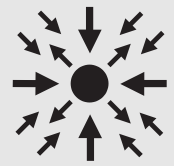
The background of the slide features a close-up of several large spools of thread in vibrant yellow, purple, and blue. Fine threads of these colors are seen extending from the spools and crisscrossing the upper portion of the frame. A prominent yellow rectangular frame is positioned in the center, containing the title text.

# **Sector Profile**

## **Textiles (value addition)**

# Sector Brief



- ▶ Pakistan is the 8th largest exporter of textile products in Asia.
- ▶ It is 4th largest producer and 3rd largest consumer of cotton.
- ▶ It comprises of 46% of the total manufacturing sector and provides employment to 40% of the total labor force.
- ▶ 5% of the total textile companies are listed on the stock exchange. There are 423 textile industries working in the country.
- ▶ The industry consists of 11.3 million spindles, 3 million rotors, 350,000 power looms, 18,000 knitting machines and processing capacity of 5.2 billion square meters.
- ▶ It has about 700,000 industrial and domestic stitching machines. There are 21 filament yarn units having capacity of 100,000 tons.
- ▶ A complete textile value chain exists in the country, unlike many other countries that possess only the primary base or the finished base.
- ▶ Pakistan has supply base for almost all man-made and natural yarns and fabrics, including cotton, rayon and others. This abundance of raw material is a big advantage for Pakistan due to its beneficial impact on cost and operational lead time.
- ▶ The demand for textiles apparel in the world was around \$1.2 trillion at the end of FY18 and it is projected to increase at a CAGR of 2% during the next 4 years. Given the positive demand outlook, Pakistan has significant opportunity to earn foreign exchange through textile exports.
- ▶ Pakistan can produce goods at a cheaper cost as compared to western countries and hence is a good location for outsourcing production.
- ▶ Many international brands currently operate in Pakistan and work with the local textiles mills such as H&M, Levis, Target, Nike, Adidas, Puma etc.

