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PTC seeks policy intervention to deal with textile sector challenges



Pakistan Textile Council (PTC) has sought urgent policy intervention to support the country's textile sector, which is facing mounting challenges amid the ongoing conflict in the Middle East.

In a letter addressed to Prime Minister Shehbaz Sharif, PTC Chairman Fawad Anwar outlined key issues confronting the sector and proposed remedial measures to navigate the current difficult environment.

According to the latest data, Pakistan's total exports declined by USD1.9 billion during July–March FY2025-26, marking an 8 percent drop compared to the same period last year. In March 2026 alone, exports contracted by 14 percent, falling by USD360 million. Textile and apparel exports recorded a 7 percent decline during the month, while the overall trade deficit widened by 21 percent to USD27.7 billion over the nine-month period.

“These are not projections or estimates; they reflect the documented reality of an export economy under structural stress,” the PTC chairman stated.

The council identified three major factors behind the deterioration: a sustained rise in the cost of doing business over the past three fiscal years, disruption in raw material supply chains due to the conflict affecting the Strait of Hormuz, and a taxation regime that imposes liabilities exceeding operating profits for exporters.

PTC noted that the monthly cost of employing an unskilled worker has surged by 63 percent—from Rs39,582 in FY2022-23 to Rs64,580 in FY2025-26—due to mandatory contributions such as EOBI, PESSI, provident fund, group life insurance, and worker welfare funds. While these increases reflect improvements in minimum wage policy, their cumulative impact, alongside rising energy and import costs, has severely compressed margins for labour-intensive industries.

Energy costs, particularly natural gas, have seen the most significant escalation. Since mid-2023, tariffs for captive power generation have increased from Rs1,100 per MMBTU to Rs3,500 per MMBTU, with an additional grid transition levy of Rs791 per MMBTU, pushing the effective rate to Rs4,291 per MMBTU. In some cases, rates have already reached Rs4,700 per MMBTU, representing an increase of over 300 percent in three years. Electricity fixed charges have also risen by 175 percent, significantly increasing overhead costs regardless of production levels.

The council further highlighted growing liquidity pressures, noting that commercial banks are increasingly reluctant to extend working capital financing due to the government's heavy borrowing, which crowds out private sector credit. Although the policy rate has eased to 10.5 percent from a peak of 22 percent, it remains high compared to regional competitors, placing Pakistani exporters at a disadvantage.

PTC warned that concessional financing schemes of the State Bank of Pakistan, including the Export Finance Scheme (EFS) and Long-Term Financing Facility (LTFF), are being phased out, further straining exporters' access to affordable credit. The council also underscored the sector's dependence on imported petroleum-based inputs such as polyester fibre, dyes, and chemicals—most of which originate from or transit through the Gulf region.

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