SECTOR STUDY . FEBRUARY 2025

Together. Creating Value.

# POLYESTER


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# Polyester

# Polyester

## Introduction

- **Polyester** is a generalized term for any fabric or textile, which is made using polyester yarns or fibers. It is a shortened name for a synthetic, man-made polymer, which, as a specific material, is most commonly referred to as a type called polyethylene terephthalate. It is made by mixing ethylene glycol and terephthalic acid.
- Polyester is made through either naturally occurring chemicals (cutin of plant cuticles) or synthetic chemicals (polybutyrate). Natural polyesters and a few synthetic ones are biodegradable but most synthetic polyesters are not.
- Polyesters are extensively used in apparel and home furnishing, from shirts and pants to bedsheets, blankets, pillows, computer mouse mats and upholstered furniture. Moreover, Industrial polyester fibers and yarn are used in a wide variety of sectors for multi-purposes such as car tyre reinforcements, conveyer belts and safety belts. Polyesters are also used to make bottles, tarpaulin, films, wire insulation and insulating tapes. They can be used separately as well as spun together with natural fibers to produce cloths with blended properties.
- This synthetic fiber is produced entirely chemically in a plant or laboratory, almost always from by-products of petroleum or gas. Polyester, one of the cheapest synthetics, is essentially a plastic derived from crude oil. Plastic it may be, but the chemists helped produce a soft fabric that drapes easily, holds garment shapes well, is highly durable, fast drying, iron-free, wash-and-wear, mildew and soil resistant, retains pleats set by heat, and takes dye well.


Source: Comtrade

# Polyester

## Production Process

- PTA (Purified Terepthalic Acid)
- MEG (Monoethylene Glycol)
- Catalyst

**Polymerization**

**Melt spinning**

- PET Chips

**Drawing**

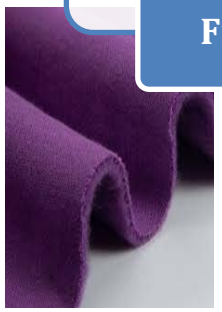
- Continuous Filaments

**Crimping**

- Stretched Filaments

**Finishing**

- Staple Fibers

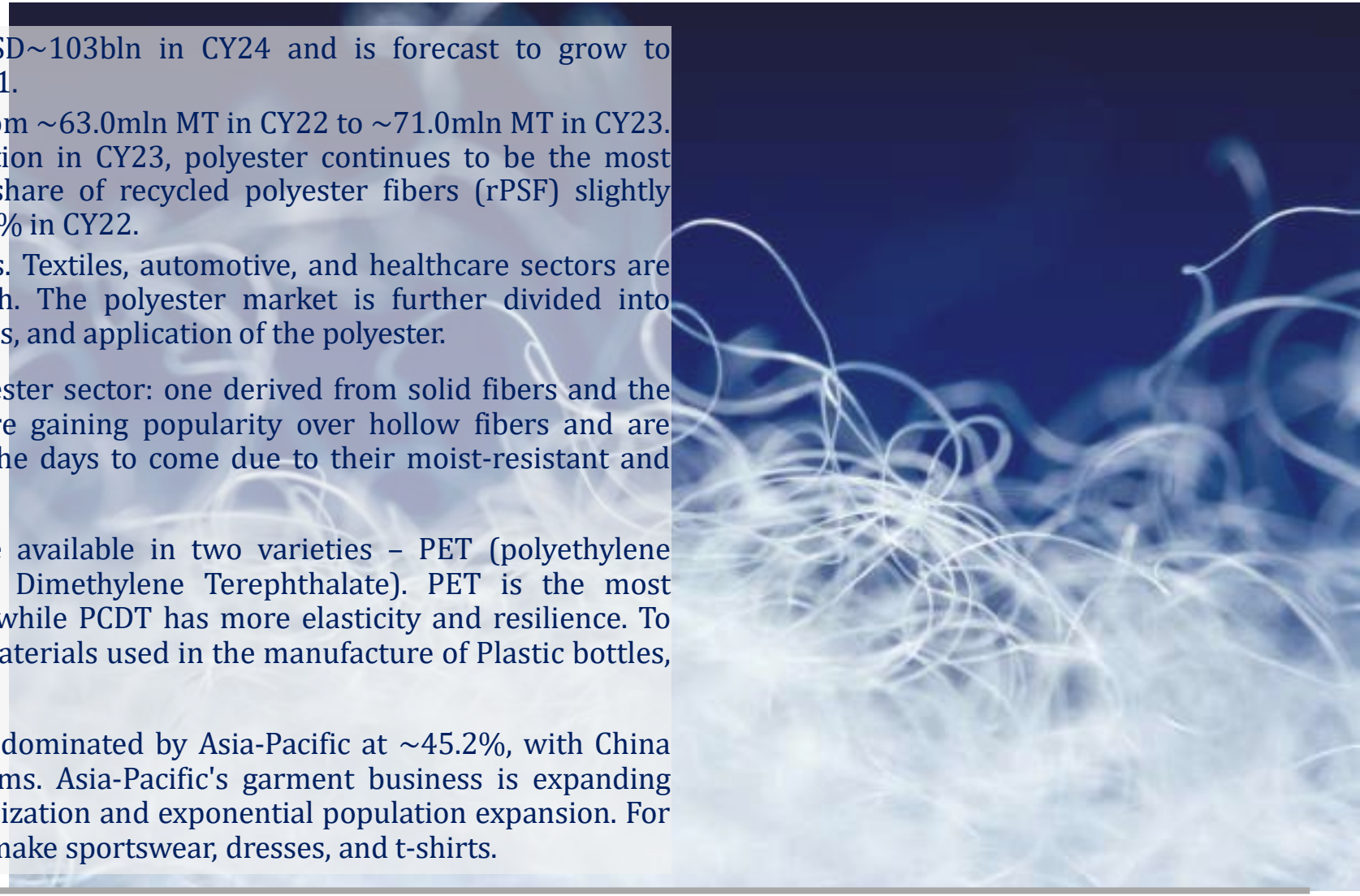


Source: Textile Engineering

# Polyester

## Global | Overview

- The Polyester fiber market was valued at USD~103bln in CY24 and is forecast to grow to USD~174bln at a CAGR of ~7.8% during CY24-31.
- Polyester fiber production volumes increased from ~63.0mln MT in CY22 to ~71.0mln MT in CY23. Making up ~57.3% of the global fiber production in CY23, polyester continues to be the most widely produced synthetic fiber. The market share of recycled polyester fibers (rPSF) slightly decreased to ~12.5% in CY23, down from ~13.6% in CY22.
- Polyester fiber is used in a variety of industries. Textiles, automotive, and healthcare sectors are believed to drive the polyester market growth. The polyester market is further divided into segments based on the product types, grade types, and application of the polyester.
- There are two major product types in the polyester sector: one derived from solid fibers and the other made from hollow fibers. Solid fibers are gaining popularity over hollow fibers and are expected to retain the major market share in the days to come due to their moist-resistant and durable properties.
- Regarding grade/varieties, polyester fibers are available in two varieties – PET (polyethylene terephthalate) and PCDT (Poly-Cyclohexylene Dimethylene Terephthalate). PET is the most common production. It is stronger than PCDT, while PCDT has more elasticity and resilience. To that end, PET Resin is one of the primary raw materials used in the manufacture of Plastic bottles, films, and other Plastic Packaging.
- In CY24, the global polyester fiber market was dominated by Asia-Pacific at ~45.2%, with China holding the highest market share in value terms. Asia-Pacific's garment business is expanding significantly as a result of the region's fast urbanization and exponential population expansion. For this reason, polyester fiber is frequently used to make sportswear, dresses, and t-shirts.

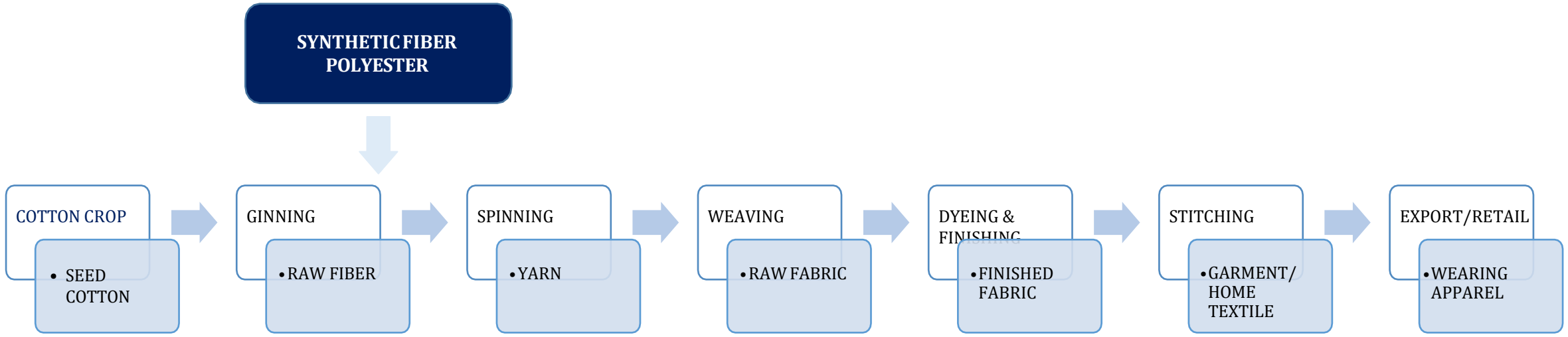


Source: Coherent Market Insights, Materials Market Report

# Polyester

## Local | Introduction

- Pakistan produces natural as well as man-made fibers. Natural fibers include cotton, wool and silk among which cotton is the most common textile fiber. In the synthetic/ man-made fibers category, polyester is the main fiber. Other man-made fibers include Viscose Rayon and Acrylic Staple Fibers, which are produced on a limited scale.
- Over ~70% of the Polyester Staple Fiber (PSF) is supplied to the local textile value chain, i.e., the spinning sector, as illustrated below. The remaining PSF is majorly supplied to the PET packaging sector used in making plastic bottles. The mix of natural and synthetic fibers varies depending on the type of yarn produced. For instance, fabric type "single jersey" S/J is produced through a mix of ~52% polyester and ~48% cotton, while fleece is composed of ~66% cotton and ~34% polyester. On the other hand, the loopback fabric is a mixture of ~30% cotton, ~31% polyester and ~30% linen.



