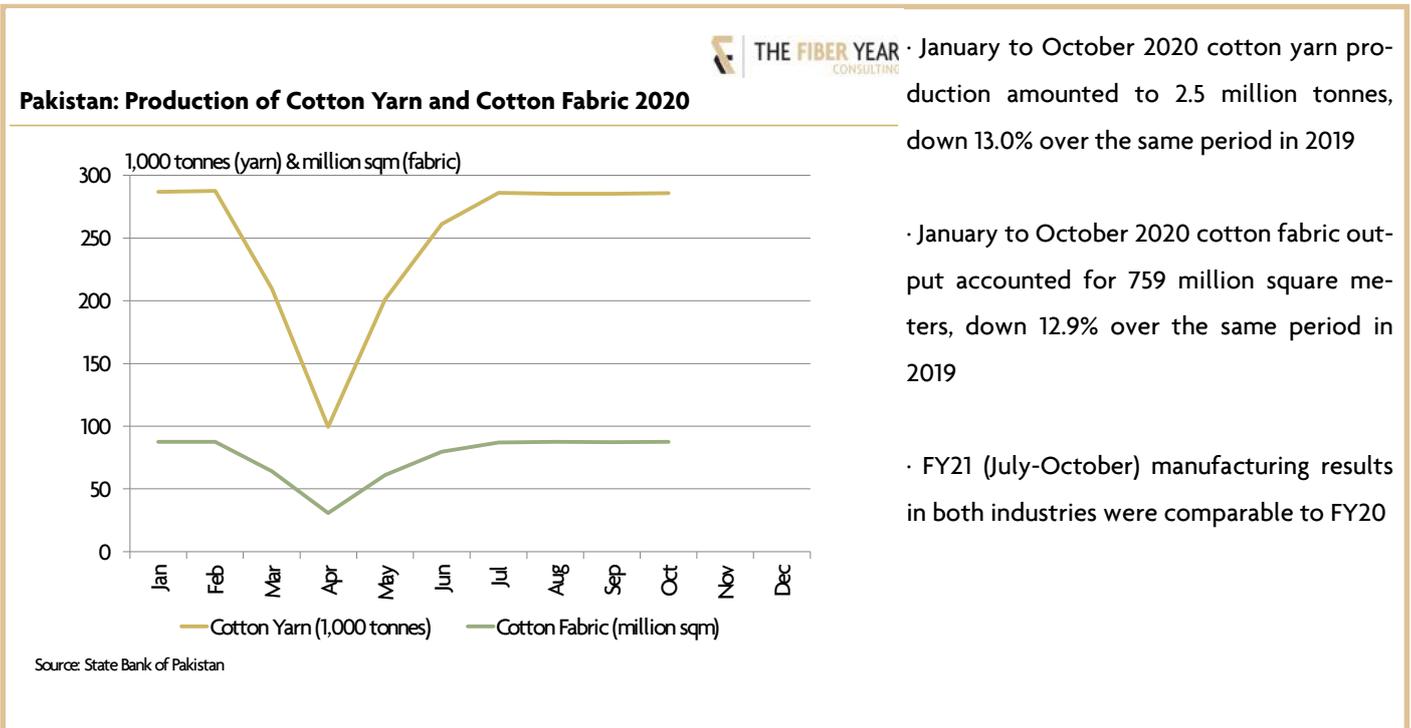
· December export is estimated to slow with detailed trade data available in February

· In the period July to November, trade surplus amounted to US\$4.8 billion, down 4.0%

· Decisive reason for worsening relates to cotton imports

- ➔ In July to November FY21, knitwear, largest export category, expanded 14.3% to US\$1.5 billion, followed by readymade garments (+4.4%; US\$1.2 bn), bedwear (+12.3%; US\$1.1 bn), cotton cloth (-8.7%; US\$773 million) and towels (+14.2%; US\$363 million)
- ➔ Imports in the same period surged 60.4% to US\$1.3 billion with raw cotton sourcing skyrocketing threefold, lifting quantity to 227,000 tonnes, while import volume of manmade fibers and yarns rose by around 155,000 tonnes, indicating a shift toward non-cotton processing
- ➔ Cotton crop failure in the 2019/20 season that is predicted to significantly worsen in the current cotton season made corresponding imports to surge in FY21 owing to foreign sourcing of cotton fiber and cotton yarn
- ➔ Lately, Pakistan has started to report a greater increase in its value of textile exports as compared to its volume, this signifies the fact that Pakistan has increased its value-added textile exports
- ➔ On an overall basis, Pakistan remains net exporter for textile/apparel sector, positively impacting GDP, with year-to-date surplus of US\$7.9 billion including July to November data and FY21 surplus amounting to US\$4.8 billion

## Textile Chain Activity & Investments



- ➔ Textile value chain has been recently operating at full capacity to meet growing demand
- ➔ Textile downstream is already planning expansion and is ready to invest US\$5 billion across the textile chain to double the country's exports by 2025
- ➔ Currently, Pakistan textile sector is fully booked for next six months with export orders as European and U.S. buyers seem to move their orders from India and Bangladesh
- ➔ The continued surge in business activity has made idled/closed power looms to restart
- ➔ Over 50,000 shut power looms of Faisalabad region alone became operational in December 2020, another 30,000 units are expected to further operationalize in coming days
- ➔ In the last 6 months textile industry has invested in over 1 million spindles, over 2,000 new high speed looms, and more than 20 million meters per month of processing machinery to be installed as it becomes available
- ➔ The import duty on cotton fiber (3% import duty, 2% additional duty and 1% Federal excise tax) were removed earlier and last month 5% regulatory duty was also removed from 100% cotton yarn to overcome shortage of cotton in the country; government is actually mulling over reducing import duty on cotton yarn by 5% as well
- ➔ Polyester fiber supply was impacted by the more than 2 months outage with filament estimated down by a quarter and staple fibers dropping around 20% while crop failure lifted polyester and viscose demand for cotton replacement

## Company News

- ➔ ICI Pakistan Limited collaborates with Novel Technologies Holdings to introduce Terylene Powered by Silverbac, an antimicrobial polyester staple fiber. Silverbac is inherently anti-microbial and odor-reducing technology that has proven to be resistant against COVID19 and other harmful pathogens
- ➔ Artistic Milliner acquired a U.S. based denim factory in California, USA
- ➔ Pakistani goods have been granted GSP+ status in European Union, USA and UK markets. This allows Pakistani products to enjoy duty-free access to these markets
- ➔ Pakistan has signed free trade agreements with Malaysia and SAARC countries except India. Recently, Pakistan closed on phase 1 FTA agreement with China and Thailand. FTA with Turkey is under progress
- ➔ Pakistan has become a leading supplier for a number of international brands such as Hugo Boss, Zara, H&M, Levi's, IKEA, Walmart, Marks and Spencer, Target, Hanesbrand, ...
- ➔ Al-Karam textile unit signed a six-year license with GAP, U.S., for its home textile segment

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### Contact details:

- [www.thefiberyear.com](http://www.thefiberyear.com)
- [info@thefiberyear.com](mailto:info@thefiberyear.com)
- +41 71 450 06 82