ISMAILIQBAL Securities (Pvt.) Ltd.

20-Mar-23

Monthly Textile Report – Feb-23

Textile Exports fall to a 21-month low

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In Feb-23 Textile exports decreased by 10.7% MoM (-15% YoY) to USD 1.18bn, primarily due to decline in value-added exports (down by 11% MoM). This has taken 8MFY23 textile exports to USD 11.2bn, down by 11% compared to SPLY.

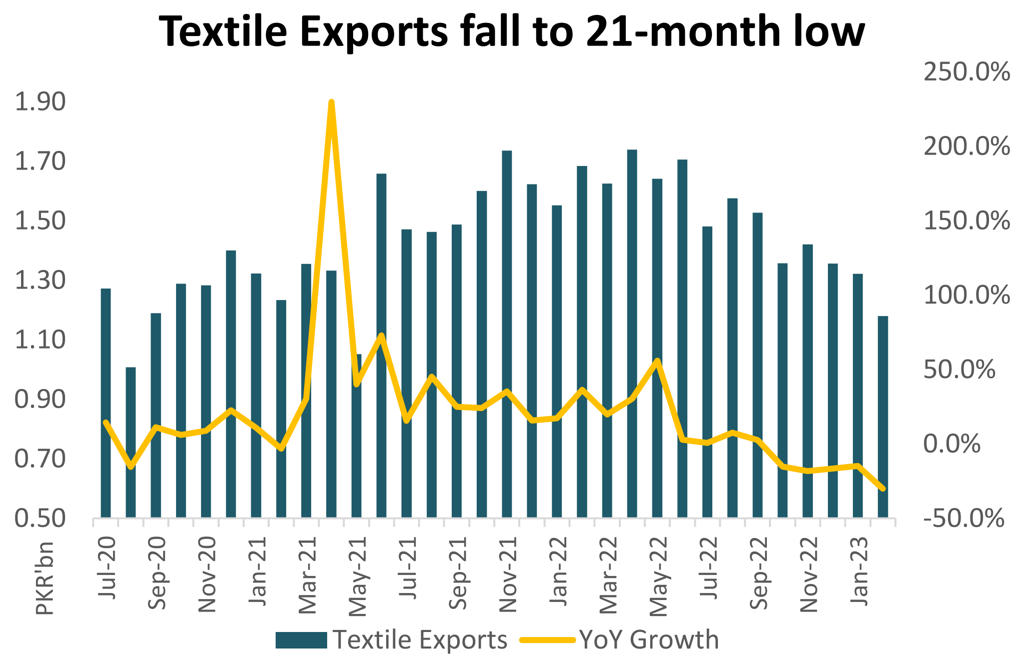
The MoM decline is both price and volume led as prices and volumes of most categories are lower compared to previous month. Both Price and volume are down likely due to decline in cotton prices and weak demand outlook.

The two largest categories, Knitwear (down by 18% MoM) and garments (-13% MoM) have experienced the biggest decline. The decline in Knitwear is volume-led as prices have remained stable, while ready-made garments are down mainly due to lower prices.

Imports by textile sector are down by 20% MoM, mainly due to decline in import of raw cotton (down 25% MoM). Despite failure of local cotton crop, cotton imports in 8MFY23 have only increased by 6.6% in volumetric terms. This is likely due to lower textile exports and issues in opening of LCs.

Looking ahead, the textile exports are expected to remain under pressure due to both demand and supply side issues. On the demand side, the central banks of key export markets are hiking interest rates to decrease demand and control inflation.

On the domestic front, cost of doing business is continuously rising due to higher domestic inflation, hike in energy prices and increasing cost of subsidized finance. After the latest hike in policy rate by SBP, the EFS and LTFF rate has increased to 17%.



Textile exports - Feb-23

USD'mn	Feb-23	Jan-23	MoM	Feb-22	YoY	8MFY23	YoY
Knitwear	277	337	**-17.7%**	417	**-33.5%**	3,079	**-6.8%**
Garments	255	293	**-12.9%**	356	**-28.4%**	2,381	**-5.5%**
Bedwear	196	211	**-7.4%**	264	**-25.8%**	1,835	**-16.1%**
Cotton Cloth	155	159	**-2.7%**	234	**-33.8%**	1,380	**-13.0%**
Towels	84	91	**-8.2%**	101	**-17.4%**	666	**-6.9%**
Others	214	231	**-7.2%**	312	**-31.5%**	1,877	**-18.5%**
Total	**1,180**	**1,322**	**-10.7%**	**1,684**	**-29.9%**	**11,219**	**-11.1%**