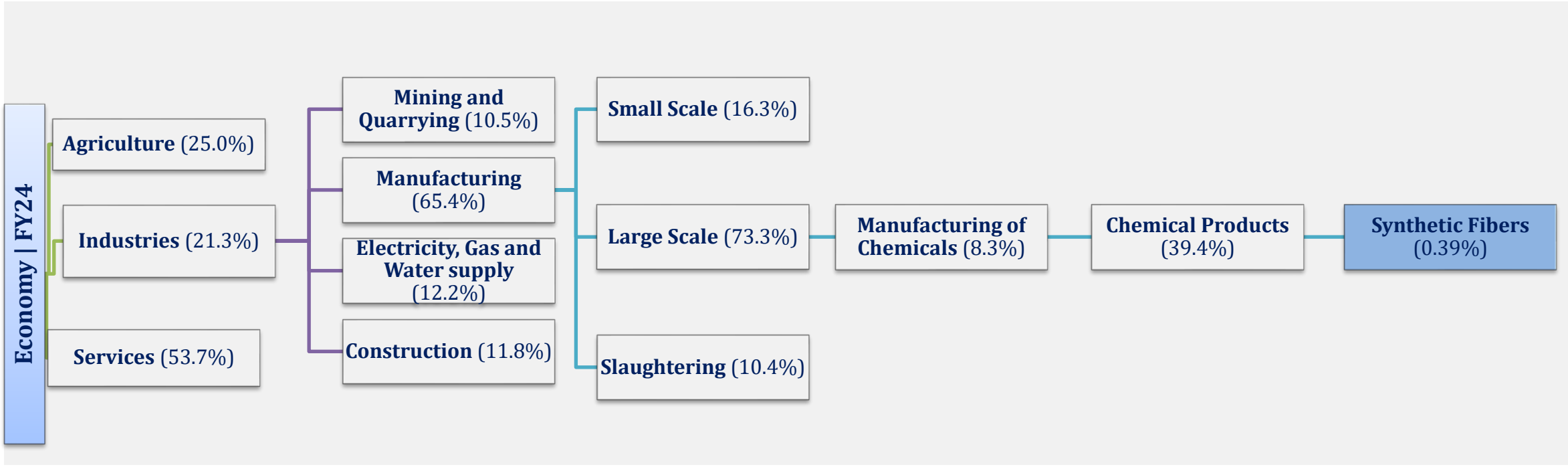

Source: Textile Today

# Polyester

## Local | Overview

- In FY24, Pakistan's GDP (nominal) stood at PKR~106trn, increasing, in real terms, by ~2.5% YoY (FY23: ~0.2% YoY decline). Industrial activities in FY24 held ~21.3% share in the GDP while the manufacturing activities made up ~13.9% of the value addition. In 1QFY25, Pakistan's GDP (nominal) stood at PKR~26trn, rising in real terms by ~0.9% YoY (SPLY: ~2.3% YoY). Real GDP growth rate for 1QFY25 signals a tepid improvement in economic activity as compared to SPLY.

- Synthetic Fibers production, classified under the Large-Scale Manufacturing segment, marginally fell by ~0.1% YoY (SPLY: ~-0.8%) in FY24. In 5MFY25, production levels have marginally risen to ~218,768MT against ~218,430MT in 5MFY24, a growth of ~0.2% YoY. The trend suggests suppressed local demand will continue for the current fiscal year.




***Note**: Sectoral shares are based on GVA.*

Source: PBS, SBP

# Polyester

## Local | Overview

- Synthetic Fibers (SF) largely include Polyester Staple Fiber (PSF) (~85.0% of the total SF production) as well as other types (e.g., nylon, rayon). Hereon, the 'Sector' refers to PSF only.
- The Sector's revenue registered a ~3.0% YoY decline in FY24 owing to high working capital financing costs which rendered production less profitable. In 1QFY25, the revenue clocked in at PKR~26,267mln, down ~36.3% YoY, primarily driven by low local demand on account of sluggish business activity in the spinning and weaving sectors as well as higher energy costs during the year.
- In volumetric terms, local SF production was down ~0.1% YoY during FY24, in line with ~8.1% YoY lower yarn production to ~2.5mln MT and ~5.3% YoY lower cloth production to ~871.0mln SqM during the year. Meanwhile, SF imports registered ~48.7% YoY volumetric increase due to international prices easing (in value terms, these amounted to USD~494.0mln, up ~1.9% YoY).
- On the other hand, local PSF production was down ~16.1% YoY to ~441,767MT, whereas imports for the same amounted to ~78,606MT, up ~38.6% YoY (covered later).
- In 5MFY25, SF production inched up by ~0.6% YoY to ~218,768MT. The increase in production was in tandem with yarn and cloth production, which improved by ~8.8% YoY to ~1.0mln MT and ~0.8% YoY to ~362.0mln SqM, respectively, during the period. During the same period, SF volumetric imports declined by ~4.6% YoY, dropping to ~112,158MT. In value terms, these amounted to USD~169.0mln, down ~18.2% YoY.

| Snapshot | FY22 | FY23 | FY24 |
|---|---|---|---|
| **Revenue (PKR mln)** | 187,101 | 172,475 | 167,359 |
| **Share in GDP (%)** | ~0.2% | ~0.1% | ~0.1% |
| **Annual Production – SF (MT)*** | 521,187 | 517,014 | 516,663 |
| **Annual Imports – SF (MT)*** | 372,020 | 200,279 | 297,852 |
| **Market Structure** | Organized & Listed | | |
| **Sector Players (Listed)** | 4 | 4 | 4 |
| **Installed Capacity (MTPA)** | 664,654 | 666,554 | 666,554 |
| **Annual Production – PSF (MT)**** | 552,670 | 526,423 | 441,767 |
| **Utilized Capacity (%)** | 83.2% | 79.0% | 66.3% |
| **Annual Imports – PSF (MT)**** | 120,629 | 56,709 | 78,606 |
| **Association** | All Pakistan Textile Mills Association | | |

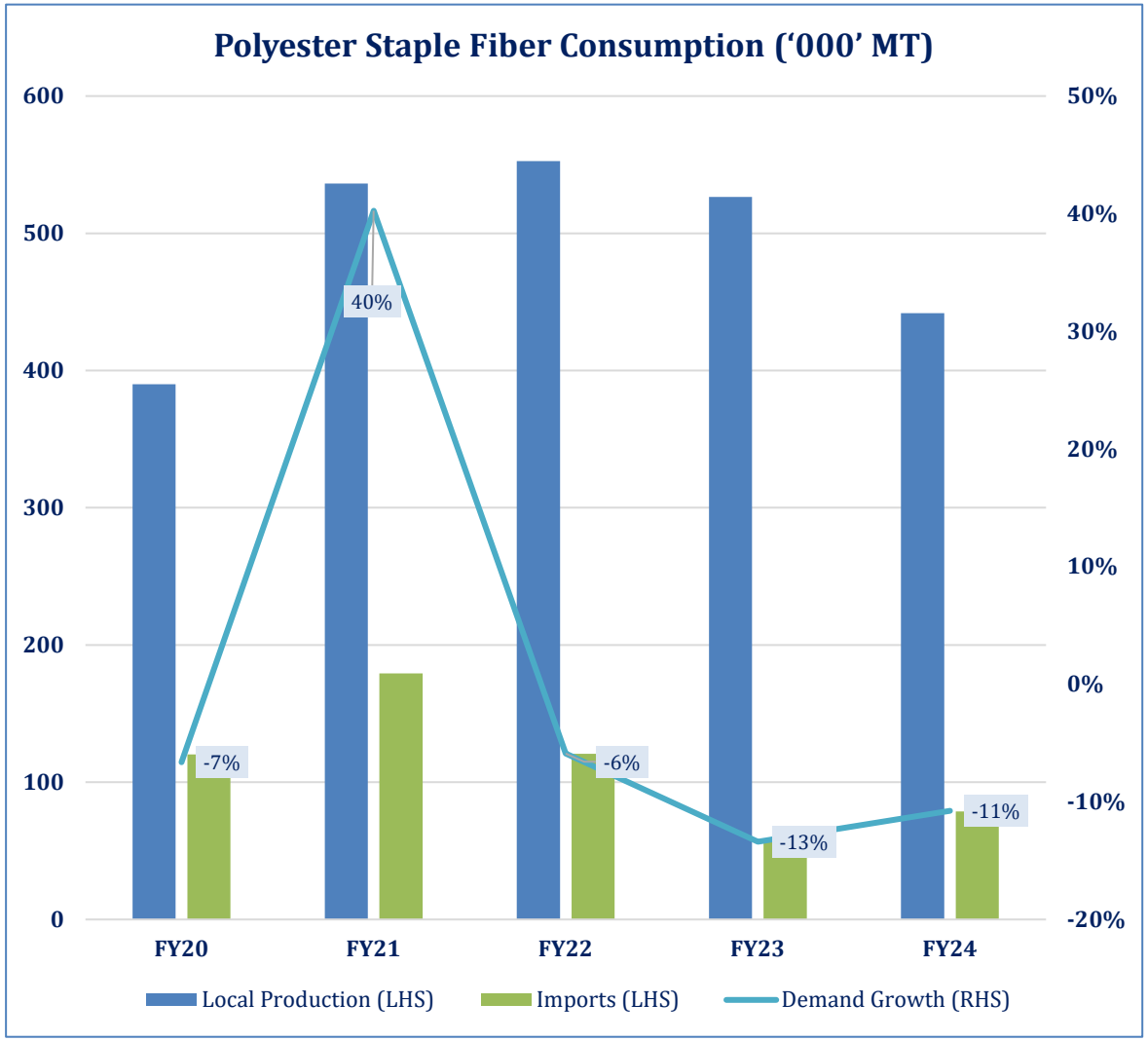
***Note**: Revenue estimations are based on 4 sector players making up ~85% of the market share in terms of SF production and ~100% in terms of PSF market revenue. *PBS Production Numbers. **PSF sector players' data.*

