Spinning

Small and Medium Enterprise Development Authority
GOVERNMENT OF PAKISTAN

Spinning

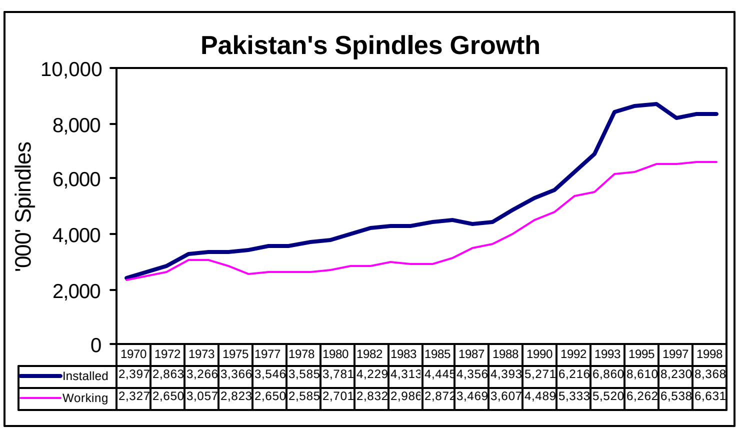
Spinning is the process of converting fibres into yarn. This is the first process of value chain that adds value to cotton by converting into a new product i.e. conversion from ginned cotton into cotton yarn. If spinning industry produces sub-standard yarn, its effect goes right across the entire value chain.

Of the total 163 million spindles in the world, 113 million spindles are installed in Asia. Major Asian yarn producers along with their number of installed spindles and share in world and Asia are shown in Table ---

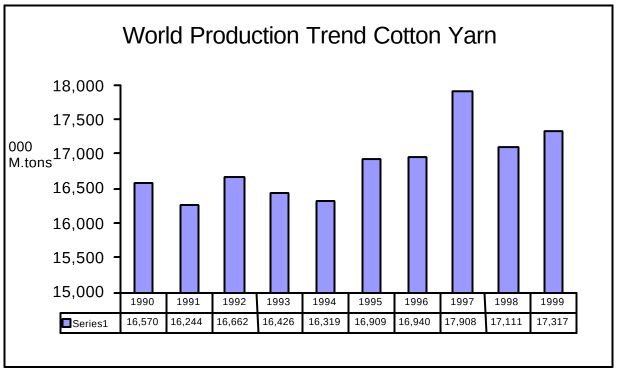
Country	Spindles '000'	Share in World	Share in Asia	Growth Rate (1992-96)
China	41,710	25.5%	38.6%	0.01%
India	31,835	19.5%	29.5%	3.16%
Pakistan	**8,159**	**5.0%**	**7.6%**	**6.22%**
Indonesia	7,050	4.3%	6.5%	4.59%
Turkey	4,544	2.8%	4.0%	2.8%
Japan	4,360	2.7%	4.0%	-11.00%
Thailand	4,100	2.5%	3.8%	1.94%
Taiwan	3,334	2.0%	3.1%	-2.34%
Korea	2,135	1.3%	2.0%	-10.07%
Iran	1,975	1.2%	1.8%	7.25%
				Source: APTMA

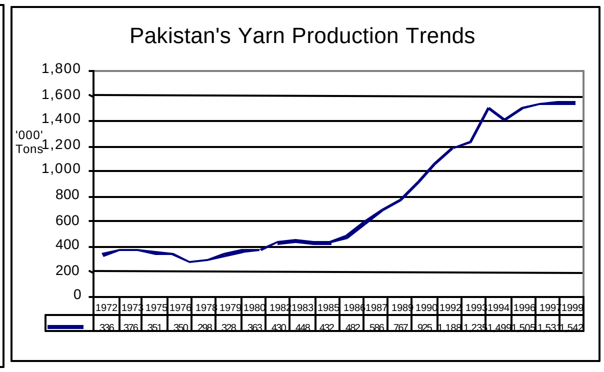
China has the largest number of installed spindles in the world and accounts for 25% of the world and 39% of the Asia. There has been no change in China's spinning capacity during the period 1992-96. China is followed by India, which has 32 million spindles and contributes 20% to the world and 30% to Asian installed spindles. India has increased its spinning capacity at a growth rate of 3%.

