Garments and Made-Ups

(Textile)

Small and Medium Enterprise Development Authority
GOVERNMENT OF PAKISTAN

Garments and Made-Ups

Garments

Garments alone are a global annual market of more than US$ 113 billion. While total global exports of Made-ups are around US$ 13 billion. USA and the European Union are the two largest markets for garments and other apparel products with a combined share of 73% in total global apparel imports.

In 1997, over 59% of textile and 70% of clothing exports originated from Asia. Apparel is a rapidly changing business with very short product life cycles and consumer preferences. Responding quickly to these changing demands is vital for the success of garment exports.

Pakistan with total exports of US$ 1.24 billion has a meager share of 1% in the global apparel market. Exports of Made Ups in the corresponding period have been around $1 billion. The apparel export product mix from Pakistan is heavily tilted towards men's wear and knitted garments. In Made Ups major export items are woven bed linen, towels and tents. Major export markets for made ups from Pakistan are Germany, U.K., Netherlands, Italy USA, and Japan. However in tents and canvases major export partners of Pakistan are Saudi Arabia, Kuwait, Syria, UAE and other Muslim Arab countries.

The major thrust of garments and made-ups exports from Pakistan is on the USA market. The European Union is the second largest market for garment manufacturers from Pakistan. Major markets that Pakistani manufactures have so for not been able to explore are the Japanese, Far East and Middle East markets. These markets demand high product standards and in return offer higher unit price realizations. The shift towards newer product and non-traditional markets can only be brought about by more emphasis on synthetic garments, development of a marketing and research infrastructure for the industry.

The production of garments and made-ups in Pakistan is concentrated mainly in Lahore, Faisalabad & Karachi. These three clusters have their own specialties. Faisalabad caters more to Home Textile, Lahore is the home of Knitwear & Karachi lives up to its reputation of being the mini Pakistan. Karachi has established itself both in Knit as well as Woven side of the industry.

In Lahore all major units are vertically integrated & are involved in knitting, dyeing, finishing & stitching. Major reasons to set up vertically integrated units is the desire of the manufacturer to have full control over all the processes involved & to ensure that right products are delivered at the right time. Specialized and commercial units have not been successful to position themselves to cater to the needs of the export oriented garment industry. This has hindered the growth of a parallel & independent downstream industry. At the same time it has limited the growth of the parent garment industry. Karachi industry on the other hand is divided into specialized commercial units. There are specialized units for fabric development and for commercial dyeing. This enables the industry to take the advantage of specialization that eventually reflects into product flexibility and cost competitiveness.

Industry Structure of Apparel Sector of Pakistan

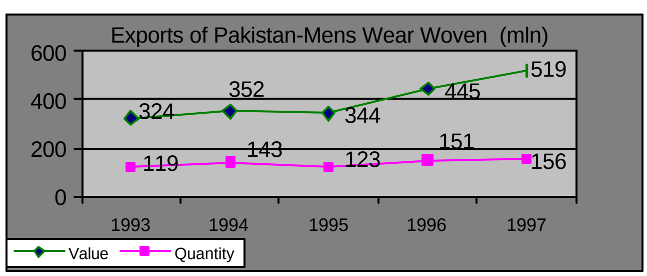
Pakistan's apparel & garment industry comprised of approximately 700 vertically integrated units in the knitwear sector, whereas very few integrated woven garment manufacturing units are present. It additionally has 670 finishing units both for the knit and woven fabrics There are approximately 4,000 garment units, with a diverse range of stitching capability including leather, knit and woven garments and made-ups with 160,000 industrial and 450,000 domestic sewing machines. Most of these garment manufacturers are small units having less than 30 stitching machines. There are 400 units with 30 – 50 machines and 600 units with 50 – 300 machines.