Source: PBS, PACRA Database, Company Financials

# Polyester

## Local | Consumption

- Pakistan's average Polyester Staple Fiber (PSF) demand (as a function of local consumption and imports) hovered at ~600,497MT during FY20-24 and exhibited a decline of ~10.8% YoY in FY24, driven by lower production as high energy and finance costs halted production.
- The country's demand is majorly met through local sales (~81.0% on average during FY20-24), while some portion is catered through imports (~19.0%, on average, during FY20-24).
- The share of imports in the overall demand for polyester staple fiber (PSF) stood at ~15.1% in FY24 while that of local production was recorded at ~84.9%. During FY24, the production was down ~16.1% YoY while imports went up by ~38.6% YoY in FY24 due to normalization of business post-FY23.
- However, PSF being the main synthetic fiber, has the potential to grow even further. Decline in cotton production in 7MFY25 of ~34.0% to ~5.5mln bales, PSF's durability, insulating properties, and recyclability are few of the factors that create potential growth opportunities for the sector. On the other hand, cheaper international prices and stable interest rate present a challenge to the sector in the form of reliance on imports.



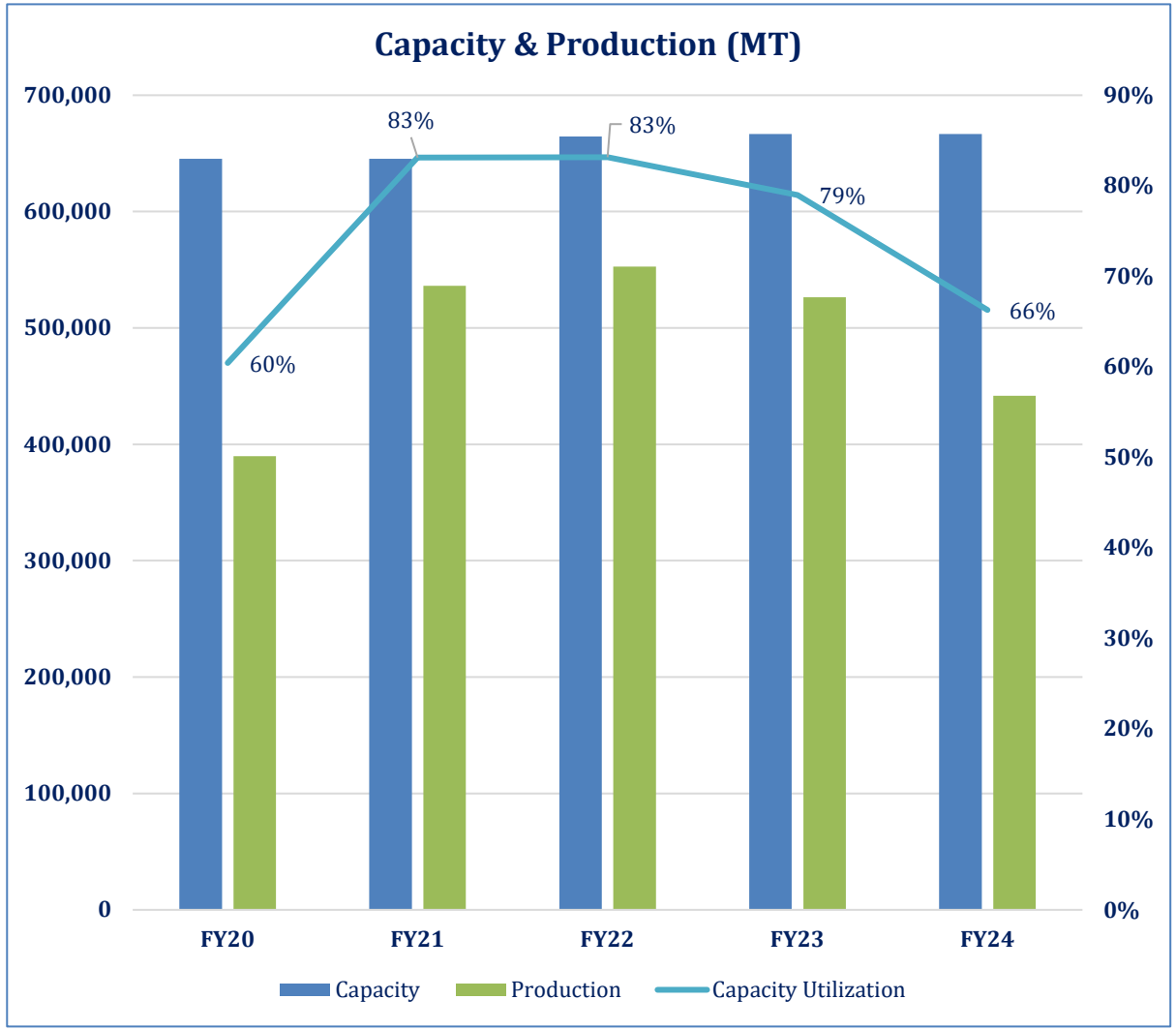

***Note**: Import data is taken from PBS with HS codes 5402.5200, 5402.6200, 5403.2010, 5403.2090, 5509.2200 & 5509.5300. Meanwhile, production data is taken from listed companies' financials.*

Source: PBS, PACRA Database

# Polyester

## Local | Production Capacities

- At present, four significant players are producing and fulfilling almost the entire local demand of PSF (Polyester Staple Fiber).
- PSF brings huge advantages to the domestic textile sector in making a viable substitute for cotton, allowing for maximum utilization of the textile resources.
- The sector's total installed capacity did not register a change during FY24 and stayed the same at ~666,554 MT.
- Actual production increased at a CAGR of ~2.5% during FY20-24 while it dipped by ~16.1% YoY in FY24 (FY23: ~4.7% YoY decline).
- The utilization remained low at ~66.3% (SPLY: ~79.0%) as sector players grappled with glaring challenges, such as high finance and energy costs. Moreover, increased reliance on imported PSF, especially under EFS, presented challenge for the sector.



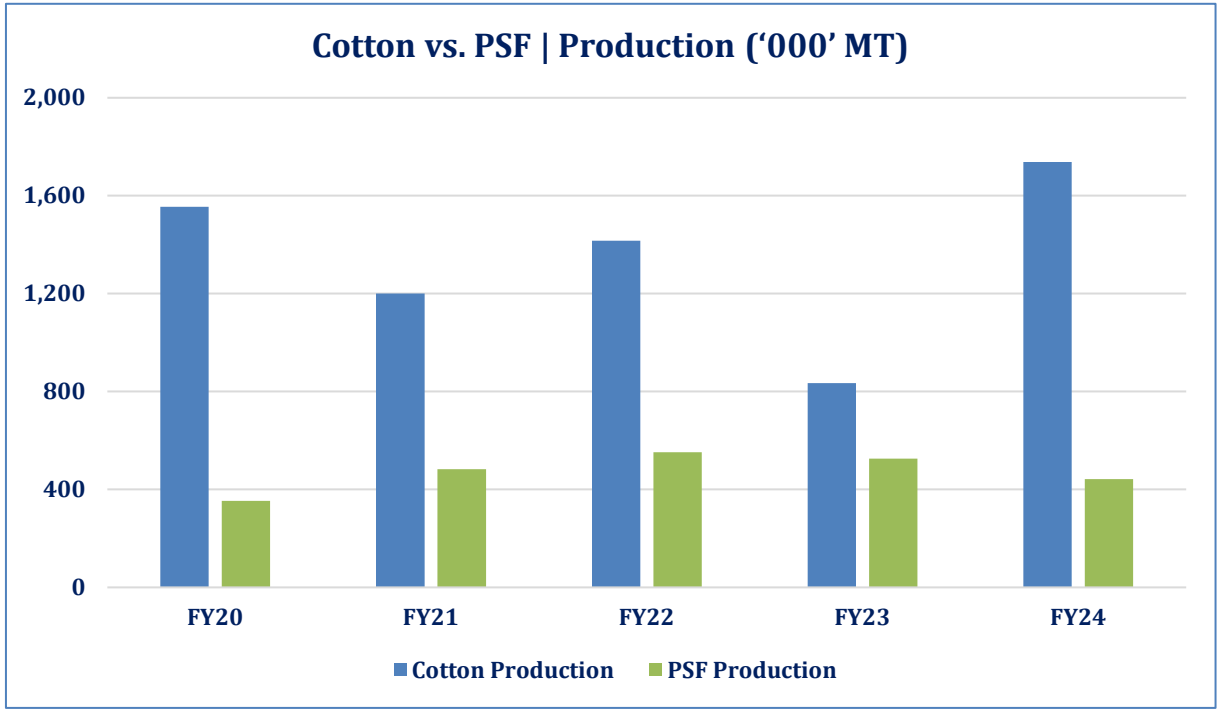

***Note**: Production is based on 4 sector players making up ~85% of the market share in terms of SF production and ~100% of PSF sales.*

