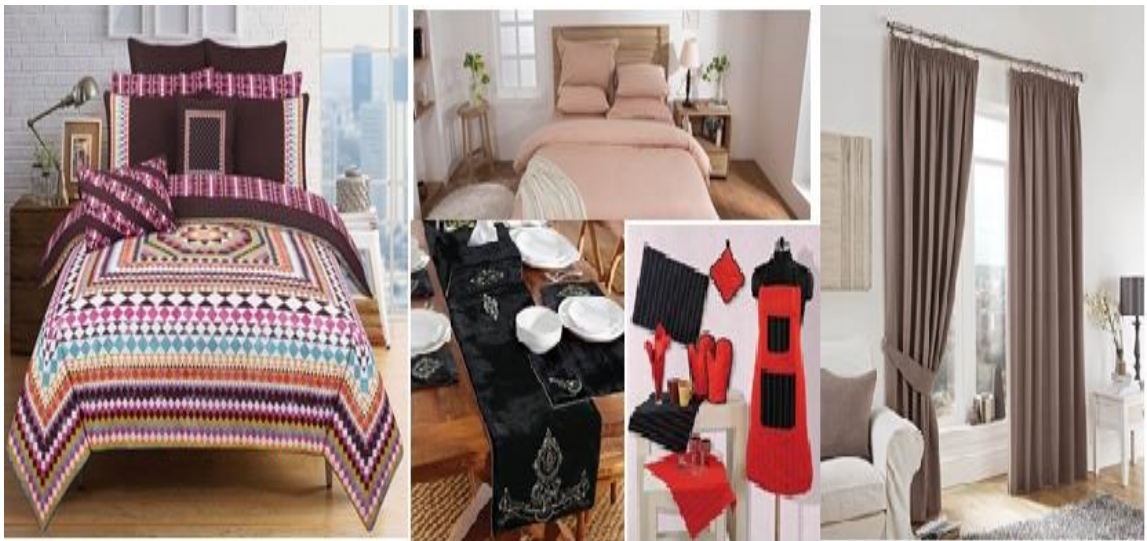




# **HOME TEXTILE**



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## **1. EXECUTIVE SUMMARY:**

Home textile market of Pakistan is segmented by type (bed linen, kitchen linen, bath line, upholstery) by end user (residential, hospital, hospitality) and by distribution channel (supermarkets, retail stores, online and others). Pakistan is the key supplier of home textile product to USA and Europe whereas China and India are the main competitors of Pakistan. With the emergence of e-commerce and growth of shopping websites, market of home textile is expected to reach new heights. Pakistan is third largest exporter of home textile product. The availability of cheap labor and basic raw cotton as raw material for textile industry has played the principal role in the growth of the home textile Industry in Pakistan.

Pakistan's home textile industry can increase its exports significantly by meeting strict quality and compliance requirements, not only from a product-specific and technical perspective, but also from regulatory, environmental, social and customer-specific perspective. Pakistani textile industry will have to adapt itself with the new global market challenges and create both efficient value chains to meet the new business environment.

Many of the forward looking textile companies have quickly adapted to these challenges and have installed state of the art machines, developed and acquired information technologies that can seamlessly integrate with the global customers. Pakistan's home textile sector needs to bring structural changes by diversifying its product range, developing skills, improving working conditions, and developing cluster in order to promote its exports.

Demand for Pakistan home textile products has increased many folds as world economies opened once again after being in lock down situation arising owing to corona virus pandemic. In current scenario Pakistan home textile sector is in better position to compete with its competitors as world buyers have diverted their orders to Pakistan from China and India for multiple reasons such as US –China trade War and worsening of COVID -19 crises in India.

There is an opportunity for home textile sector to capture the share of global market which had been mainly dominated by China. By providing timely and good quality product home textile sector can build strong and long lasting relationship with new customers.

## **2. BRIEF PROFILE OF THE HOME TEXTILE SECTOR:**

### **i. BACKGROUND:**

A home textile is defined as the textile products used for home furnishing. It consists of a vast range of functional as well as decorative products used in decorating houses. The home textiles segment has become increasingly competitive and only cost driven organizations delivering customer satisfaction and product quality can survive in global market. Home textile market of Pakistan is segmented by type (bed linen, kitchen linen bath line, upholstery) by end user (residential, hospital, hospitality and by distribution channel (supermarkets, retail store, online and others). Pakistan is the key supplier of home textile product to USA and Europe. With the emergence of e-commerce and growth of shopping websites, market of home textile is expected to reach new heights.