Knitting industry is growing at a rate of 15 to 17 percent annually. The knitting sector has become a large consumer of domestic cotton yarns. Pakistan's knitting industry comprises of approximately 700 separate or vertically integrated units with approximately 15,000 knitting machines, which are mostly imported. The machinery used in the knitting sector, especially for circular knitting is largely imported from Europe and Japan. **Major portion of the country's entire production of knitwear, valued at nearly US$ 742 million in 1998-99, is exported**. Despite current economic conditions, the industry is expected to continue to grow at a stable rate either through the expansion of existing units and /or through the establishment of new small and medium scale specialized knitting units.

Pakistan's fabric finishing industry comprises of approximately 670 units, the majority of which are independent small units with obsolete dyeing and finishing facilities**.** Their installed machinery is considerably old and in need of major maintenance or replacement. The state of the art large-size processing units are a part of the integrated mill sector, which process woven fabric. Most of the knit processing units are also small scale with traditional wynch dyeing facilities.

The ready-made garments sector is comprised of 4,000 small, medium and large-scale units that altogether have approx. 160,000 industrial and 450,000 domestic sewing machines.

Garments Sector is divided in to some sub-sectors: Men's Wear (Woven & Knit), Women's Wear (Woven & Knit), Babies wear, Sports wear, T-Shirts & Pull Overs and Hosiery.



A brief of each sub-sector is given below:

Men's Wear - Woven

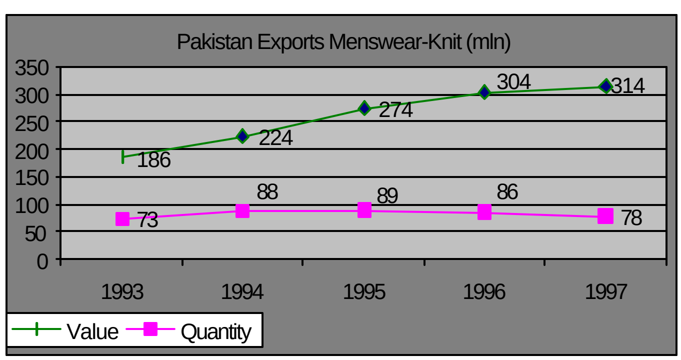
Pakistan has a very solid base in men's garment segment. In 1997 exports of Pakistan in woven men's garments were $519 million. This level of exports earns Pakistan a share of almost 2% in total world imports of woven men's garments. The growth in this product has been significant since 1993 when export value

Exports of Pakistan Menwear Woven -1997	$ Million	Number of units '000	Share in Value	Share in Qty
WORLD	519	156,261		
USA	260	73,946	50%	47%
GERMANY	64	21.999	12%	14%
UNITED KINGDOM	40	11,575	8%	7%
FRANCE	34	10,501	7%	7%
CANADA	20	5,909	4%	4%
NETHERLANDS	17	5,708	3%	4%
BELGIUM	15	4,598	3%	3%
ITALY	17	4,645	3%	3%
U.A.E	7	2,237	1%	1%
SAUDI ARABIA	5	0	1%	0%
Others	40	15,143	8%	10%

was $324 million. Another important aspect of this growth is the marked increase in the unit price realization of exports. The effect would have been twofold had there been a simultaneous increase in production volumes. The increase in the value of exports is almost 60% from 1993 to 1997, whereas the volume has increased by only 31%. Pakistan exports in the category are primarily in cotton trousers and shorts with exports of $199 million in 1997. Second major export category is shirts of cotton of which Pakistan exported $180 million in the same year.

Pakistan has unfortunately not been able to penetrate in the non-quota markets including Japan & Hong Kong, which together imported woven garments of $5.7 billion comprising 17% of total world imports in 1997. Due to high tariff barriers on import of fabrics in Pakistan and limited variety of local fabrics the domestic apparel manufacturers have been unable to develop products for these markets.