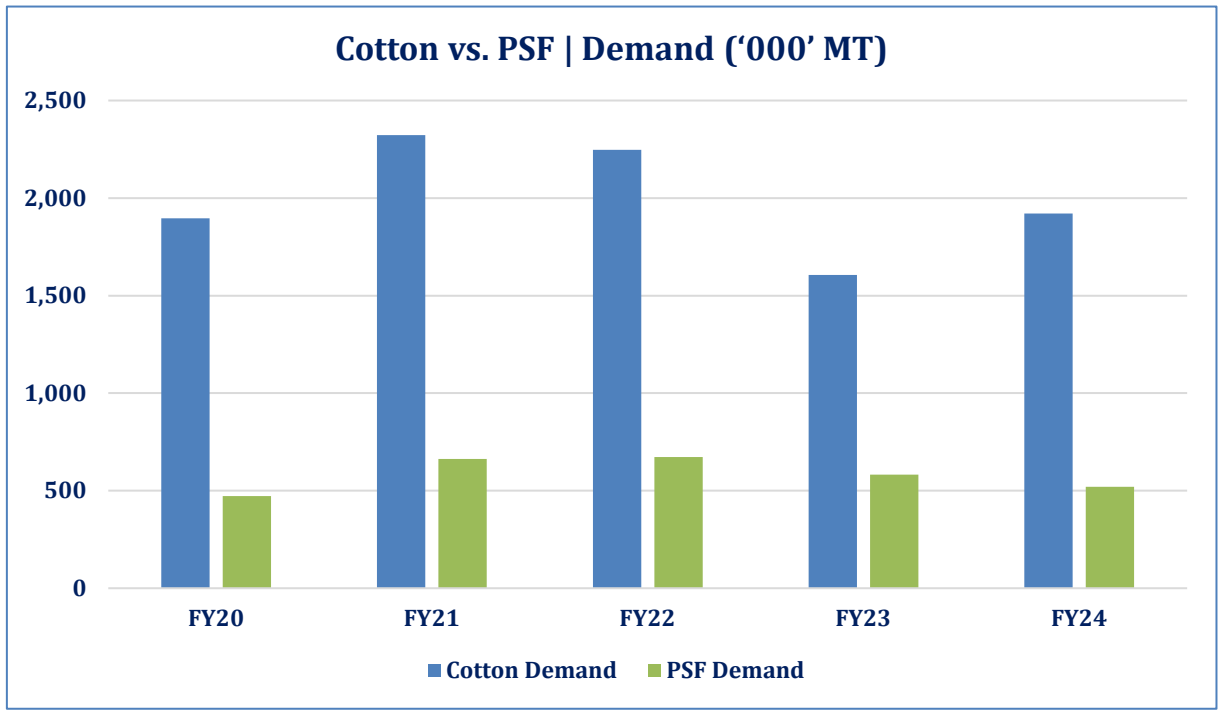
Source: PES,, PACRA Database

# Polyester

## Demand | Comparison with Cotton

- The data below depicts production and demand (function of respective local production and imports) levels across the cotton and polyester (PSF) sectors. During FY24, cotton production increased ~108.2% YoY to ~10.2mln bales (or ~1.7mln MT) on the back of a bumper crop. In 7MFY25, cotton production stands at ~5.5mln bales, ~34.0% lower YoY, on the back of lower yield and reduction in area under cultivation. Under the EFS scheme, cloth and garment manufacturers can import textile raw materials, such as cotton and yarn, at 0% sales tax that has exacerbated challenges for local polyester producers, which have to pay 18% refundable sales tax that constrains their working capital management.
- The local textile industry, making up ~24.3% of the large-scale manufacturing (LSM) in FY24, is a major demand driver for both the cotton and polyester sector. PSF average demand has remained ~29.8% of that for cotton in FY20-24. In FY23 and FY24, PSF demand was ~35.7% and ~31.0% of cotton's, respectively.



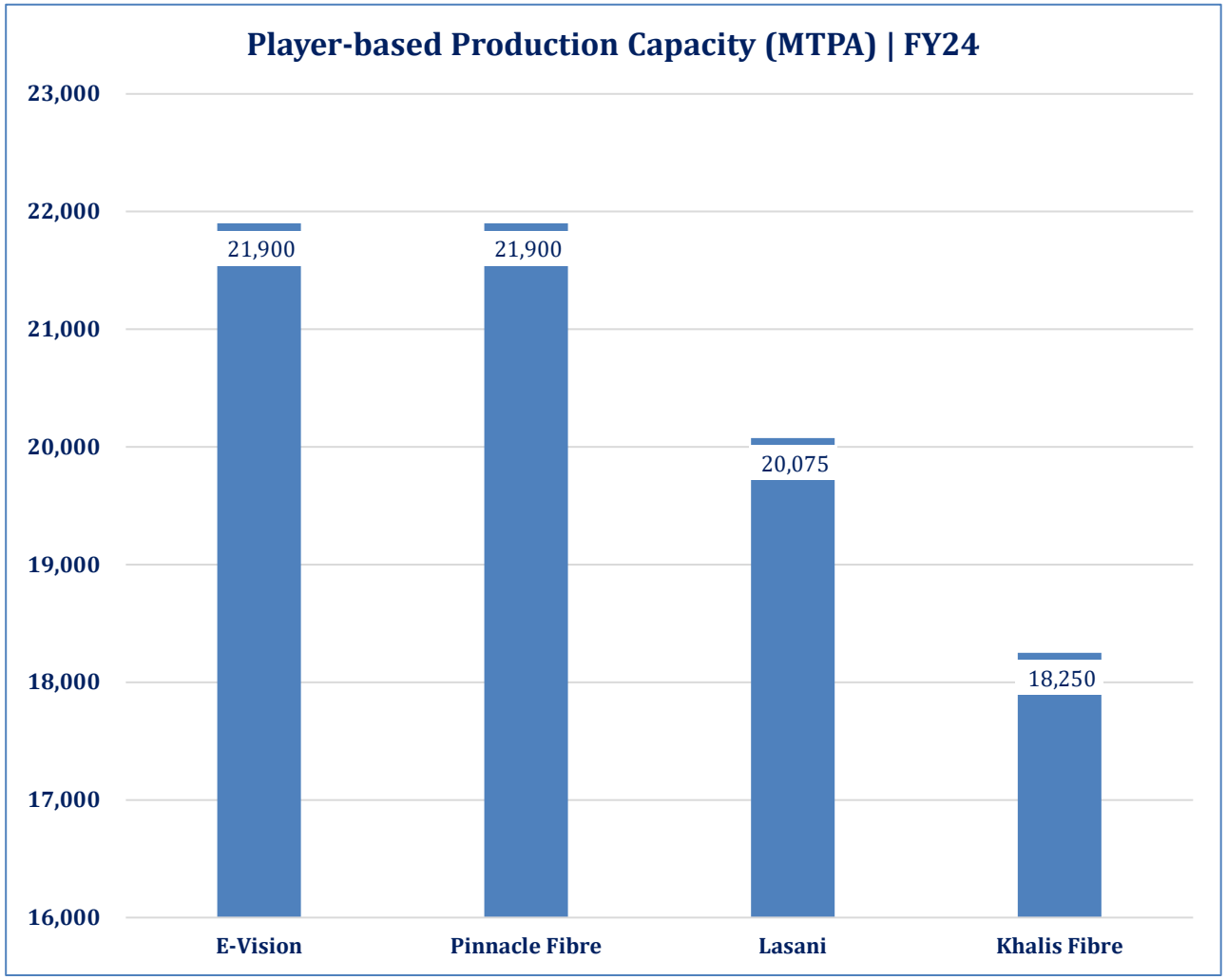

***Note**: For the purpose of comparison, cotton production & demand data has been converted from bales to MT, using a conversion factor of 1 bale = ~170 kgs.*

Source: PES, Company Financials

# Polyester

## Recycled PSF (rPSF) | Overview

- Recycled Polyester Staple Fiber (rPSF) is a prominent segment and has been projected to be the fiber of the future in the entire textile sector.
- rPSF is utilized in both woven and non-woven industries. During FY24, the annual turnover for the rPSF segment was PKR~1,461mln, marking a decline of ~3.0% YoY from FY23 PKR~1,506mln. Although the price of rPSF increased by ~11.6% YoY during FY24, imported PSF remains ~25.0% cheaper, potentially affecting the competitiveness of domestic sales.
- In Pakistan, the segment's market is relatively new and small. However, it has an immense potential to grow due to the recyclability of PET waste and used bottles, which reduces the risk of cost volatility associated with first-hand PSF formation.
- The segment's total installed capacity, for four major players, stood at ~82,125 MTPA as of Jun'24.




**rPSF segment turnover is extrapolated on 1 sector player's CY data, making up quarter of the market share in terms of capacity.*

***Note**: MTPA stands for MT per annum.*

Source: PACRA Database, Company Financials

# Polyester

## Supply | Raw Materials

**Purified Terephthalic Acid (PTA):** PTA is an organic compound majorly used in the development of polyester resins, polyester fiber & yarn, and PET material bottles.