HS CODE FOR HOME TEXTILE:

Product code	Product label
	Home Textile
6301	Blankets and travelling rugs of all types of textile materials (excluding table covers, bedspreads and articles of bedding and similar furnishing of heading 9404)
6302	Bedlinen, table linen, toilet linen and kitchen linen of all types of textile materials (excluding floorcloths, polishing cloths,

	dishcloths and dusters)
6303	Curtains, incl. drapes, and interior blinds; curtain or bed valances of all types of textile materials (excluding awnings and sunblinds)
6304	Articles for interior furnishing, of all types of textile materials (excluding blankets and travelling rugs, bedlinen, table linen, toilet linen, kitchen linen, curtains, incl. drapes, interior blinds, curtain or bed valances, lampshades and articles of heading 9404)

## ii. SUB SECTOR

On the basis of category, home textile sector segmented into bed linen & bed spread, bath linen, kitchen linen, upholstery, floor and others. Home textiles include the following finished articles:

- Bed linens such as sheets and pillowcases
- Other bedding products such as bedspreads, blankets, comforters and pillows
- Toilet and kitchen linens such as towels, wash cloths, aprons, etc.
- Upholstery
- Table linens, including tablecloths, cloth napkins, and place mats
- Curtains and draperies
- Floor covering

## iii. GEOGRAPHY:

On the basis of geography, the market for home textile products can be segmented into North America, Europe, Asia Pacific, Middle East & Africa, and South America. North America holds a major share of the total market owing to the increasing demand for home textile products. Europe follows North America in terms of market share. The market in Asia Pacific is expected to grow at a significant rate due to the booming housing market and

rapidly growing middle class. The main exporters of home textile products to global market are China, India, and Pakistan which have abundance of product suppliers.

The home textile market in Pakistan is fragmented with various mills located in the country. There are various branded and non-branded players in the market. Home textile manufacturers in the country are focused on improving cost and quality in order to remain competitive in the market. The availability of cheap labor and basic raw cotton as raw material for textile industry has played the principal role in the growth of the home textile industry in Pakistan. In Pakistan clusters of home textile industry are mainly present in following cities:

- Karachi,
- Lahore,
- Faisalabad and
- Multan

#### **iv. CONTRIBUTION TO ECONOMY:**

Textile is the major sector of Pakistan which contributes 58% in the total exports of Pakistan. The export basket of textile consisted of 42% RMG, 32% home textile, 23% cotton and related products, while carpets account for 0.43 % of the textile exports. Pakistan home textile sector has shown increasing trend in exports from 2015 till 2018 whereas values shrunk in small amount in 2019.

Unit : US Dollar thousand

Product label	Exported value in 2015	Exported value in 2016	Exported value in 2017	Exported value in 2018	Exported value in 2019
Home textile	3,136,069	3,178,674	3,331,572	3,434,127	3,425,444

Source (ITC Trade Map)

### **3.VALUE CHAIN:**

#### **i. GLOBAL SUPPLY CHAIN ANALYSIS:**

The global supply chain comprised of number of small, medium and large manufacturers of home textile product operating indifferent region of the world to hold down costs, innovate products and deliver on tight deadlines. Global Supply chain management flows can be divided into three main flows:

- The product flow (movement of textile product from a supplier to a customer)
- The information flow (transmitting orders and updating the status of delivery)
- The finances flow (credit terms, payment schedules, and consignment arrangements)

From a logistics point of view, the textile industry is a time-sensitive industry therefore, any irregularities in reaching product to customers at a specified location on time can lead to reduced or no profits for the textile owner. Moreover, transportation cost, larger distances, fluctuating fuel prices and currency, government policies, taxation, uncertainty in the international market, pandemic of covid 19 are the best examples that directly affect global supply chain for textile sector. Whereas, ability to create visibility of the business to potential customers, meeting demand and requirement of customers with the minimum lead time are factors that help the business to compete in the global market.

#### **ii. VALUE CHAIN ANALYSIS (NATIONAL)**

The term value chain refers to the process in which home textile industry receive raw materials, add value to them through production, manufacturing, and other processes in order to create a finished home textile product.

