Supply potential of the garments sector in Pakistan

Last updated:
11 April 2018

This factsheet provides importers with information on the supply potential within the Apparel / Garments sector for this specific developing country (both on country and sector level), CSR, technological developments and the support structure in the DC in question. The Key Performance Indicators provide you with practical outsourcing insights.

Contents of this page

1. Pakistan's major production centres

Karachi – denim, woven & knitted
Lahore – woven & knitted
Sialkot – sports hardware & leather
Faisalabad – denim & knitted

2. Base data country

Capital: Islamabad
Languages: Punjabi, Urdu, Saraiki, Pashtu, English
Government: People's Republic of Pakistan
Business hours: Monday–Saturday, 8:00 a.m.–7:00 p.m.
Currency, exchange rate: Pak Rupee
Time: GMT+5
Population in millions: 183
Religion: Islam/Muslim
Climate: south hot coastal, north more temperate

3. Garment sector production data

Import duties: GSP Plus status
Working days a year: 301 days/year
Working days: 6
Working hours: 48 hours/week; realistically 52
Legal minimum wage: US$ 133

Factory shifts: 1–2 day/night
Overtime: 50–150%
Interest rate: 12.8%
Production type: 100% ready-made garments

Product groups: Woven (all items), denim focus, chinos, T-shirts, fleece, sweats, tracksuits, socks, underwear, knitwear acrylics, bed wear
Main fabrics: Cotton
Sourcing countries: India, China
Local fabrics: Large variety of woven fabrics, knitted jerseys, interlocks
Lead times: 45–60 days vertically integrated; 75–90 days including fabric procurement
Shipping, vessel/air: Karachi port
Payment: LC at sight, 20–30 days, TT
Incoterms: FOB, C&F

4. Clients and exports

Main European Union importing nations: Germany, UK, France, Netherlands, Belgium, Spain, Italy
Key European Union brands/retailers: New Yorker, V&D, Jomo, Takko, Primark, H&M, Zara, Mango, Nienhaus/Lotz
Key United States brands/retailers: Walmart, JC Penney, Target, Adidas, Nike, Reebok

5. Business contacts: trade & sector associations

Megatech Lahore: fashion & machinery, March 2014
Pakistan Hosiery (Knit) Manufacturers Association, www.phma.com.pk
Pakistan Footwear Manufacturers Association, www.pakfootwear.org
National Textile University, www.ntu.edu.pk
Centre for Business Solutions, www.cbs.org.pk
Sialkot Chamber of Commerce & Industry, www.scci.com.pk
Dutch Embassy, https://www.netherlandsandyou.nl/your-country-and-the-netherlands/pakistan
PRGMEA (Pakistan Readymade Garments Manufacturers & Exporters Association), Sialkot, www.prgmea.org

6. Sector developments & trends

As Pakistan was traditionally one of the leading producers of cotton in the world, developing a textile industry that makes full use of its abundant resources in cotton has been a priority area in a move towards industrialisation. The annual volume of the total world textile trade is $18 trillion, which is growing at 2.5%. Even with so many advantages, Pakistan’s total share in global textile trade is less than 1%.

7. Strengths

- Large domestic market with dynamic population growth;
- significant remittances from abroad;
- cheap and plentiful labour;
- positive outlook for economic corridor with China.

8. Weaknesses

- Extremely tense geopolitical climate and serious domestic insecurity (terrorism);
- inadequate health-care, agricultural and educational infrastructure;
- energy dependency;
- frequent electricity and water outages;
- poor sector diversification and concentration on a few low value-added sectors.