**Monoethylene Glycol (MEG):** Belonging to the petrochemical family, MEG is an odorless, colorless, syrupy liquid used as a raw material for polyester and PET polymer. It is used in home textiles, food/drink containers, clothing, medical textiles, and others. It is majorly imported in Pakistan.

**rPSF:** Recycled PET/Polyester waste or recycled consumed PET bottle flakes is regenerated into Polyester Stable Fiber. This market is relatively new in Pakistan, however, is growing at a fast pace. Globally, the rPSF technique has already captured a significant market segment.

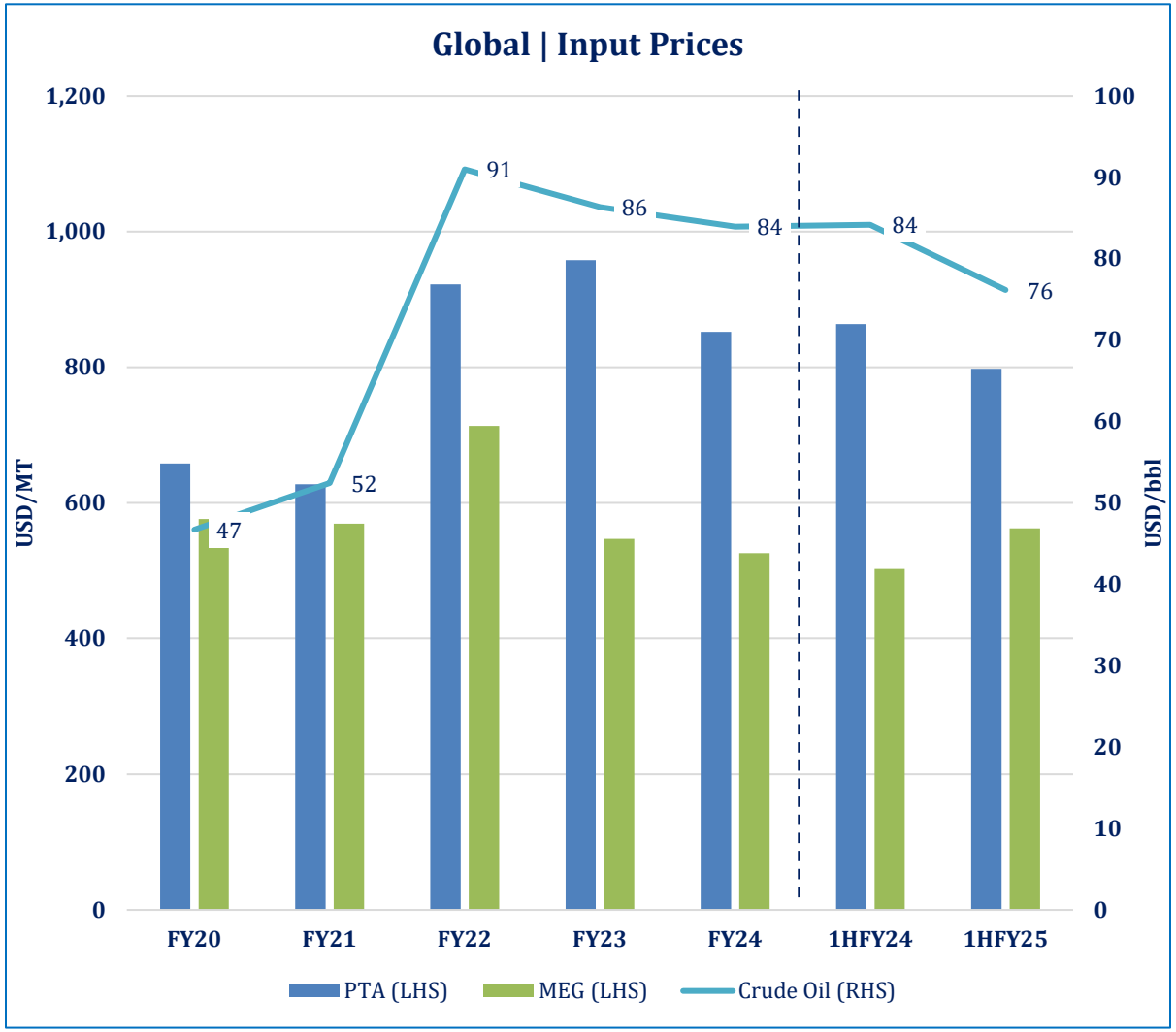
- Raw material forms the key component of the sector's cost structure. Therefore, it is essential in determining the output price and margins of the sector.
- PTA is majorly procured locally through its sole supplier, Lotte Chemicals Pakistan Limited, while some portion of it is imported too. Oil is a major resource for the production of PTA, therefore, PSF price is also subject to variations in oil prices.
- MEG is entirely imported. The highest share of imports comes from China followed by the Middle East.
- rPSF is a recycled product. rPSF is a relatively new technique adopted by international brands and is gradually penetrating the Pakistani market.

Source: PACRA Database

# Polyester

## Local | Input Prices

- PTA prices are usually subject to variations in oil prices, while those of MEG, which is entirely imported, remain exposed to exchange rate volatility as well. The graph on the right depicts global average price trends of PTA and MEG tracing similar patterns, in line with global crude price levels.
- While significant volatility in oil prices was recorded during FY19-23 (standard deviation stood at ~18.0), owing to the global demand and supply dynamics, these have stabilized post-FY23, recording at USD~80.0/bbl, on average, during FY24 and USD~76/bbl in 1HFY25. Simultaneously, PTA prices recorded a CAGR of ~0.9% during FY19-23, averaging at USD~852.3/MT during FY24 and USD~797.7/MT during 1HFY25.
- During FY24, average prices for crude oil and MEG were down ~2.8% and ~3.9% YoY, respectively, owing to reduced global demand (~9.5% YoY down and ~11.9% YoY up, respectively, in 1HFY25). Meanwhile, those for PTA were down ~11.0% YoY during the same period (~7.7% YoY down in 1HFY25).
- Going forward, while easing inflationary pressures and improving supply chain conditions may foster greater stability—particularly for crude oil, PTA, MEG— import dependency of MEG exposes the sector to uncertainties of global currency fluctuations.