Men's Wear - Knit

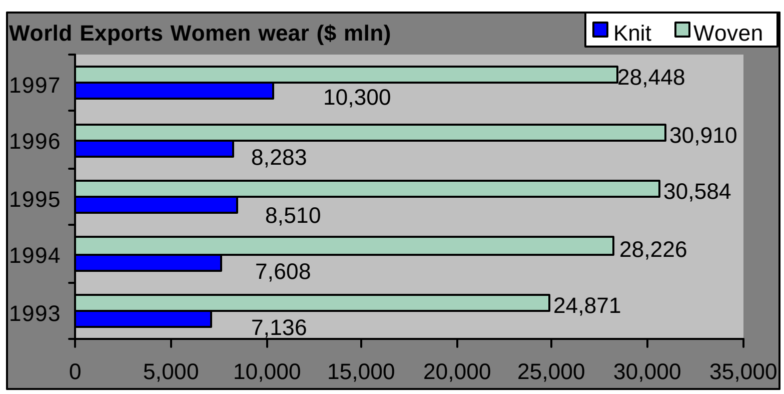


In knit based, men's wear exports of Pakistan are less as compare to the woven-based men's garment segment. In 1997 the exports of knit men's wear were $314 million, while in woven, men segment, the exports are almost 65% higher. However this fact is understandable when the overall global value in both categories are taken into account. With an exports of $ 314 million Pakistan holds a market share of 4.5% of the world imports. Again here quantity growth has been stagnant since 1993 registering a meager rise of 5 million units while export earnings showing a substantial growth, which increased by more than 70% in five years. However this growth in value has now stabilized indicating that it would be impossible to increase export value without products as well as market diversification.

Exports of Pakistan Menswear Knit-1997	$ Million	Number of Units '000	Share in Value	Share in Qty
WORLD	314	78		
USA	229	53	73%	68%
GERMANY	14	5	5%	6%
UNTD KINGDOM	18	5	6%	7%
CANADA	11	3	3%	4%
FRANCE	7	2	2%	2%
NETHERLANDS	7	2	2%	3%
UNTD ARAB EM	3	1	1%	1%
BELGIUM	6	1	2%	2%
ITALY	2	0	1%	1%
SAUDI ARABIA	2	1	1%	1%
Others	15	4	5%	5%

Women's Wear

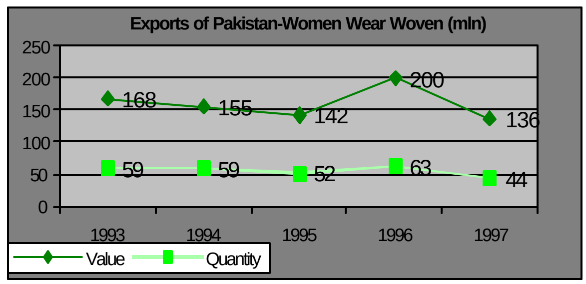
Women wear is the largest single product category of garments in value terms. In 1997 total global imports in this single category were to the tune of US$ 48 billion. This means that this segment accounts for 32% of the total world apparel imports. Total trade in woven women garments is around $28.4 billion having with a lion's share of 74% in the women apparel segment. The magnitude of trade in women woven garments can also be measured by looking it in the broader framework of total apparel exports including the men's and women garments. The woven women apparel constitutes almost one fourth of the total apparel trade.



Knitted women garment is comparatively a smaller segment with world imports of $10.8 billion in 1997. However higher growth rates in value terms of knit women garments make this segment highly attractive. The women woven clothing exports have grown by 4% during 1993-1997, the knit segment grew by a healthy cumulative annual growth rate of 10% over the same period. This phenomenon of growth in women knit garments is also observed in the world's largest market, i.e the USA, but at the same time the importance of the woven women garment segment cannot be underestimated, which still is the largest segment in global apparel trade.