Pakistan is the third largest player in Asia. Pakistan's spinning capacity is 5% of the total world and 7.6% of the capacity in Asia. Pakistan's growth rate has been 6.2% and is second only to Iran amongst the major players.



Yarn is a $27 billion global market. Two third of the total global spinning capacity is installed in Asia and as a result Asian exporters account for 40% of total world exports. Major Asian yarn producing countries are China, India and Pakistan. Major markets for Cotton Yarn are Hong Kong, China, Japan, Italy, Germany, Korea, UK and the USA. Cotton yarn is the largest product category within yarn and accounts for around 25% of total global exports. However 92% of yarn exports from Pakistan are concentrated just in this one category.

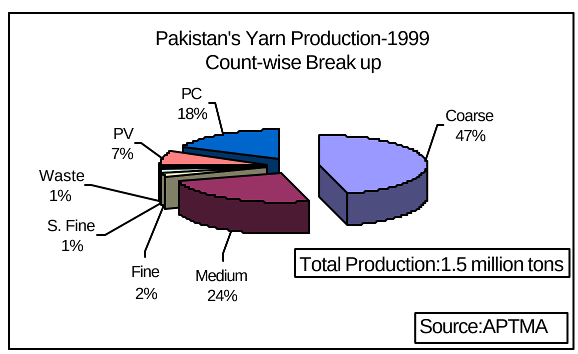




Pakistan is the fourth largest producer of cotton yarn in the world. Total number of installed spindles in the country is 8.3 million and yarn production is around 1.5 million tones. 70% of total yarn production in Pakistan is based on coarse and medium count cotton yarn. Therefore there is a strong need for spinning industry in Pakistan to diversify its product mix and increase the share of high value added finer count yarns. Global consumption of fiber is shifting from Cotton to MMF. In Pakistan, however only 18% of spindle utilization is for man made fiber and the need is to increase this percentage to 40% at least, in line with the global trade patterns.

Pakistan Yarn Production break-up.

Count Wise Production of Yarn	
Yarn Production 1997-98	(M. Tons)
Coarse	688
Medium	414
Fine	60
Super fine	18
Polyester Viscose	101
Polyester Cotton	242
Waste	20
Total	1543



Pakistan's Position in Global Yarn Market

Pakistan held 4% share of the total global yarn exports and ranked 7th in 1997 among the yarn exporters. In the Asian export market, Pakistan had 13% share and ranked 4th.

Pakistan's exports have decreased in the period 1996-97 from $1.67 billion to $1.45 billion. Pakistan used to hold 2nd position in Asian Yarn export market but its position declined from 2nd to 4th in 1997. The performance looks even more unsatisfactory in view of the fact that the total export market for yarn is growing. This means that Pakistan is losing market share in yarn export market. Pakistan's yarn exports and its market shares during the time 1993-97 are shown in Table

	1993	1994	1995	1996	1997
World Market ('000' $)	19,432	24,027	28,025	27,547	27,596
Asian Market ('000' $)	6,990	9,039	10,525	10,617	11,108
Pakistan's Exports ('000' $)	1,200	1,424	1,648	1,672	1,458
World Market Share (%)	6.2%	5.9%	5.9%	6.1%	5.2%
Asian Market share (%)	17.1%	15.7%	15.6%	15.7%	13.1%

During the period 1993-97, Pakistan's market share dropped from 6.2% to 5.2% in the global yarn exports. As a percentage of total Asian exports, Pakistan's market share dropped from 17.1% to 13.1%.