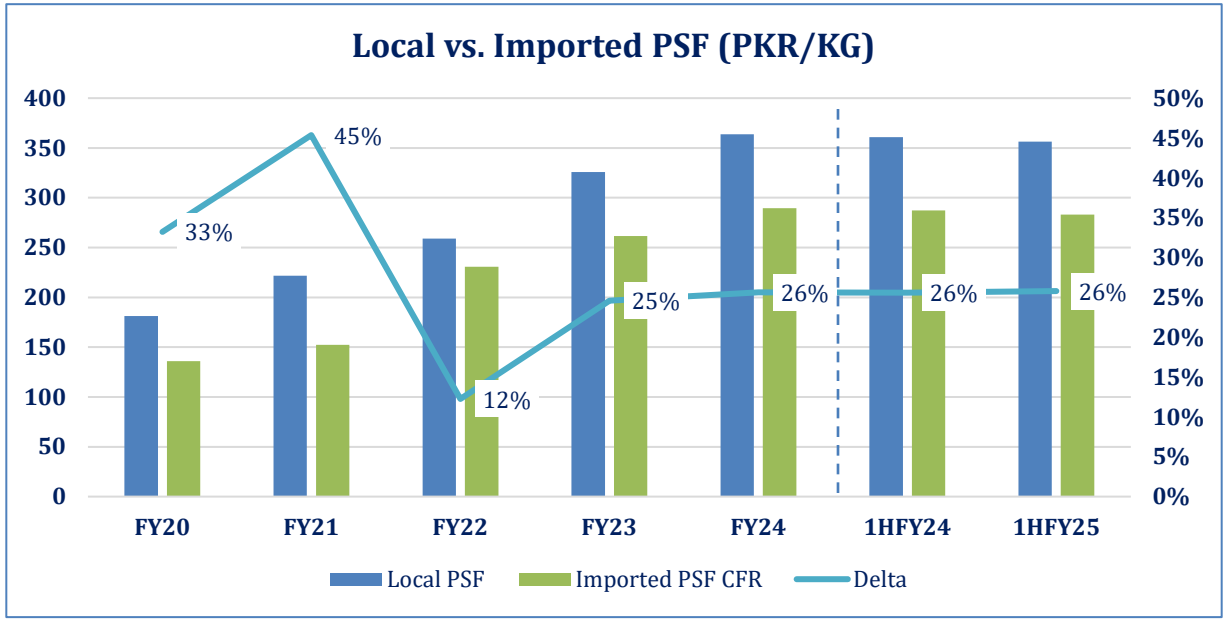


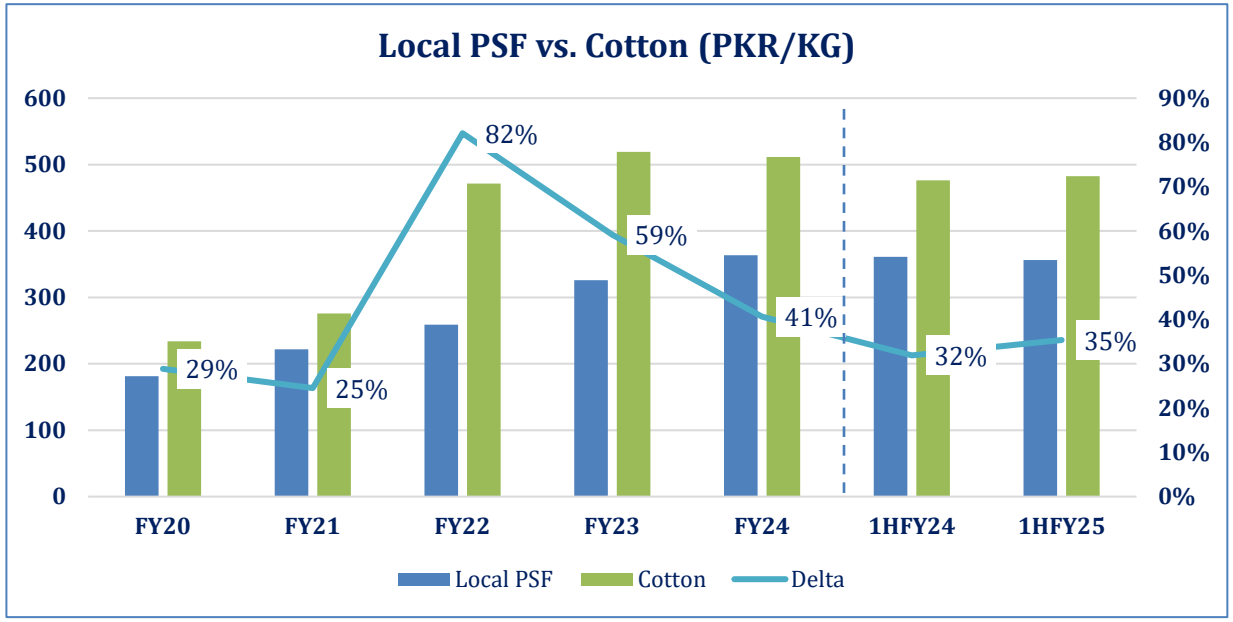

***Note**: PTA - Purified Terephthalic Acid; MEG -Monoethylene Glycol. PTA HS code: 2917.3610; MEG HS code: 2905.3100*

Source: PACRA Database

# Polyester

## Local | Output Prices



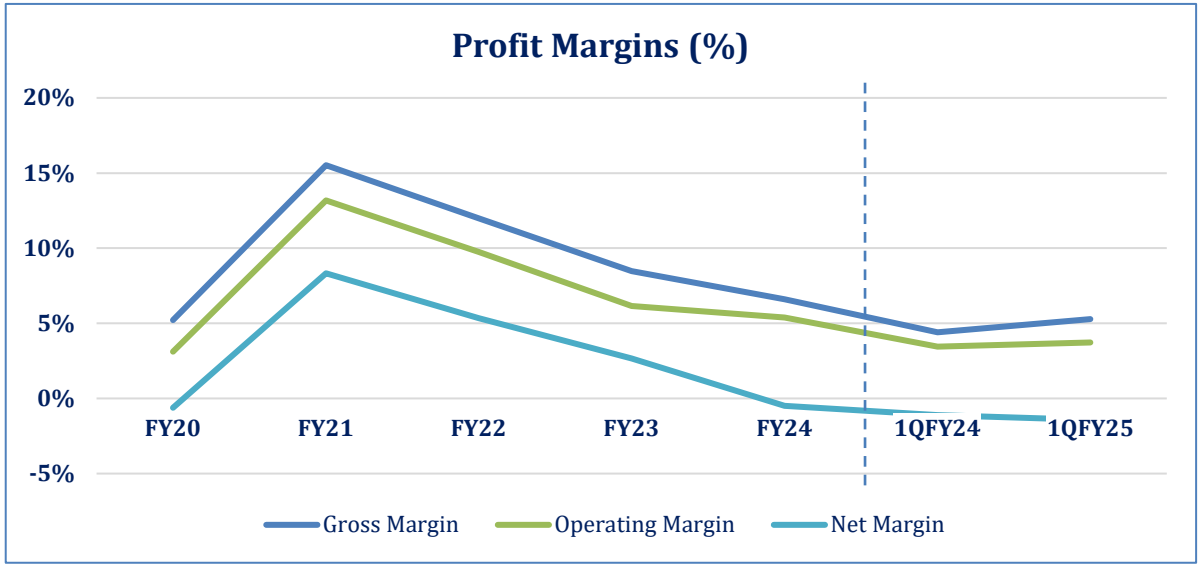

- As witnessed in the above charts, the imported CFR price of PSF is relatively lower than that of locally available PSF, owing to lower global prices. In FY24, this delta was recorded at ~25.8%, staying the same in 1HFY25. During FY24, local PSF prices rose by ~11.6% YoY, while imported PSF price also ticked up by ~10.6% YoY. In 1HFY25, both local and imported prices are witnessing a downward trajectory, due to lower international raw material prices. However, since the local PSF price continues to remain ~26.0% higher than the imported PSF price, the domestic prices remain uncompetitive in the absence of anti-dumping duties.
- The price delta between local cotton and PSF could serve as an indicator of potential changes in spinners' incentive to increase their substitution of synthetic and artificial fibers for cotton or vice versa. In FY24, output from the local spinning sector comprised ~40.2% synthetic/blended type, including Polyester-Viscose and Polyester-Cotton. While this demonstrates significant demand of PSF by the local spinners, PSF actually serves as a complement to the local textiles industry.

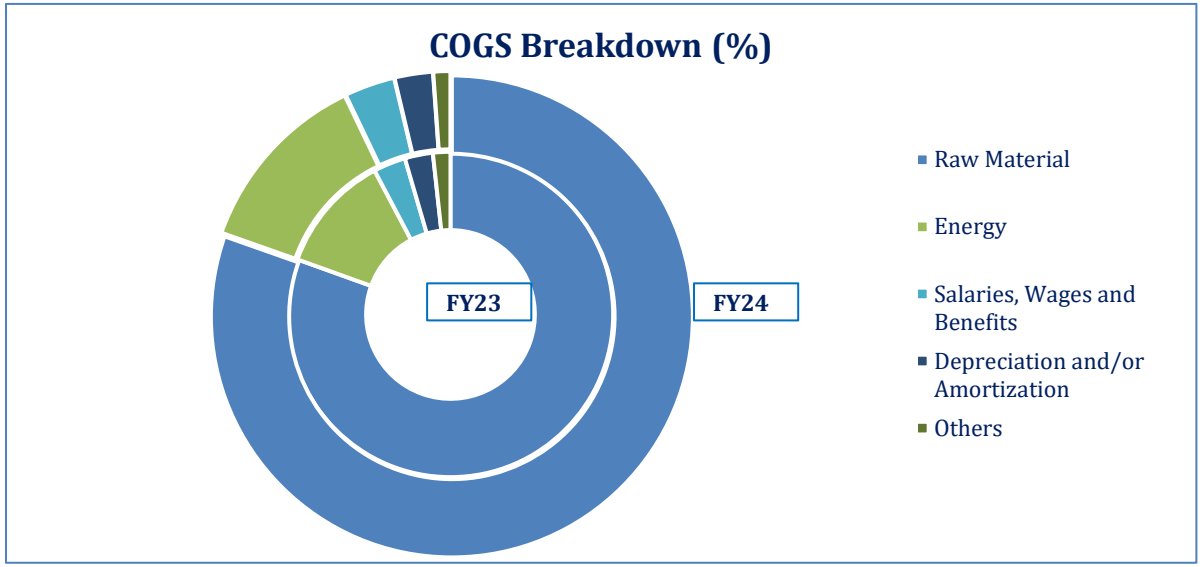
Source: PACRA Database, PBS, SBP, NTC

# Polyester

## Business Risk | Margins

- The sector's turnover is majorly reflected by local sales with a nominal share of exports. Historically, the sector's turnover has reflected a sound growth during FY20-24, registering a CAGR of ~13.8%. In FY24, however, net sales declined by ~18.3% YoY due to higher import substitution as reflected in imports of ~78,606MT (growth of ~38.6% YoY). Despite higher energy costs during FY24, overall cost of goods declined by ~16.6% YoY, on the back of lower global input prices (covered earlier). This resulted in average gross profit margin declining to ~6.6% during the year (FY23: ~-8.5%).
- The import substitution has risen, as government in efforts to revive textile value-added products have not increased duties on inputs. Therefore, the delta between local and imported PSF has widened slightly. This trend is also reflected in 1QFY25 as sales have declined ~26.8% YoY. COGS declined more than proportionately at ~27.5%. PTA prices declined by ~9.2% YoY while PKR appreciated ~3.3% YoY against the greenback. This, in turn, improved gross profit margin to ~5.3% (SPLY: ~4.4%). Nonetheless, sticky operating expenses did not provide relief to the sector, and net profit margin worsened to ~-1.4% (SPLY: ~-1.1%).
- The sector's direct costs are majorly dominated by raw material costs, i.e., PTA and MEG, which form ~80% of the total COGS. Hence, margins are significantly impacted by exchange rate fluctuations (MEG is entirely imported while PTA is both imported and procured locally).