Women's Wear - Woven

Despite the fact that the women wear have the largest share of 33% in the global apparel exports, Pakistani manufacturers and exporters have not been able to gain a sizable portion in this total trade. Pakistan's exports in woven women wear were US$ 136 million during 1997, which dropped almost 17% over a period of five years, during 1993 the exports in this segment were US$ 168 million. This is not a very promising performance by any standards, particularly for a growing global market segment such as women wear. Pakistan's share in total export value of woven women garments is only 0.5%. One threatening fact is that Pakistani exporters are gradually losing out their market share of quantities exported in all major markets. Volume of woven women apparel has declined by 7% during 1993-97.

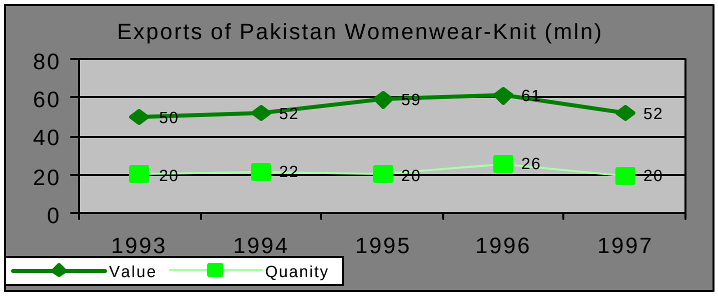


Exports of Pakistan Womenwear Woven-1997				
	$ Million	Number of units mln	Share in Value	Share in Qty
WORLD	**136**	**43,625**		
USA	61	17,850	45%	41%
GERMANY	15	5,178	11%	12%
UNTD KINGDOM	11	4,394	8%	10%
NETHERLANDS	14	4,570	10%	10%
CANADA	7	2,090	5%	5%
FRANCE	6	2,172	4%	5%
SAUDI ARABIA	4	1,537	3%	4%
UNTD ARAB EM	1	443	1%	1%
BELGIUM-LUX	4	1,444	3%	3%
ITALY	1	414	1%	1%
Others	12	3533	9%	8%

Japan & Hong Kong together imported $7billion worth of women woven garments in 1997, however Pakistani exporters have completely overlooked these non-quota countries.

Women's Wear - Knit

Knit based women garments is a smaller market segment as compare to woven based women apparel, with a total world imports of $10.8 billion in 1997. Exports of knit women garments from Pakistan in 1997 were $52million, which is only 0.63% of total global trade value in the sector.



Quantities exported from Pakistan in the category has not shown any growth in five years while export values have marginally increased by less than 1% annually. Latest figures however show a marginal rise in value with an exports of around $90 million in 1999.

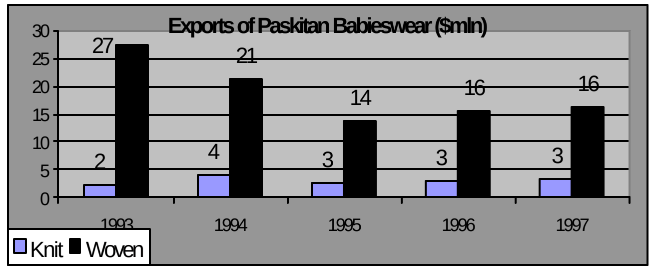
Exports of Pakistan Womenwear-Knit-1997

	Value-mln	Qty-000	Share in Value	Share in Qty
WORLD	**52**	**19,644**		
USA	24	7,687	46%	39%
GERMANY	5	2,177	10%	11%
UNTD KINGDOM	7	3,131	13%	16%
NETHERLANDS	4	2,277	8%	12%
FRANCE	2	908	4%	5%
CANADA	3	867	6%	4%
BELGIUM-LUX	1	309	2%	2%
SWEDEN	1	258	2%	1%
ITALY	0	170	0%	1%
UNTD ARAB EM	1	416	2%	2%
Others	4	1,444	8%	7%