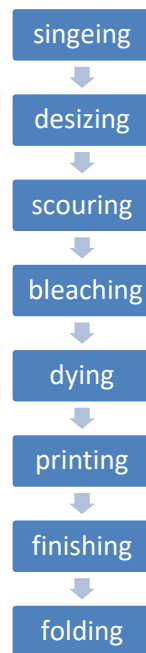


Efficient value chain management in the home textile sector requires availability of the basic raw materials, effective and efficient manufacturing, infrastructure to ensure cost effective supply to the industrial centers, and modernized technology for developing products that meet the requirements of highly demanding customers. Pakistan's home textile sector needs to bring structural changes by diversifying its product range, developing skills, improving working conditions, and developing cluster in order to promote its exports.

Many of the forward looking home textile companies have quickly adapted to these challenges and installed state of the art machines and producing high quality home textile products to compete in international market besides fulfilling demand of domestic market. Pakistan's home textile sector needs to bring structural changes by diversifying its product range, developing skills, improving working conditions, and developing cluster in order to promote its exports.

### **iii. PROCESS AND LINKAGES:**

Through processing grey fabric is converted into processed fabric. Processing of home textile product consists of following steps:



After making processed fabric the fabric undergoes manufacturing process which includes cutting, stitching and finishing. During finishing the trained staff pressed the product, removed unnecessary threads, label with packing accessories such as insert card, stickers, and branding hash tags and packed in polythene bags as per requirement

As far as linkages are concerned the home textile products have vertical integration comprises the processes of spinning, weaving, processing, finishing, garment-making, including towel-making and bed sheet production.

#### **iv. PROBLEMS IN VALUE CHAIN**

Pakistani textile industry will have to adapt itself with the new global market challenges and create both efficient value chains to meet the new business environment. Many of the forward looking textile companies have quickly adapted to these challenges and have installed state of the art machines, developed and acquired information technologies that can seamlessly integrate with the global customers and benefited from the change. Some of the major problems pertaining to value chain are given below:

- Distorted international price competitiveness owing to provision of subsidies by the participating countries at different levels of textile value chain.
- Lack of investment in human resource
- Obsolete technology
- Tariffs on imported textile raw materials to provide protection to domestic industry brought inefficiencies in the manufacturing process.
- Stagnant domestic cotton production.
- Absence of modern farm management practices.
- Low usage of manmade fibers
- Limited number of value added products.
- Failure to benefit from cost efficiencies through cluster development & growth
- Lack of expansion and setting up new units
- Energy shortages and high energy cost

## 4. TRADE STATISTICS:

### i. GLOBAL EXPORTS AND IMPORTS:

#### GLOBAL EXPORTS:

The global export of home textile sector has seen increasing trend from 2015 to 2018 with slight decrease in 2019. China, India, Pakistan, Turkey and Germany are the top exporting countries of home textile products. Pakistan ranks 3<sup>rd</sup> in the global export of home textile product .China captured the major share i.e 46% of international market for home textile product. India and Pakistan share in exports of home textile products stands at 10.5% and 9.7% respectively. List of exporters for the selected product group is give below:

Unit : US Dollar thousand

Exporters	Exported value in	Exported value	Exported value in	Exported	Share in value in
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	2015	in 2016	2017	value in 2018	world's exports, % in 2019
China	16,633,326	15,864,579	16,135,108	16,573,422	46.3
India	3,386,145	3,290,149	3,457,618	3,658,567	10.5
Pakistan	3,136,069	3,178,674	3,331,572	3,434,127	9.7
Turkey	1,446,101	1,485,416	1,519,080	1,516,612	4.3
Germany	1,071,401	1,088,282	1,015,627	1,194,338	3.4
Portugal	623,526	631,250	638,872	761,572	1.8
Poland	417,416	452,982	481,497	582,897	1.7
Netherlands	385,585	494,747	544,257	528,901	1.6
Bangladesh	466,584	566,001	627,093	634,426	1.6
Viet Nam	392,567	371,772	432,537	440,269	1.6

Source( ITC Trade MaP)

#### GLOBAL IMPORTS:

The top five home textile products importing countries are US, Germany, Japan, France and UK. The USA has the largest share of 31.1% in world's home textile imports. List of top ten importing countries for the selected product group is given below:

Unit : US Dollar thousand

Importers	Imported value in 2015	Imported value in 2016	Imported value in 2017	Imported value in 2018	Imported value in 2019	Share in value in world's imports, % in 2019
United States of America	9,033,325	8,724,913	9,148,605	9,596,245	9,827,592	31.1
Germany	2,299,062	2,263,848	2,368,715	2,478,035	2,341,654	7.4
Japan	1,654,204	1,638,352	1,653,362	1,726,558	1,727,612	5.5
United Kingdom	1,733,668	1,598,609	1,595,376	1,546,529	1,620,228	5.1
France	1,399,553	1,384,481	1,468,353	1,562,706	1,462,423	4.6
Netherlands	697,051	835,078	893,366	929,080	941,226	3
Canada	745,578	757,304	797,054	834,556	804,432	2.5
Spain	815,359	887,217	869,368	842,012	783,867	2.5
Australia	734,199	722,234	734,358	774,203	737,388	2.3
Italy	606,385	686,046	692,814	727,052	650,265	2.1

Source (ITC Trade Map )

## ii. EXPORT VS IMPORT ANALYSIS:

### COUNTRY WISE ANALYSIS (EXPORTS):

The USA, UK, Germany, Netherland and Italy are the top five export destination of Pakistan home textile products. List of importing markets for home textile products exported by Pakistan is given below:

Unit : US Dollar thousand

Importers	Exported value in 2015	Exported value in 2016	Exported value in 2017	Exported value in 2018	Exported value in 2019	Share in value in Pakistan's exports, % in 2019
United States of America	1,055,409	991,275	1,037,891	1,015,077	1,034,372	30.2
United Kingdom	531,990	533,305	537,460	519,418	507,971	14.8
Germany	259,675	265,653	288,885	324,303	305,577	8.9
Netherlands	157,251	196,884	211,927	252,830	247,074	7.2
Italy	115,950	143,315	152,226	170,143	156,267	4.6
Belgium	152,415	158,558	166,726	156,164	152,965	4.5
Spain	107,479	124,781	135,638	150,580	144,631	4.2
France	110,513	100,680	124,420	145,197	131,161	3.8
Australia	58,827	63,220	53,394	63,142	75,897	2.2

Poland	38,985	51,597	54,066	61,789	68,810	2
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Source (ITC Trade Map)

#### COUNTRY WISE ANALYSIS (IMPORTS):

Pakistan's imports for the home textile product are quite low as compared to its export. Pakistan Home textile industry is self-sufficient in meeting domestic market demand. List of supplying markets for home textile products imported by Pakistan is given below:

Unit : US Dollar thousand

Exporters	Imported value in 2015	Imported value in 2016	Imported value in 2017	Imported value in 2018	Imported value in 2019	Share in value in Pakistan's imports, % in 2019
China	44,193	53,641	47,878	38,317	8,823	58.8
Viet Nam	275	0	190	5	5,668	37.7
Spain	224	422	370	162	166	1.1
Germany	220	80	29	54	145	1
United Arab Emirates	64	149	262	146	80	0.5
United Kingdom	25	65	76	42	46	0.3
Thailand	20	12	45	29	21	0.1
Turkey	44	37	27	57	19	0.1
Korea, Republic of	559	337	263	104	9	0.1
Cyprus	0	0	0	0	7	0
United States of	328	40	124	53	4	0

America						
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Source(Trade Map)

### iii. PRODUCT WISE ANALYSIS

#### Product Wise Analysis (Exports):

Regarding exports of home textile product , HS code 6302 comprising of bed linen & table linen has the largest share i.e. 95% in exports .Pakistan's export of the bed linen has shown constant increasing trend from the year 2015 till 2018 .

Unit : US Dollar thousand

Code	Product label	Exported value in 2015	Exported value in 2016	Exported value in 2017	Exported value in 2018	Exported value in 2019	Share in value in country's cluster exports, % in 2019
6302	Bedlinen, table linen, toilet linen and kitchen linen of all types of textile materials (excluding ...	2,908,148	2,989,019	3,142,439	3,263,132	3,261,276	95.21
6303	Curtains, incl. drapes, and interior blinds; curtain or bed valances of all types of	131,549	116,838	121,328	107,427	92,498	2.7

	textile . . .						
6304	Articles for interior furnishing, of all types of textile materials (excluding blankets and . . .	41,062	28,943	23,836	28,494	37,448	1.09
6301	Blankets and travelling rugs of all types of textile materials (excluding table covers, bedspreads . . .	55,310	43,874	43,969	35,074	34,222	1

Source (ITC Trade Map)

### Product Wise Analysis (Imports):

Regarding imports of home textile products, HS code 6301 comprising of blankets and travelling rugs has highest share in imports. Imports of home textile products except blankets are not prominent as Pakistan home textile industry is meeting domestic needs of the home markets besides exporting home textile product.