***Note**: Sector averages are based on 4 sector players making up ~85% of the market share in terms of SF production and ~100% PSF sales.*

Source: PACRA Database, Company Financials

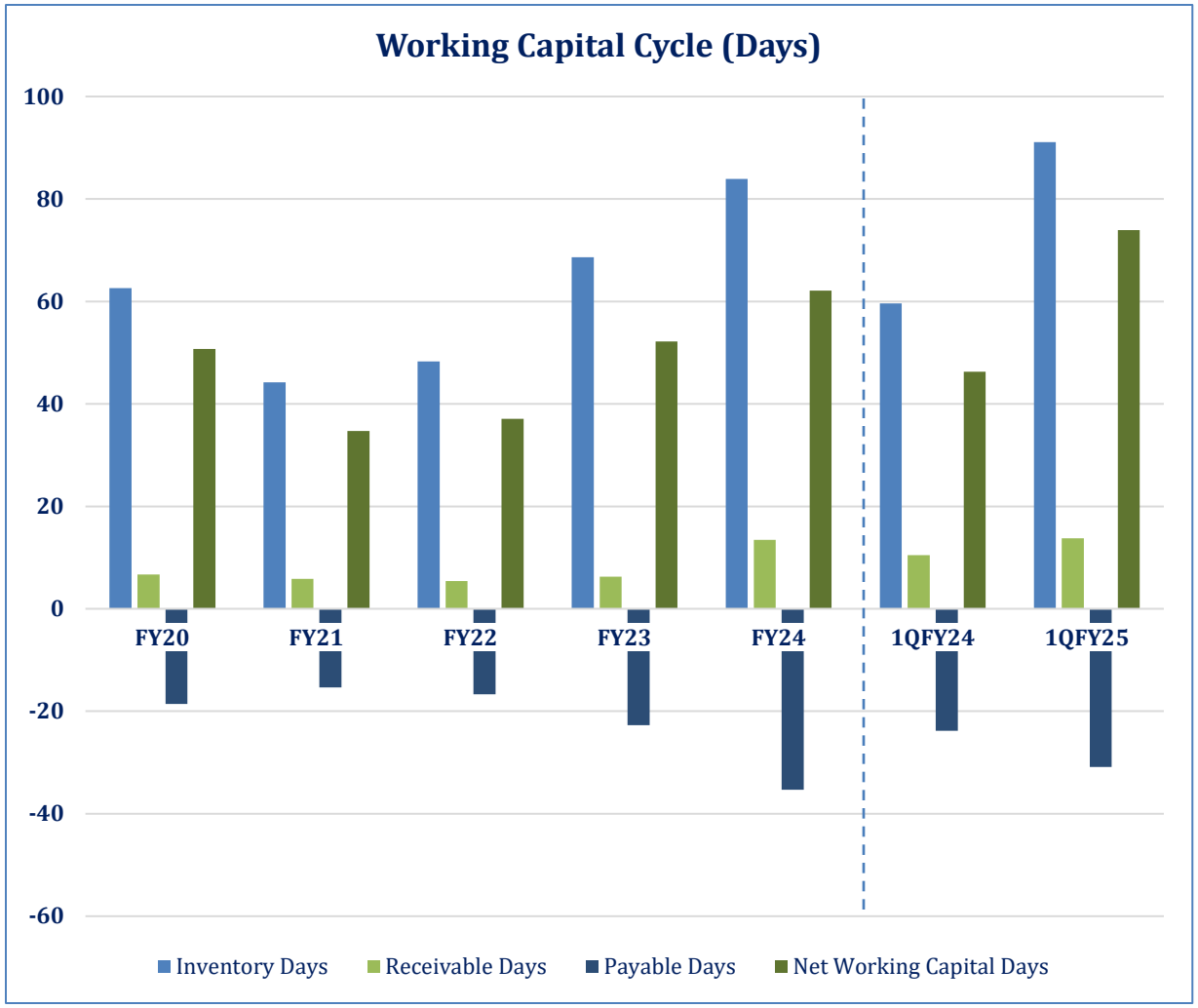
# Polyester

## Financial Risk | Working Capital Management

- The sector's average working capital cycle is predominated by its inventory days. Average inventory days stood at ~62 days during FY20-24 and recorded at ~84 days in FY24 (FY23: ~69 days). This came on the back of lower sales during the year vis-à-vis lower downstream demand in the textile value chain (as explained earlier).

- Average receivable days increased to ~13 days in FY24 (SPLY: ~3 days), (against the average of ~8 days during FY20-24). Meanwhile average payable days increased to ~35 days in FY24 (FY23: ~23 days), while the average for FY20-24 stood at ~22 days. Average Net Working Capital Days, resultantly, stood at ~47 days in FY20-24. In FY24, the days worsened to a high of ~62 days.

- In 1QFY25, average inventory days surged to ~91 days (SPLY: ~60 days), reflecting weaker sales. Average receivable days also rose to ~14 days (SPLY: ~10 days), reflecting slightly slower collections. Meanwhile, average payable days increased to ~31 days (SPLY: ~24 days). Consequently, average net working capital days increased to ~74 days (SPLY: ~46 days), highlighting a growing reliance on short-term financing and suboptimal working capital management.




***Note**: Sector's averages are based on 4 sector players making up ~100% of the market share in terms of PSF sales.*

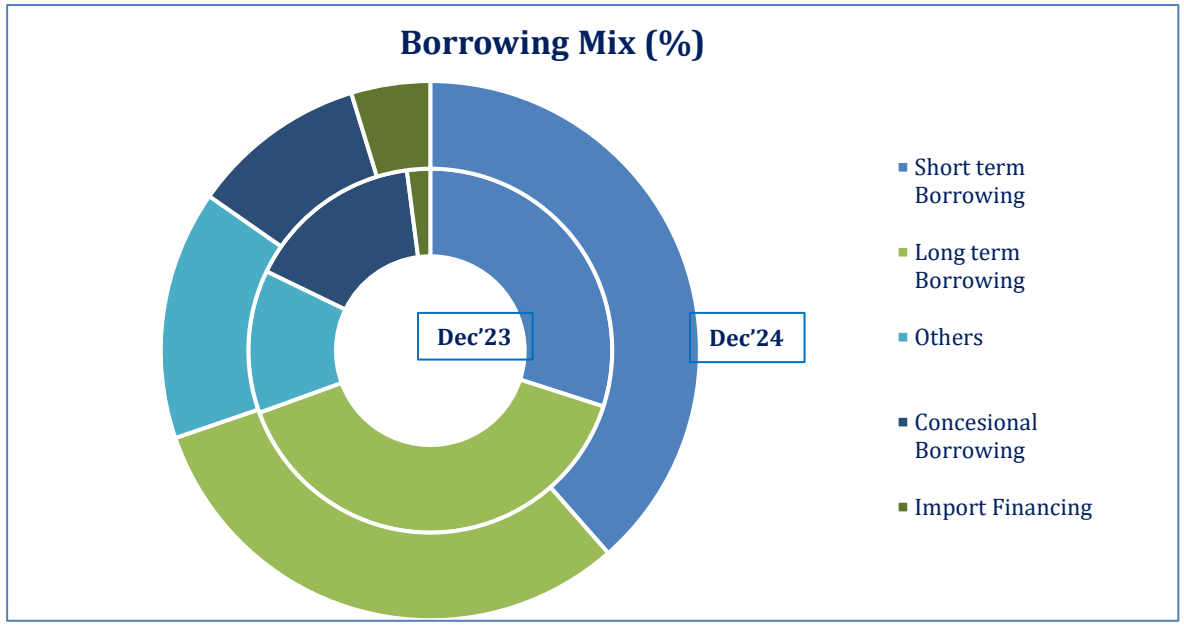
Source: PACRA Database, Company Financials

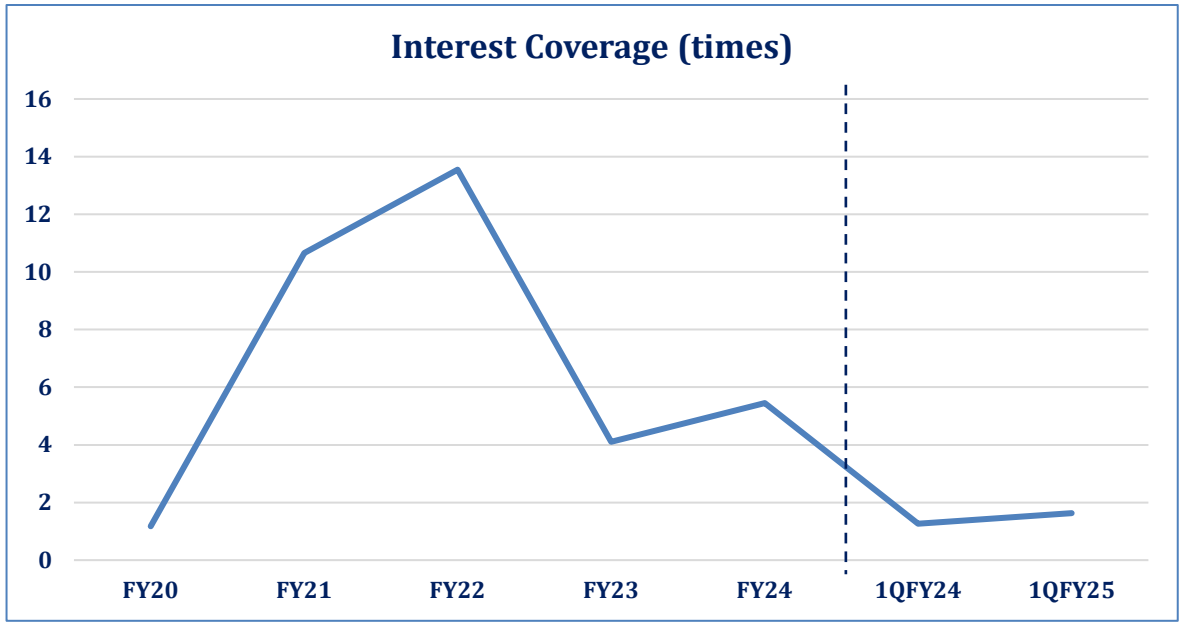
# Polyester

## Financial Risk | Borrowings

- The sector's total borrowings were recorded at PKR~63.9bln as of End-Dec'24, up ~30.4% YoY. During this time, import financing rose sharply by ~199.9% (formed ~4.7% of the sector's total borrowing (SPLY: ~2.1%)). There was a significant increase (~67.7% YoY) in Short-Term Borrowings (STBs) owing to lower interest rates during the period, while Other STBs rose ~76.4% YoY. STBs made up ~38.5% of the sector's total borrowing (SPLY: ~30.0%). Meanwhile, Long-Term Borrowings' (LTBs) share decreased to ~31.2% (SPLY: ~39.5%), while increasing just ~3.1% YoY.