9. Economic recovery made possible with IMF aid programme launched in 2013

With the IMF aid programme and the low oil prices, the country's macroeconomic performance improved in 2016. Growth will remain healthy, strengthened by household consumption and substantial amounts of money being sent back to the country by workers abroad. However, the low rate of employment among women in the economy and the inadequacy of the country's electricity production will hamper efforts to eliminate poverty, even though this is being rectified. Public investment will increase with higher public revenues, deriving in particular from improved tax collection efficiency. Benefiting from a fall in long-term interest rates and a rapid expansion in private sector credit (growing by 26% between 2016 and 2017), Pakistan should experience a strong boost to private investment over 2017 as well as 2018, although the latter at a slightly slower rate. In addition, the China–Pakistan Economic Corridor (CPEC) created between China's Xinjiang region and the port of Gwadar (south-west Pakistan) should help to facilitate substantial Chinese inward investment, helping to improve the transport infrastructure and the country's capacity to produce electricity. There will be a moderate rise in inflation with the rise in oil prices, mostly related to the high level of volatility of the rupee. The level of inflation will also depend on the quality of the cotton harvest and on whether or not electricity prices will rise. There will be high levels of growth in the industrial and service sectors (21% and 59.2% of GDP, respectively) thanks to improvements in electricity supplies (Source www.globaledge.msu.edu).

Table 1: Export product shares of textile products

Source: WITS

10. Very low exports

Pakistan's share of branded and high-value fashion and sportswear textile on the global markets is close to zero, despite the huge public demand for such products in Europe and the US (which is being fulfilled by south Asian competitors including India, China and Bangladesh). Pakistan's total exports in this sector are barely US$ 50 million.

Table 2: Regional comparison

11. Industry facts & figures

The textile sector contributes 9.5% to Pakistan's gross domestic product (GDP). In addition, the sector employs about 45% of the total labour force in the country (and 38% of the manufacturing workers). Pakistan is the fourth-largest producer of cotton with the third-largest spinning capacity in Asia after China and India, and it contributes 5% to the global spinning capacity. At present, there are 1,221 ginning units, 442 spinning units, 124 large spinning units and 425 small units which produce textile. Cotton is the largest segment of textile production. Other fibres produced include synthetic fibre, filament yarn, art silk, wool and jute.

Textiles comprise 57% of Pakistan's export revenues. However, in recent years, textile exports have declined significantly. Textile exports were recorded at US$ 11.625 billion in 2014–2015. In 2015–2016, this number had dropped by 7.7% to US$ 10.395 billion (source: Wikipedia).

In 2015, the top partner countries to which Pakistan exported textiles and clothing were the United States (over

US$ 3 million), China (just over US$ 1.3 million), the United Kingdom (just under US$ 1.3 million), Germany (US$ 800,000), Spain (US$ 650,000), Bangladesh (US$ 500,000) and the Netherlands (US$ 490,000; source: WITS).

From 2016 to 2017, Pakistan’s textile and clothing exports fell by 0.92 per cent to a total of just over US$ 10 billion. The main reasons are a decrease in proceeds from raw materials and low value-added products such as cotton yarn and fabrics. Exports of value-added products grew in terms of both value and quantity. In terms of product groups, exports of readymade garments rose by 5.34%, while knitwear dropped 0.17% in July–April. Exports of bed wear increased by 5.01%, while towel exports fell by 4.38%.

One reason for the decline in Pakistan’s textile exports is that the preferential access to the European Union under the GSP+ scheme has not boosted proceeds due to a slump in demand (source: Dawn).

12. Opportunities

- Against the backdrop of global growth trends in apparel, Pakistan's garment sector has huge potential. However, if the sector is to attract buyers and compete successfully on the global market, it must develop more efficient and cost-effective production systems with minimum waste.
- The fact that China is reducing its number of garment factories substantially means that there is an opportunity for high-volume, low-price sourcing hubs in Asia. Alongside Bangladesh and India, Pakistan can become the next place to be.
- There is growth potential for direct business, as the majority of current business in Pakistan is not placed directly but via traders.
- In order to manage risk factors, some of Pakistan’s garment manufacturers are currently visiting Europe regularly and offering payment conditions of TT 60 days, which should make business easier and safer.

13. Business contacts & references

PRGMEA
Pakistan Readymade Garments Manufacturers & Exporters Association, http://www.prgmea.org/

Expo Pakistan Karachi
Expo Pakistan is the largest trade fair in Pakistan, http://www.expopakistan.gov.pk/

TDAP
Trade Development Authority of Pakistan, http://www.tdap.gov.pk/

Please review our market information disclaimer.