Babies wear

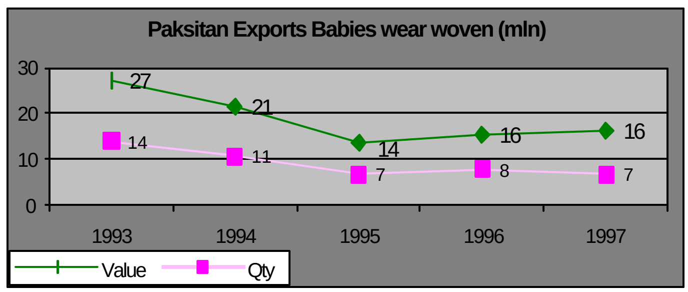
Babies wear is a relatively smaller sector when compared with apparel product segments including men's and women's wear. The global market of knit and woven babies' wear is around US $ 3.5 billion, with a market share of 2.3% in the total apparel trade. The world imports in babies' wear have shown a cumulative annual growth rate of

7% during 1993-1997. Growth in the world imports of babies' wear has been greater in knit segment as compared to woven-based babies' wear. The overall split of knit and woven in the segment is 70% and 30% respectively.

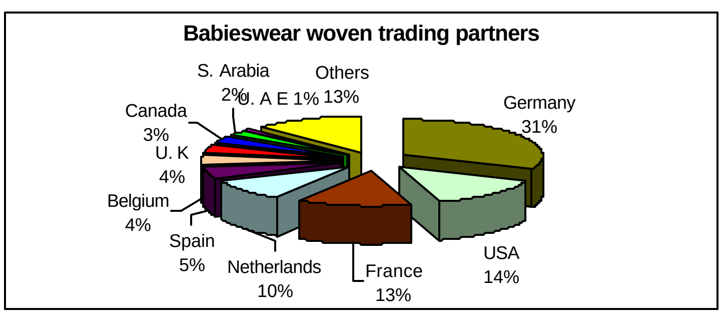


The Pakistani apparel exporters/manufacturers have kept their focus on producing only traditional products. Product development is considered to be a high-risk activity in the business circles. This is also true for the babies wear segment that is considered a complex product with little export opportunities. Despite the fact that the babies wear segment is limited to US$ 3.5 billion, still it holds potential to enhance the export earnings through developing and marketing high value added products in this segment.

Babies Wear - Woven

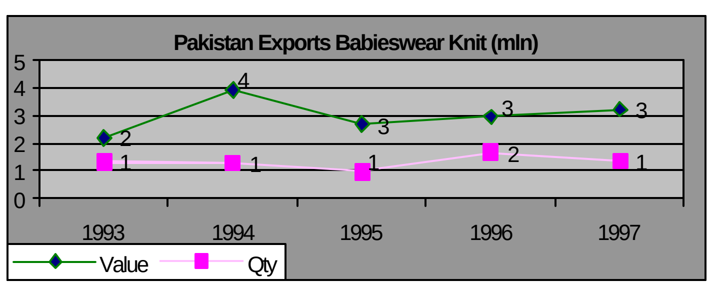


Pakistan exported a total of $16million worth of woven based babies wear in 1997, with a market share of 2% in the world exports of this segment. Exports in this category have been continuously declining during 1993-1997. From a total exports of $27million in 1993 the exports have registered a 41% decrease, which in 1997 were limited to only $16million. A cumulative annual growth rate of -12% in a market that is growing by 3% p.a. is not a very healthy sign especially for a

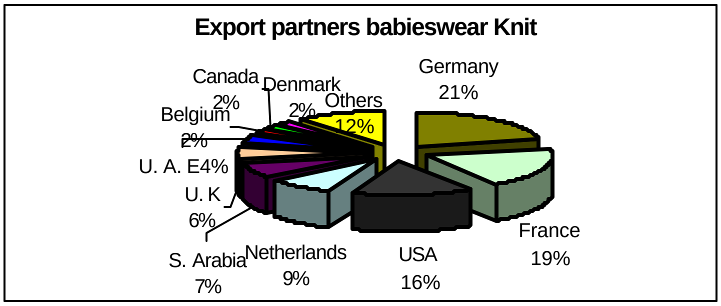


county in which textiles constitute 65% of exports.