Unit : US Dollar thousand

Code	Product label	Imported value in 2015	Imported value in 2016	Imported value in 2017	Imported value in 2018	Imported value in 2019
	Home textile	46,041	54,875	49,553	39,075	15,016
6301	Blankets and travelling	37,966	47,848	44,968	35,631	6,569

	rugs of all types of textile materials (excluding table covers, bedspreads ...					
6304	Articles for interior furnishing, of all types of textile materials (excluding blankets and ...	469	316	337	281	5,950
6302	Bedlinen, table linen, toilet linen and kitchen linen of all types of textile materials (excluding ...	3,957	6,253	3,108	2,414	1,738
6303	Curtains, incl. drapes, and interior blinds; curtain or bed valances of all types of textile ...	3,649	458	1,140	749	759

Source (ITC Trade Map)

## 5. COMPETITIVENESS OF THE SECTOR:

### i.COST STRUCTURE:

After receiving an order, the company calculates the total consumption of fabric and usually yarn is procured to produce fabric. Then according to the cost detail sheet and the price mentioned by the buyer costing is done. After the price is negotiated with the buyer order is placed to the

suppliers of raw material and accessories. The accessories such as label, button, zipper, sewing thread, packing materials are usually source from outside. The cost structure includes raw material consumed, packaging material consumed, stores and spares consumed, salaries and wages of work force, energy charges and other manufacturing expenses.

Cost structure given by M/s Khan International textile which is a Multan based company of home textile products is Rs 800/kg for kitchen towel, Rs 215 for one table cover and Rs 550 for one bed sheet.

## **ii. PRODUCTIVITY:**

Productivity in home textile sector can be increased through modernization. Home textile sector needs to acquire latest equipment and trained labor to operate it for enhancing productivity. The main reason for low productivity is that textile sector failed to modernise its plants and inefficient manufacturing processes further affected the competitiveness of home textile industry.

## **iii. TIME AND DELIVERY PERFORMANCE:**

Planning Department of the company worked as a nerve center of the company which is responsible for overall production plans ensuring on-time shipments and efficient capacity utilization. Buyer expects to receive full quantity from the supplier on given time that has been ordered and this is also the key factor that buyer uses for evaluation of vendor. It is important to understand that buyers do not necessarily buy from the supplier that offers the lowest price. Instead, buyers do also give importance to other key factors such as quality, access to input, lead time and reliability in delivery, as well as compliance to social and environmental standards.

## **iv. FREIGHT DETAILS:**

Freight density is important for calculating the shipment cost. Shipment that has high freight density weighs more relative to its size. Freight Forwarders help customers by arranging freight shipments at competitive rate

and also provide customs clearance services. Some also provides warehouse facility, cargo insurance, cargo handling etc. For shipment and logistics, manufacturer agreed with incoterms with customers such as Free On Board (FOB) and Carriage Insurance and Freight (CIF). For textile product customers usually opt for sea route as it is cheaper compare to air freight which is usually used for perishable products.

Freight forwarder or Shipping companies calculate the freight charges on the basis of container type ( 20-40 inches flat rack, 20-40 inches dry van etc), routing detail ( collection point, port of loading , port of discharge, delivery point) and other services such as custom clearance and warehousing.

## **v. QUALITY STANDARDS AND REQUIREMENTS:**

Mandatory requirements for exporting home textile product especially in European market are;

- i. General product safety directives: It ensures product that sold in European market should be safe.
- ii. Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH): it's a European regulation applies to textile product that contains chemicals, for e.g REACH restricts use of several azodyes for textile product.
- iii. Food contact materials regulation: It ensures that if home textile product such as kitchen linen, when comes in contact with food , should not affect the consumer health and food quality.
- iv. Wildlife Trade Regulations and CITES: To ensure that product derived from species of plant and animal does not threat their survival.
- v. Textile Regulation: To ensure that textile products are properly labeled so that consumer should know what they are buying.
- vi. Packaging: it includes measures pertaining to packaging and packaging waste and to reduce its impact on the environment.

- vii. Labeling requirements: The information present on the outer packaging of product should correspond to the packing list sent to the importer.

