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FY26 textile exports reach four-year high level

BUSINESS RECORDER

Pakistan's textile and apparel exports increased by 0.3 percent to USD 18 billion in FY2025-26, marking their highest level in four years despite a 5.9 percent contraction in the country's overall exports, according to the Pakistan Textile Council (PTC).

In its first Annual Export Performance Report covering July 2025 to June 2026, shared with the government's decision makers, PTC stated that Pakistan's total exports declined to USD 30.14 billion from USD 32.04 billion in FY2024-25, whereas textile and apparel exports edged up from USD 17.95 billion to USD 18 billion, increasing the sector's share in national exports to approximately 60 percent.

The report provides a comprehensive, data-driven assessment of Pakistan's export performance, with a detailed analysis of textile and apparel exports at chapter, product and market levels based on HS-6 data obtained from the Pakistan Single Window and Pakistan Bureau of Statistics (PBS).

The analysis highlights a continuing structural shift towards value-added textile products, which increasingly dominate Pakistan's export basket, while raw materials and intermediate products continue to face declining performance.

Exports under HS Chapters 61-63, covering apparel and made-up articles, reached USD 14.98 billion, registering 1.1 percent growth year-on-year. These products accounted for 83.2 percent of textile exports, compared with 77 percent in FY2021-22.

Woven apparel under Chapter 62 emerged as the strongest performer, increasing 3.9 percent to USD 4.295 billion, the highest level ever recorded. Other made-up articles under Chapter 63 rose 0.6 percent to USD 5.705 billion, while knitwear under Chapter 61 declined 0.7 percent to USD 4.979 billion.

In contrast, exports of raw materials and intermediate products under HS Chapters 50-60 declined 3.4 percent to USD 3.03 billion, the lowest level in five years.

These exports have fallen substantially from USD 4.50 billion recorded in FY2021-22, reflecting persistent weaknesses in Pakistan's upstream textile value chain.

The report linked this structural weakness to the deteriorating domestic cotton production base, noting that the cotton crop of 5.5 million bales last season was the lowest in three decades, compared with a peak of 14.8 million bales in FY2011-12.

Consequently, the gap between domestic cotton production and industry requirements has increasingly been filled through imports, creating additional pressure on the textile sector's cost structure and supply chain.

On the market front, the European Union remained Pakistan's largest textile export destination, with exports amounting to USD 7.103 billion, down from USD 7.248 billion in FY2024-25. Six of the top ten products exported to the EU registered declines, indicating persistent challenges in maintaining market competitiveness.

The United States recorded comparatively stronger performance, with exports increasing to USD 4.853 billion and seven of the top ten products showing growth.

Pakistan's textile exports to the United Kingdom declined to USD 1.730 billion, amid increasing competitive pressure following India's tariff-free access under the UK-India trade agreement.

China and Bangladesh, both important markets for Pakistan's raw materials and intermediate products, recorded exports of USD 644 million and USD 620 million, respectively.

The PTC, while identifying these trends, called for urgent policy interventions to restore competitiveness, address structural weaknesses and enhance Pakistan's share in global textile and apparel markets.

The Council urged the government to reduce the corporate income tax rate to 15 percent, arguing that Pakistan's existing headline rate of 29 percent, coupled with Super Tax exposure for exporters falling below the 80 percent export-ratio threshold, places domestic exporters at a disadvantage against regional competitors.

It also called for expediting sales tax and deferred sales tax refunds, automating income tax refund processing and integrating provincial sales tax refund mechanisms with the Federal Board of Revenue to improve liquidity and reduce financial constraints on exporters.

Energy costs and supply reliability were identified as another major concern, with the council stressing the need for regionally competitive energy prices and uninterrupted supplies to ensure operational reliability and strengthen export competitiveness.

The PTC also recommended enhancing budgetary allocations for recently announced export financing schemes, relaxing eligibility requirements for small and medium enterprises and extending financing facilities to indirect exporters.

On market access, the Council called for ensuring long-term continuity of GSP+ preferences and pursuing additional trade agreements, including free trade agreements with the United States and United Kingdom, to secure preferential access comparable with competing economies.

The report also emphasised the importance of competitive freight rates and shorter shipping lead times through structured engagement with shipping lines. It urged the government to enhance the capacity of Pakistan National Shipping Corporation to meet exporters' shipment requirements in key international markets.

Reviving domestic cotton production was identified as a critical priority, with the Council proposing an integrated national cotton strategy encompassing seed quality improvement, farmer digitisation and traceability to rebuild the domestic raw-material base.

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