Babies Wear - Knit



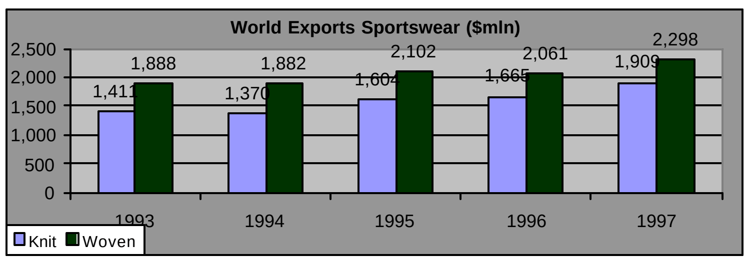
Babieswear knit is a larger market than woven segment. However again the category is not very popular with exporters from Pakistan and in 1997 total export value from Pakistan was as low as $3 million.



Major export partners of Pakistan in Babieswear have been EU countries. Germany is the largest importer of babies' garments from Pakistan with a share of 31% in woven segment and 21% in knit babieswear. USA is the second largest market for Pakistan exports in the category. As mentioned earlier that, Saudi Arabia and U.A.E are large import markets of babies wear where Pakistani exporters can increase their trade with these two countries.

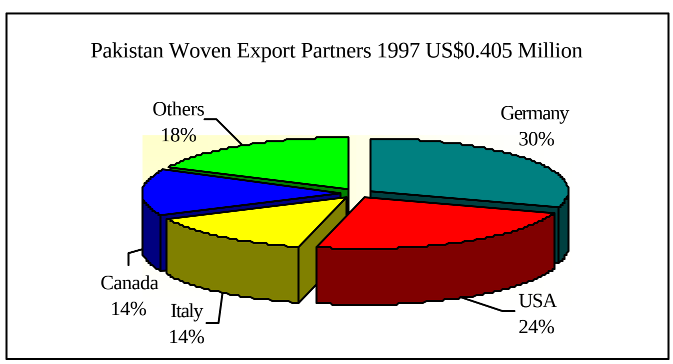
Sportswear

Sportswear is one category, which holds a high growth potential for exporters. In very recent years this category has shown healthy growth trends with a simultaneous increase in unit price realisation. Sportswear category comprises of ski suits, swim suits and a diverse range of other sports gear manufactured from high performance fabrics. Overall cumulative growth rates in the value of imports of sportswear were 3% for woven garments and 7% for knit sportswear. Total world imports in sportswear were $4.1 billion in 1997, making it one of the major categories besides men's and women clothing. Sportswear is one category where total trade is balanced between knit & woven garments, the split is 45% and 55% respectively.

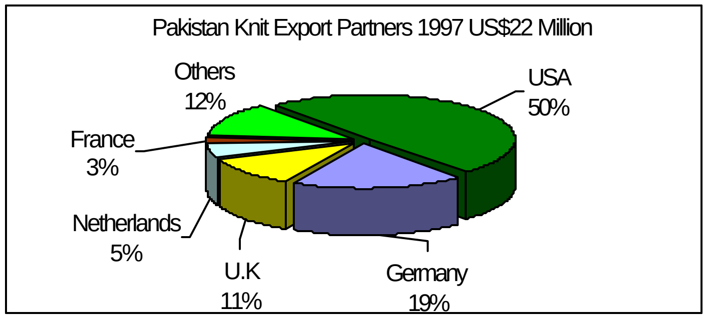


Sports Wear - Exports from Pakistan

Sportswear is a growing category with high unit values. Pakistani manufacturers and exporters have not yet been able to exploit the potential that sportswear offers. Out of total global exports of more than $4



billion in 1997, Pakistan exports in the category were only $22.4 million. Except for a small $0.4 million all of the exports were in knit sportswear. In woven sportswear, Pakistan's export product mix is very narrow with little product diversification. Product range of sportswear include only two items i.e. women outer and male swimwear. Germany is the largest buyer of woven sportswear from Pakistan followed by USA, Italy & Canada. Sportswear market demands continuous product innovation and performance improvement. Lack of the concept of product development in garment industry of Pakistan has therefore resulted in declining unit values of sportswear.