Compliance with international standard will boost textile exports and helps in creation and penetration of market. However these certifications are not a legal requirement for export. Larger firms, such as Disney, Ikea, Gap, Wal-Mart, being conscious about their image and do not solely rely on international standard and have devised their own code of conducts relate mainly to safety, environment, child labor, working conditions etc. Some major certifications in this regard include:

- ISO 9001/2008(gaining competitive advantage through quality) ISO standards enable the industry to improve the quality of raw material input, therefore strengthening the quality of the final product. ISO certification further helps the companies in market creation and penetration.
- ISO 14001(proving the producer’s environmental responsibility)
- Sedex (sharing responsible sourcing data on supply chains,)
- EU Eco-Label for Textiles(sometimes referred to as the “European flower,” it takes into account the complete lifecycle of a textile product)
- Oeko-Tex 100(a label that focuses on minimizing the presence of dangerous chemicals in textile products)
- The Global Organic Textile Standard (GOTS): It ensures social and environmental responsibility throughout the production chain of textile products.
- Nordic Swan eco-labels: This certification is used in used in Sweden, Norway, Denmark, Finland, and Iceland for textile products.

#### v ) Relative Price Analysis:

Relative price analysis is calculated as per the prices given by M/s Khan International Textile which is a Multan based company of home textile products. In calculation of relative price 2015 has been taken as base year.

Product	Unit	Price in RS per unit		$R=(P1/P0)*100$
		2015	2020	
Bed sheet	1 bed sheet	500	550	110
Kitchen towel	Per Kg	750	800	106.6
Table Cover	1 table cover	200	215	107.5

As per above mentioned table, the prices for home textile products has been increased owing to increase in cost of production.

## **6. GOVERNMENT FACILITATION TO THE SECTOR**

### **I. FBR-DUTY DRAWBACK SCHEME:**

- i. **FASTER:** FBR has established FASTER system for processing sales tax refund within 72 hours of filling the Annexure-H However exporters highlighted that they are facing problems in claiming sales tax refunds through newly introduced FASTER system by FBR.
- ii. FBR introduced different SRO such as 450(I)/2001 and 492(I)/2009 to facilitate export oriented companies to save import duties on items which are to be exported as finished product . these SROs required that imported item should be exported within prescribed time period otherwise companies would be liable to pay penalties along with exempted duties
- iii. **Duty Draw Back Scheme:**The Government has shifted duty drawback and DLT from FBR to the Stat Bank of Pakistan .The State Bank of Pakistan and Pakistan Customs has established an automated system without any human involvement for direct transfer of duty drawback into the bank accounts of exporters. The State Bank of Pakistan in this regard will be crediting DD into exporter's bank account from 1<sup>st</sup> Sep.

### **II. SROS-IMPORT EXPORT POLICY ORDER**

- SRO902 : It includes import policy order 2020
- SRO901 : It includes import policy order 2020
- SRO927(1)/2019: Puts ban on goods imported from India and Israel.
- SBP-Regulations
- SRO 239(I)/2020 and SRO 526(I)/2020: SRO 239 is superseded by SRO 526 and now only three items i.e. Tyvek Suits, Surgical Masks and N-95 Masks are banned for exports

### **III. SBP- REGULATIONS:**

- i. Exporters will get their claims of duty drawbacks directly into their accounts from the State Bank of Pakistan after submission of Good Declarations GDs.
- ii. In order to facilitate export oriented industries SBP allowed exporters to directly dispatch shipping document to foreign buyers without any limit as compare to previous limit of US\$100,000.
- iii. The SBP also increased the limit of invoice (from US\$10,000 to \$25,000) allowed to banks for making advance payment on behalf of manufacturer and commercial importers for import of raw material, machinery and spare parts .
- iv. Export Refinancing Scheme:
  - a) ERF Part I: It provides transaction based export refinancing against export shipment. Exporter can seek finances for 180 days upto the amount of export shipment on pre and post shipment basis.
  - b) ERF Part II : Exporter may seek finances for 180 days on the basis of previous year export performance . Exporter may seek finances up to 50% of previous year export shipment.
- v. Long Term Finance Facility (LTFF) : Exporters may obtain LTFF for procurement of imported or locally manufactured new plants or machinery. Through this scheme exporter can obtain finances up to Rs i.5 Billionfor 3,5, or 10 years.

### **ivSUBSIDIES IN UTILITIES/ANY OTHER**

- i. The federal government has released an amount of Rs45bn to textile sectors under the drawback of local taxes and levies (DLTL) as a cash subsidy at the rate of 3pc on home-textile sector, four per cent for garments exports and 2pc on processed fabric.
- ii. The federal government provided electricity to the textile sector at the rate of 7.5 cents/kWh and gas at \$6.5/mmBTU till June 2020. The government further extended the energy package for another six month.

