

## **MASSIVE LAYOFFS AND SHUTDOWNS IN TEXTILE SECTOR FEARED**

Islamabad: As the apex forum representing Pakistan's leading textile and apparel exporters, The **Pakistan Textile Council (PTC)** warns that **structurally high costs across energy, finance, taxation, logistics, and raw materials have rendered Pakistan's textile and apparel sector uncompetitive when compared with regional peers**, killing export growth, employment opportunities, and foreign exchange earnings for Pakistan. While competitor countries have aligned policies to support export-led growth, **Pakistan continues to impose significantly higher cost burdens on its export industries.**

### **ENERGY COSTS FAR ABOVE REGIONAL BENCHMARKS**

Pakistan's exporters face **substantially higher electricity tariffs (13.2 cents/kWh)** than competitors such as **Bangladesh (10.2 cents/kWh), Vietnam (7.0 cents/kWh) China (5.3 cents/kWh), and India (9.5 cents/kWh industrial avg)**, alongside unreliable supply. While regional competitors provide stable, export-focused energy pricing, Pakistan's exporters are forced to absorb the inefficiencies of the energy sector, including high transmission and distribution losses, unaccounted-for gas, weak recoveries, and cross-subsidies. These inefficiencies have contributed to persistent **circular debt**, with costs passed on to productive export sectors, severely undermining profitability.

### **COSTLY FINANCING COMPARED TO COMPETING ECONOMIES**

Access to affordable finance remains a major constraint. Pakistan's **policy rate stands at 11%**, compared with **10% in Bangladesh, 4.5% in Vietnam, and 3% in China**, making borrowing significantly more expensive for exporters. The **discontinuation of SBP long-term financing schemes**, coupled with transition-related delays in export financing mechanisms and limited working capital access, has restricted investment in technology upgradation and capacity expansion—particularly for MSMEs.

### **UNCOMPETITIVE PAYMENT TERMS IN GLOBAL TRADE**

PTC noted that Pakistan's requirement to realize export proceeds within **120 days** places exporters at a disadvantage against competitor countries operating on **180-day LC tenors**. This regulatory constraint weakens exporters' negotiating position with international buyers and results in order diversion to competing sourcing destinations.

### **HEAVIER TAXATION THAN REGIONAL COMPETITORS**

The Council expressed serious concern over Pakistan's **high and cascading tax burden**. Pakistan's **standard corporate tax rate is 29%**, in addition to a **super tax ranging from 1% to 10%**, compared with **China's 25% (5% for SMEs and 15% for high-tech enterprises)** and **Vietnam's 20% standard rate with preferential rates of 10% for high-tech and garment industries**. Bangladesh offers some of the most competitive tax incentives, including **0% corporate tax for SMEs, 10–12% for LEED-certified and garment exporters**, and concessional rates for textile value-addition segments.

In contrast, our exporters also face **18% sales tax, 1% minimum turnover tax, additional advance income tax on export proceeds, and multiple federal and provincial levies**, while refund delays further strain liquidity.

### **DECLINING COTTON PRODUCTION INCREASING IMPORT DEPENDENCE**

PTC warned that domestic cotton production—once Pakistan’s primary comparative advantage—has continued to decline, forcing the industry to rely increasingly on imports. Rising input costs, climate-induced yield losses, and quality constraints have increased vulnerability to global price volatility. Competitor countries have invested in productivity-enhancing agricultural practices, while Pakistan’s cotton yields and output remain under pressure.

### **LOGISTICS PERFORMANCE LAGS BEHIND COMPETITORS**

Pakistan’s logistics inefficiencies further erode competitiveness. The country ranked **122 out of 160** in the World Bank’s **Logistics Performance Index (2018)** and is absent from the **LPI 2023**, while regional competitors continue to improve their rankings. Pakistan moves **approximately 94% of freight by road**, compared with **India’s modal mix of around 66% road and 31% rail**, resulting in higher costs and delays. Limited rail connectivity, outdated logistics infrastructure, and reliance on transshipment hubs due to the absence of mother vessels at Pakistani ports add to lead times and shipping costs.

### **LOWER INVESTMENT AND PRODUCTIVITY COMPARED TO REGIONAL PEERS**

PTC noted that since 2004, regional competitors have made **substantially higher investments in imported textile and apparel machinery**, enabling scale, efficiency, and integration into global supply chains. Pakistan has lagged due to **policy uncertainty, macroeconomic instability, energy constraints, and regulatory complexity**, resulting in lower productivity. Pakistan’s **Human Development Index ranking of 165 out of 193 countries** further reflects challenges in skills development, labor productivity, and innovation capacity.

### **PTC’S CALL FOR COMPETITIVE ALIGNMENT**

PTC urged the Government of Pakistan to urgently realign policies with regional benchmarks to restore export competitiveness, including:

- **Reducing industrial energy tariffs** to levels comparable with Bangladesh, Vietnam, and China, alongside improving reliability
- **Lowering interest rates** to narrow the gap with regional competitors and revive investment
- **Rationalizing taxation**, particularly reducing turnover-based and cascading taxes, and ensuring timely refunds
- **Aligning the exchange rate with market fundamentals** to reflect economic realities and support exports
- **Reviving domestic cotton production**, modernizing logistics, and boosting investment in productivity and skills

PTC emphasized that **export-led growth remains Pakistan’s most viable path to economic stability**, and restoring the competitiveness of the textile and apparel sector is central to achieving sustainable growth, employment generation, and foreign exchange resilience.