- The MPR was reduced to ~12.0% in Jan'25 and held steady through End-Feb'25, a notable improvement from the ~22.0% peak recorded in May'24. The sector's borrowings have exhibited a continuous rise (Dec'24: ~30.4% YoY and Dec'23: ~30.2% YoY). The sector's interest coverage improved to ~1.6x in 1QFY25, indicating a stronger capacity to cover interest expenses (SPLY: ~1.3x). With MPR expected to further decline, the interest coverage is expected to improve for the remaining FY25.




***Note**: Leverage and interest coverage is based on 4 sector players making up ~100% of the market share in terms of sales. Borrowing is reflective of SBP classification "Preparation & Spinning of Synthetic Fiber"*

Source: PACRA Database, SBP

# Polyester

## SWOT Analysis

**Strengths**

- Organized & listed sector.
- Sound equity and sponsor backing.
- Diversified product portfolio.
- Strong sector association.

**Weaknesses**

- Consumer preference of natural fiber over synthetic/ man-made fiber.
- Raw material pricing is subject to exchange rate & and international price volatility.
- Thin gross and net margins due to little room to increase price against imported PSF.


**Threats**

- Dumped imports from China, Thailand and Indonesia.
- Exposure to exchange rate volatility.
- Fluctuations in raw material prices.,

**Opportunities**

Growing recycled PSF market opening new avenues for the sector through cost minimization and competitive market prices.

- Reduced cotton production encouraging room for expansion in the synthetic fiber market.
- Increase efficiency and improve quality through technological upgrades.
- Growing textile exports of the country.

# Polyester

## Duty Structure

- The volume of dumped PSF imports had increased ~11.8x YoY during 2005-06, while domestic production was down ~9.2% during the same time period.
- The National Tariff Commission (NTC) therefore imposed anti-dumping duties on imports of PSF from Indonesia, Korea, and Thailand at the rate ranging from 0% to 8.33% with effect from February, 2006, for a period of 5 years.
- In CY17, NTC imposed ADD effective for five years ranging between 3.2% to 11.4% on China. For Malaysia, it stood at 6.4%.
- These have been extended in CY22 for the aforementioned timeframe, ranging from 2.5% to 10.4% effective from Feb'22. Moreover, new anti dumping duties have been implemented too given the increased dumped import in CY24.

| PCT Code | Raw Material | Custom Duty | | Additional Custom Duty | |
|---|---|---|---|---|---|
| | | FY24 | FY25 | FY24 | FY25 |
| 2917.3610 | PTA | 16% | 16% | 4% | 4% |
| 2905.3100 | MEG | 0% | 0% | 2% | 2% |
| | **Finished Goods** | **FY24** | **FY25** | **FY24** | **FY25** |
| 5503.2010 | PSF | 11% | 11% | 2% | 2% |

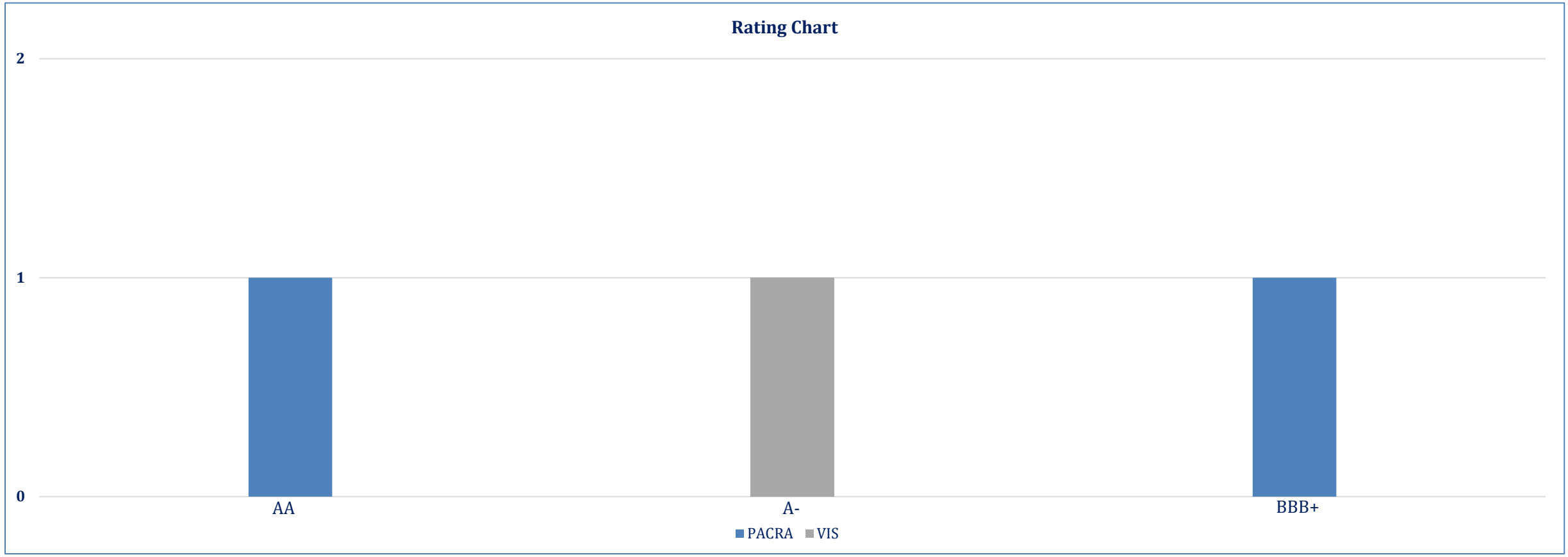
| PCT Code | Description | Anti-dumping Duty | Exporting Country | Date | Period |
|---|---|---|---|---|---|
| 5402.3300<br>5402.6200 | Polyester Filament Yarn- DTY | 2.1%-20.8% | All foreign producers except Chinese at ~20.8%. | 14-Nov-2024 | 4 Months |
| 5503.2010 | PSF | 12.47% | China | 4-Feb-22 | 5 years |
| 5503.2010 | | 2.4% - 3.6% | Indonesia | 4-Feb-22 | 5 years |
| 5503.2010 | | 2.5% - 11.0% | Thailand | 4-Feb-22 | 5 years |

Source: FBR, NTC

# Polyester

## Rating Curve

- PACRA rates 2 entities in the polyester sector, namely Ibrahim Fibres Limited and E-Vision Manufacturing Limited (rPSF).
- All four major players involved in the manufacturing of PSF are listed on the PSX (i.e., Ibrahim Fibres, LCI Pakistan, Rupali Polyester and Gatron (Industries) Limited).




Source: PACRA Database

# Polyester

## Outlook: Stable

- Pakistan's economy posted a real GDP growth of ~2.5% in FY24 (FY23: ~-0.2%), and a growth of ~0.9% in 1QFY25 (1QFY24: ~2.3%). Large-scale manufacturing (LSM) recorded a sluggish growth of ~0.9% YoY during FY24, and further contracted by ~1.3% YoY in 5MFY25. The economic slowdown is likely due to the formal industrial sector reeling from the higher interest rates of the two previous years. The MPR for most part of FY24 stood at ~22.0% before easing in consecutive rounds to ~12.0% as at End-Jan'25.
- For the remainder of FY25, with low interest rates and reduced inflation levels (1HFY25: ~7.3%, SPLY: ~28.8%), industrial activity is expected to revive gradually. The tax incentives, such as tax exemption on textile imported inputs and 18% refundable sales on tax on local cotton sales, are likely to prove a positive factor for the sector. Moreover, demand dynamics are expected to remain favorable since the spinning sector posted ~8.8% YoY growth in 5MFY25.
- The Sector experienced a slowdown in production by ~16.1% during FY24, due to higher import substitution and high costs. Meanwhile, imports registered ~38.6% YoY increase as compensation to lower local production. Going forward, PSF imports are likely to increase further owing to a stable PKR and low international prices.
- Cotton production registered a significant increase (~108.2%) in FY24, while PSF production marginally fell by ~16.1%. For FY25, local cotton production has declined to ~5.5mln bales, on account of lower yield, reduced area under cultivation and, under-reporting owing to applicable taxation, to some extent.
- Greater reliance on imported raw material (particularly, MEG) increases currency risk exposure due to exchange rate volatility. The imported CFR price of PSF remains, on average, lower than the local prices. The lower base effect of PKR value is expected to continue as the currency reels from losing ~39.7% value (YoY) in FY23. In FY24, the currency fell ~13.9% YoY against the greenback. Local PSF prices, however, exhibited a sluggish growth in 1HFY25 owing to continuing dumping despite protection measures in place.
- Going forward, a stable PKR and reduced inflation are likely to support the economic improvement in FY25. Moreover, Pakistan's GSP review status stands secure after extension in CY23 for the next four years. Overall, these factors support recovery in the textiles sector. Given the expected recovery in textiles value chain, the Sector's increasing reliance on PSF imports is likely to pose continuing risks to local production, despite lower international input prices.

# Polyester

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