- iii. Under IMF commitment, the government abolished zero rating regimes under SRO 1125 for five export oriented sector including textile, leather, surgical,carpets, and sports goods and impose a standard rate of 17 percent sales tax on these five export-oriented sectors.

## **7. POTENTIAL FOR INCREASE IN EXPORTS & CHALLENGES FACED (ANALYSIS)**

### **I. SECTOR CHALLENGES: PRODUCTIVITY AND DEMAND**

Textile sector has always been the lifeline for Pakistan's economy. Home textile products are the second most textile exports of Pakistan after readymade garments. The major markets of Pakistan home textile products are USA and Europe where as China and India are the major competitors of Pakistan for home textile product.

The main challenges faced by home textile sector include fluctuating yarn prices, , shortage of gas supply and load shading, lack of research and development (R&D) institutions, law and order situation, devaluation of Pakistani currency, lack of modern equipment and machinery and increasing production cost. The cost of doing business in Pakistan is higher as compared to its regional countries which has affected overall competitiveness of home textile sector. Without bringing cost of doing business at par with regional countries, it would be difficult for our product to compete in global market in terms of both quality and price.

Productivity in home textile sector can be increased through modernization. The main reason for low productivity is that textile sector failed to modernise its plants and manufacturing processes which created inefficiencies in the industry affecting its competitiveness. Major Pakistan's leading home textile fashion houses besides having their international outlets are also equipped their manufacturing plants with modern technologies and acquired information technologies that can seamlessly integrate with the global customers. Some major home textile brands are: Chenone, Gulahmed, Nishat Linen , Sapphire, Alkaram etc.

Demand for Pakistan home textile products has increased many folds as world economies opened once again after being in lock down situation arising owing to corona virus pandemic. In current scenario Pakistan home textile sector is in better position to compete with its competitors as world buyers have diverted their orders to Pakistan from China and India for multiple reasons such as US –China trade War and worsening of COVID -19 crisis in India .There is an opportunity for home textile sector to capture the share of global market which had been mainly dominated by China . By providing timely and good quality product home textile sector can build strong and long lasting relationship with new customers.

## **II. POTENTIAL MARKETS FOR PAKISTAN:**

Pakistan major markets for home textile product are USA and Europe. Moreover textile sector of Pakistan is the biggest beneficiary of GSP plus status as it provides duty free access to European market for similar products originating from Middle East, Africa and South East Asia. Besides US and Europe the potential markets for Pakistan's home textile product are Asia Pacific region and Africa .By targeting and penetrating non-traditional markets like countries of Asia Pacific region, Eastern Europe and Africa, Pakistan can increase its share in exports of home textile sector significantly.

- Asia-Pacific Region: The key drivers of the market's growth in Asia-Pacific region are the presence of a large and growing consuming class and increasing spending power of the consumer.
- Eastern European Countries: Pakistan needs to improve its trade ties with Eastern European countries besides UK. EU has recently extended GSP plus status to Pakistan till 2022 which can play as significant role in enhancing Pakistan's trade ties with the Eastern European countries and opening new avenues for Pakistani exporters in Europe.
- Russia: With massive population, together with the neighbouring countries, forms a potential market of great importance for the home textile sector. Direct imports from Pakistan are very small and Pakistan-made fabrics primarily enter Russia via Dubai, Turkey, Poland and other East European countries. Consequently, Pakistani fabrics are not reflected in official statistics. The bilateral trade between Pakistan and Russia was far less than the potential. Many factors are behind the low bilateral trade such as lack of

banking and payment channels, high tariffs, a strict Russian business visa regime, no direct passenger and cargo flights, long shipment periods, etc. Despite these hurdles, trade between the two countries has edged up and Pakistan's exports to Russia had been growing since 2017. Vietnam and Singapore have already signed preferential trade agreements (PTAs) with the Russian Federation and China, Iran and India are engaged in negotiations for signing free trade deals with Russia. As different countries are making efforts to ink the free trade agreement (FTA) to capture the Russian market, Pakistan should also come forward to make a similar arrangement with Russia