In knit sportswear Pakistan has higher exporters in most of its Asian competitors. However for exports from Pakistan has shown continuos decline during 1993-1997. Exports in the category have dropped by 45% in five years. Knitted sportswear exports from Pakistan have been limited to just one category i.e. knit tracksuits specially made of synthetic material. Tracksuits constitutes more than 99% of exports from Pakistan in the category.

USA is the largest export partner of Pakistan in this category with a share of 50%. While Germany that is the second largest importer of sportswear from Pakistan. Italy and France in Europe and countries in south and Central America are other major markets for sportswear that can be explored in order to diversify the current market mix.

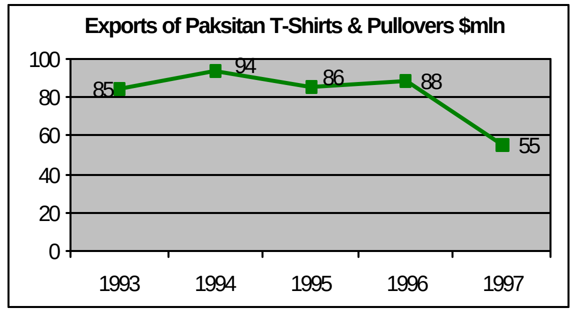
T Shirts & Pull Overs

This grouping consists of T-shirts, cardigans, jerseys, pullovers and kaftan items and other items not covered in men's wear or women's wear. This is the third largest apparel category in terms of global trade values, after men & women woven garments. Total world imports in the category were $33.8 billion in 1997. Within the category, there are tow main products. Jersey & pullover is the larger product group with a share of 72% and the second is T-shirts with a share of 28%.

World Imports T Shirts & Pullovers

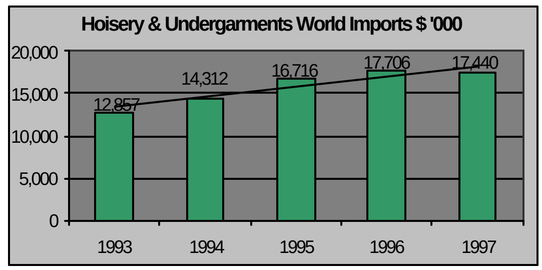
	Value '000	Share	CAGR
Total	33,877,632		7.38%
USA	9,650,622	28.49%	13.67%
GERMANY	4,571,388	13.49%	0.32%
JAPAN	3,869,621	11.42%	7.53%
HONG KONG	3,218,149	9.50%	7.24%
FRANCE	2,221,726	6.56%	4.99%
UNTD KINGDOM	2,326,991	6.87%	12.28%
NETHERLANDS	1,192,181	3.52%	6.20%
BELGIUM	857,884	2.53%	8.30%
SWITZ.LIECHT	659,935	1.95%	1.19%
ITALY	869,903	2.57%	14.07%
Others	4,439,232	13.10%	

Pakistan's Performance



Exports of T-shirts, Cardigans, jerseys and pullovers from Pakistan were $55 million in 1997 which gives Pakistan a share of 1.7% in total world exports.
One of the reasons of smaller Pakistan exports in the category is that a large portion of t-shirts from Pakistan gets reported under men's wear. It is evident that Pakistani manufacturers and exporters have totally overlooked a category of this huge size.

Hosiery, Underwear and Nightwear



Hosiery and nightwear has been combined into one category. This category includes briefs, nightdresses, undergarments, brassieres, tights, vests and other hosiery items for both men & women. This is the fourth largest category with a share of 10% in total apparel trade. Total world imports in this category has been $17 billion in 1997.