Source: PBS, IIS Research

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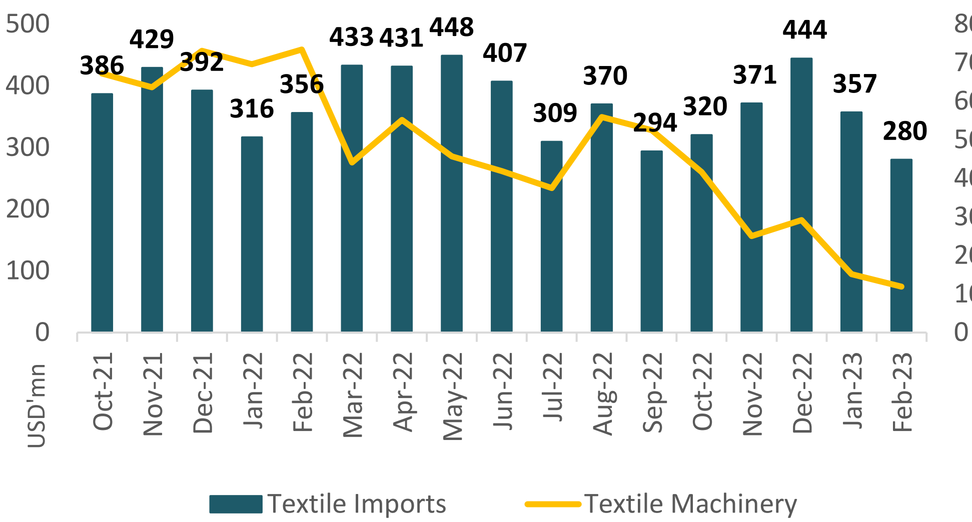
Key focus charts

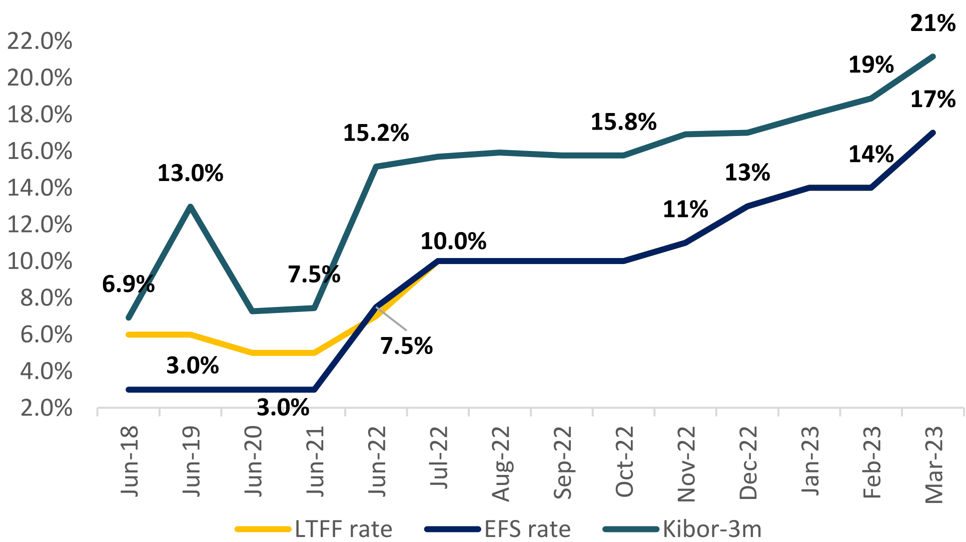
20-Mar-23

Industry slowdown evident in textile imports

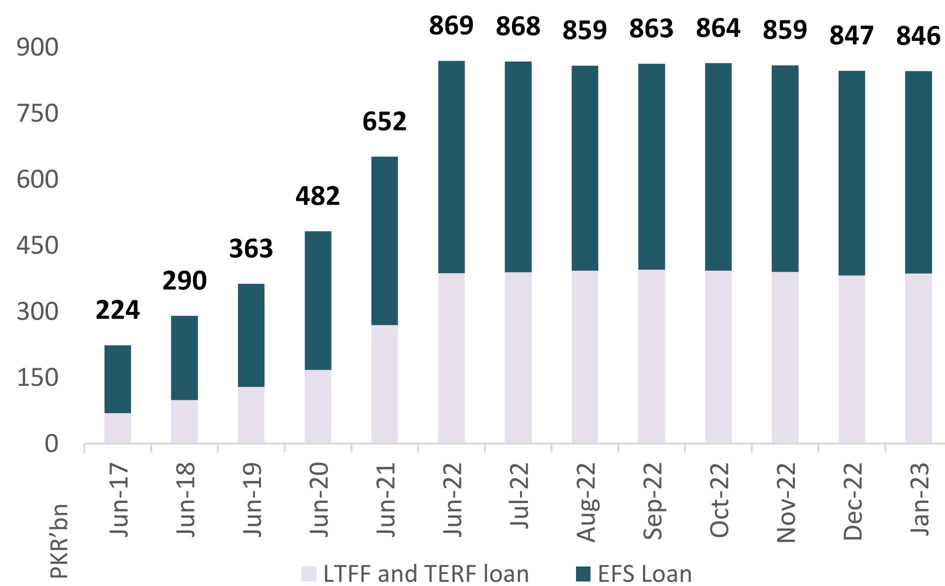


Cotton Prices in state of calm

Both EFS & LTFF have become less attractive



Subsidized credit has started to decline



Source: SBP, IIS Research

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Relative Valuation (P/E, P/B, P/S etc.)

Equity & Asset return based methodologies (EVA, Residual Income etc.)

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