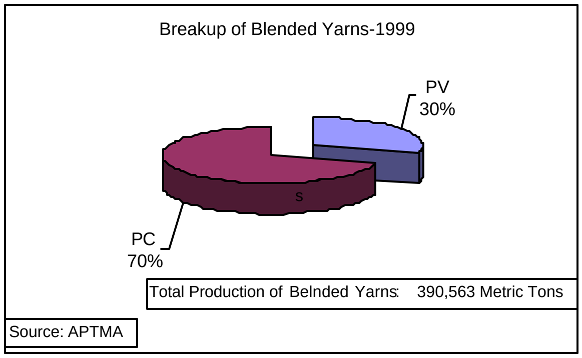
Pakistan's Major Trade Partners in Yarn

Value in Million $

Exports of Pakistan					
	1993	**1994**	**1995**	**1996**	**1997**
World	**1,144**	**1,344**	**1,585**	**1,600**	**1,357**
Hong Kong	181	332	375	489	407
Japan	305	358	377	372	276
Korea	102	123	179	156	122
Other Asia	134	143	153	137	102
UAE	27	44	51	55	47
Turkey	70	20	74	29	23
China	2	4	25	45	75
Canada	43	33	23	19	22
Portugal	15	23	26	35	38
USA	4	5	14	29	47
Others	262	261	290	234	197

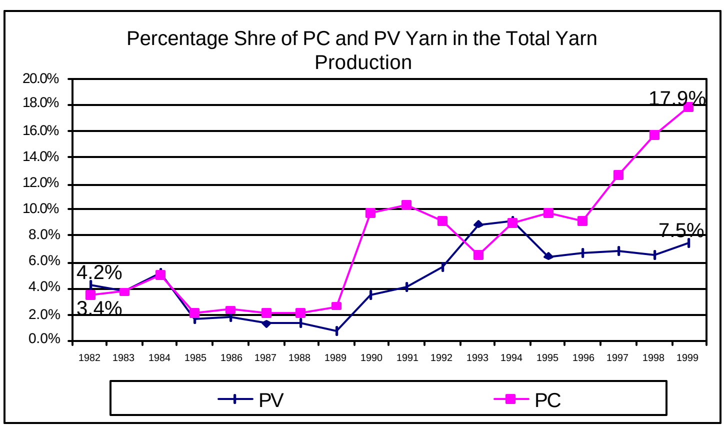
Blended Yarns

In the category of the blended yarns, Polyester/Cotton (PC) and Polyester/Viscose (PV) are the main types of yarns produced by the Pakistani spinning industry.



PC yarn claims 70% share of the total production of the blended yarn, the rest 30% claimed by PV yarn.

Blended yarns constitute a smaller portion of the Pakistan's total yarn production. Percentage share trend of PC and PV for the period 1982-99 is shown in figure below. From 1996 onwards, there has been a trend of continuous increase in production of PC yarn and its percentage share has increased to 17.9% in 1999. Major reason for this trend has been the growth of polyester industry in Pakistan leading to easy availability of polyester staple fiber.



Growth in PV yarn has been lesser significant compared to that in PC yarn. The share increased from 4.2% in 1982 to 7.5% in 1999. Viscose fiber industry has not developed in Pakistan and almost all of the viscose fiber used is imported. For the year 1997-98, total imports of viscose staple fiber were 20.7 million kg which amounted to Rs 1.3 billion.

Looking at the spindles capacity utilization for MMF in major textile exporters, Pakistan is found to be operating at a very low usage of spindles for MMF spinning. Far Eastern countries have the higher reliance on MMF compared to other countries. Taiwan has the highest figure where 66% of the total spindles are being used for spinning MMF. The reason for this is the non-availability of local cotton and large local manufacturing base of MMF. Pakistan is operating at

18% utilization for MMF that is lowest amongst all the competitors. Although local availability of cotton is the competitive edge of Pakistan and its utilization should naturally be higher for cotton but even India and China use 40% and 35% of their spindles for spinning MMF. Their figure is more than double than that of Pakistan. Comparison with India and China is more realistic because they are larger cotton producers than Pakistan and their competitive edge in textiles also stems from local cotton production. But they are trying to follow the world trend in which Pakistan is lagging far behind.

Spindle Capacity Utilization for MMF		
Country	Cotton	MMF
China	65%	35%
India	60%	40%
Indonesia	66%	34%
Korea	57%	43%
Thailand	51%	49%
Taiwan	34%	66%
Pakistan	82%	18%