- South and Latin America : South Americas is one of the most important non-traditional markets where Pakistan's market share is negligible despite a huge potential for Pakistan's exports. To achieve greater market access in the region, Ministry of Commerce had signed a Framework Agreement on Trade with Mercosur (a trade block comprising Argentina, Brazil, Paraguay and Uruguay) in 2006 with a view to sign a Preferential Trade Agreement (PTA) leading to a Free Trade Agreement (FTA) however so far no progress was made due to a lack of consensus within Mercosur member states on signing a preferential trade agreement (PTA) with Pakistan, as well as their preoccupation with finalising trade deals with the European Union./\*
- Mercosur, a trading bloc of South American countries, is the fifth largest economy in the world today with a GDP of \$2.7 tr. The Ministry of Commerce recognized the immense trade potential of the South American region and offered 2 per cent additional drawback on exports to non-traditional markets including Latin America. South American markets restrict market access of textile products to protect the domestic industry and as such perceive textile products of Pakistan a threat to their domestic industry. Pakistan signed a framework agreement on trade with Mercosur on July 20, 2006 but no further progress was made.
- Africa: Africa is the world's second-largest and second-most populous continent after Asia and its population is approximately 1.32 billion, i.e. 16.72 % of the world's population. Rising economies like Ethiopia, Rwanda, Côte d'Ivoire, Senegal, Benin, Uganda & Kenya are expected to grow by more than 6% in 2020. Pakistan's trade to Africa remained stagnant owing to low level of engagement of Pakistan with Africa. Owing to presence of growing consuming class and rising economies, Pakistan can increase its exports of home textile sector by efficiently tapping market of Africa.

### III. HOW TO BE COMPATIBLE IN POTENTIAL MARKETS/RECOMMENDATIONS

Global market for home textile product is dominated by China. Pakistan can increase its global market share for home textile product in potential market by taking following steps:

- Better seed quality and latest farming techniques and picking practices will enhance cotton production. Emphasize on production of long staple cotton will result in minimal reliance on imported cotton which will increase overall exports.
- The establishment of dyeing laboratory in the cities having cluster of home textile industry will help small weavers to get their yarn dyed sample testing at very minimum charges. It will help to eliminate the problem of shade matching, colorfastness and color fadedness.
- Focus should be on up gradation and modernization of entire value chain. In this regard LTFF Long term financing facility should be given to direct and indirect exporters and its limit should be increase.
- Electricity and gas tariff should be fixed at US Cent 7.5 per KWh and \$6.5 per MMBTU respectively for the next five years.
- In order to address the issue of liquidity crunch, the government should review the decision regarding withdrawal of zero rating or SRO 1125. To ensure payment of sales tax refunds to exporters under the FASTER system within 72 hrs after fulfilling required documentation. This will help in resolving liquidity crisis of textile sector.
- Through simplifying procedures for temporary import scheme and extending TIS to indirect exporter , Pakistan can achieve price competitiveness ,and product diversification as limited access to raw material is affecting all over export potential of Pakistan textile sector.
- The Government should provide strong infrastructure to the exporters like transport and communication, roads highways, power/energy and well-functioning ports. The weaknesses in the infrastructure like the transportation

failures and frequent power break down interrupt the production processes making it difficult for the exporters to meet their delivery time lines.

- Production capacity of home textile industry can be increased by identifying general inefficiencies in operation and same must be rooted out for reducing operating cost. Better building design and a conducive work environment contributes to productivity. Government may provide incentives to firms which remove their operational inefficiencies
- Pakistan home textile sector should comply with international standards and secure the requisite certifications in order to fetch better price for their products.
- With innovation and sustainable manufacturing techniques such as antimicrobial, anti-mist, herbal etc, the productivity as well as quality of products can be increased.

## **8. CONCLUSION:**

In recent years, home textile sector has surfaced as one of the most attractive and fashion sensitive segments in the overall textile market. Pakistan is the third world largest exporter of home textile products whereas China and India are its major competitors for home textile products. To improve global competitiveness, there is a need to devise strategies and policies to promote technology up gradation, improve business climate, enhance institutional quality and support small and medium enterprises. The training of workers, improvement in labour productivity, research & development, product diversification and branding are the immediate areas for each company to focus. These initiatives can be instrumental in achieving greater competitiveness which is essential to enhance exports of Pakistan home textile sector. Commercial counselors can play an effective role in penetrating potential home textile markets which in result will galvanize exports of Pakistan home textile sector. Pandemic of COVID -19 further provided an opportunity to Pakistan home textile sector to compete China and India owing to US –China trade War and worsening of COVID -19 crisis in India respectively. There is an opportunity for home textile sector to capture the share of global market which had been mainly dominated by China. By providing timely and good quality product home textile sector can build strong and long lasting relationship with new customers. In future, CPEC will further create enormous inter and intra-regional trade opportunities for Pakistan home textile sector.

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