**8.5%**  Textile Contribution to GDP

**207.8m**

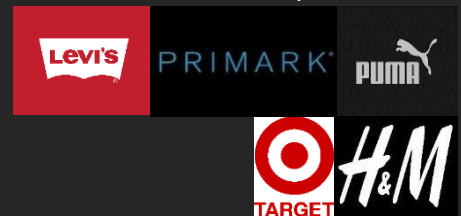


6<sup>th</sup> largest population in the world

Pakistan is ranked **3rd** in the world in terms of the yarn production



Many international brands work with Pakistan's textile companies



**\$1.2 trillion**

Global textiles apparel demand in 2017-18



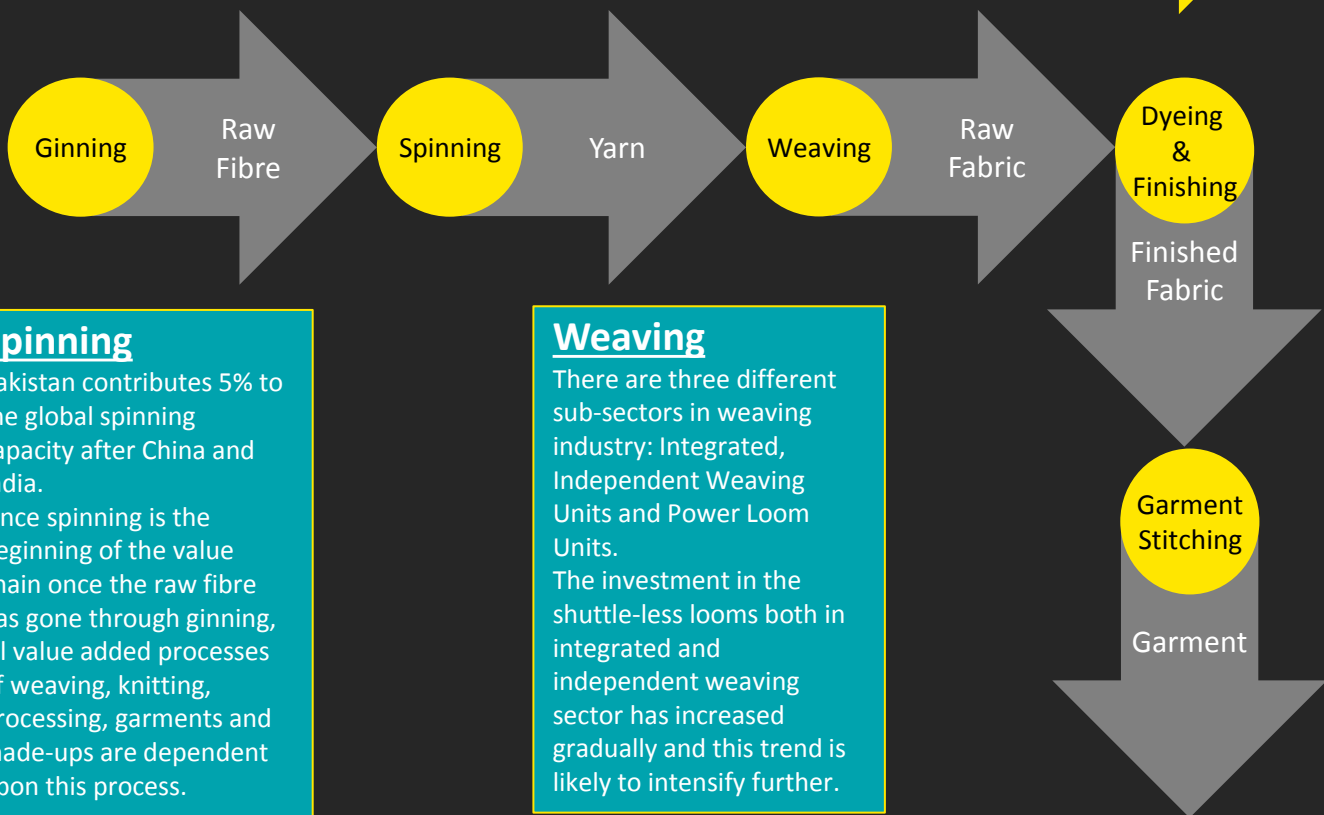
Home to the **3rd** largest hosiery manufacturer in the world, supplying likes of Nike and Addidas

# Market Structure and Dynamics



## Key Areas for Value within the Structure:

1. Spinning
2. Weaving
3. Garments



## Garments

The ready-made garments industry has emerged as one of the important small-scale industries in Pakistan. These readymade garments and products have large demand both at home and abroad. The garment industry is also a good source of providing employment opportunities to a large number of people at a very low capital investment. Most of the machines used by this industry are imported or locally made and assembled. Manufacturing of readymade garments also represents a progression towards higher value addition in the textiles chain. For example, 50,000 kilograms of cotton fibre creates 400 jobs in spinning, weaving and finishing stages. The same amount of cotton fibre creates 1600 jobs if utilized in garments manufacturing. Exports of readymade garments increased 43% in value from US \$1.62 billion in 2011-12 to US \$2.32 billion in 2016-17 and are expected to continue on an upwards trajectory.

# Demographic Outlook



## Urbanization and Increasing Disposable Income

An Increase in urban population implies growth in affordability and changing lifestyle. An expanding working class, rising status quotient, increase in number of working women, along with awareness about brands, styles and designs are adding to the demand for branded textile products and apparel (woven and knitted) in the country.

At present, over 39% of Pakistan's population lives in urban areas, up from 3.1% in 2010. GDP per capita from 2017 stands at \$1.5 thousand with annual per capita growth at 3.7%. The GDP per Capita, in Pakistan, when adjusted by Purchasing Power Parity has grown by 14.7% from 2014, coming to \$5.5 thousand in 2017. This increase in purchasing power of the individuals will boost the textiles and apparel consumption market.

The middle class of Pakistan is expected to expand by over 6% from 2018 onwards.



The presence of potential buyers in Pakistan has been observed by many international brands like Mothercare, Crocs and Monsoon who are working on having their stores established in the country. Most notable is Debenhams opening in Karachi.

## A Fashion Revolution

Pakistan has become home to a number of powerful fashion houses and countless exquisite local and international apparel brands. The local apparel market is expanding, again as a result of increased demand from growing awareness and rising incomes of the general public and a well segmented market, providing for men, women and children of all ages and offering a range of lines, from casual to semi formal, work and bridal wear.



In its Global Wealth Databook 2017, Credit Suisse reported Pakistan's household wealth had risen by \$33 billion. (6.3% rise in total household wealth)

# Geographic Landscape of the Industry

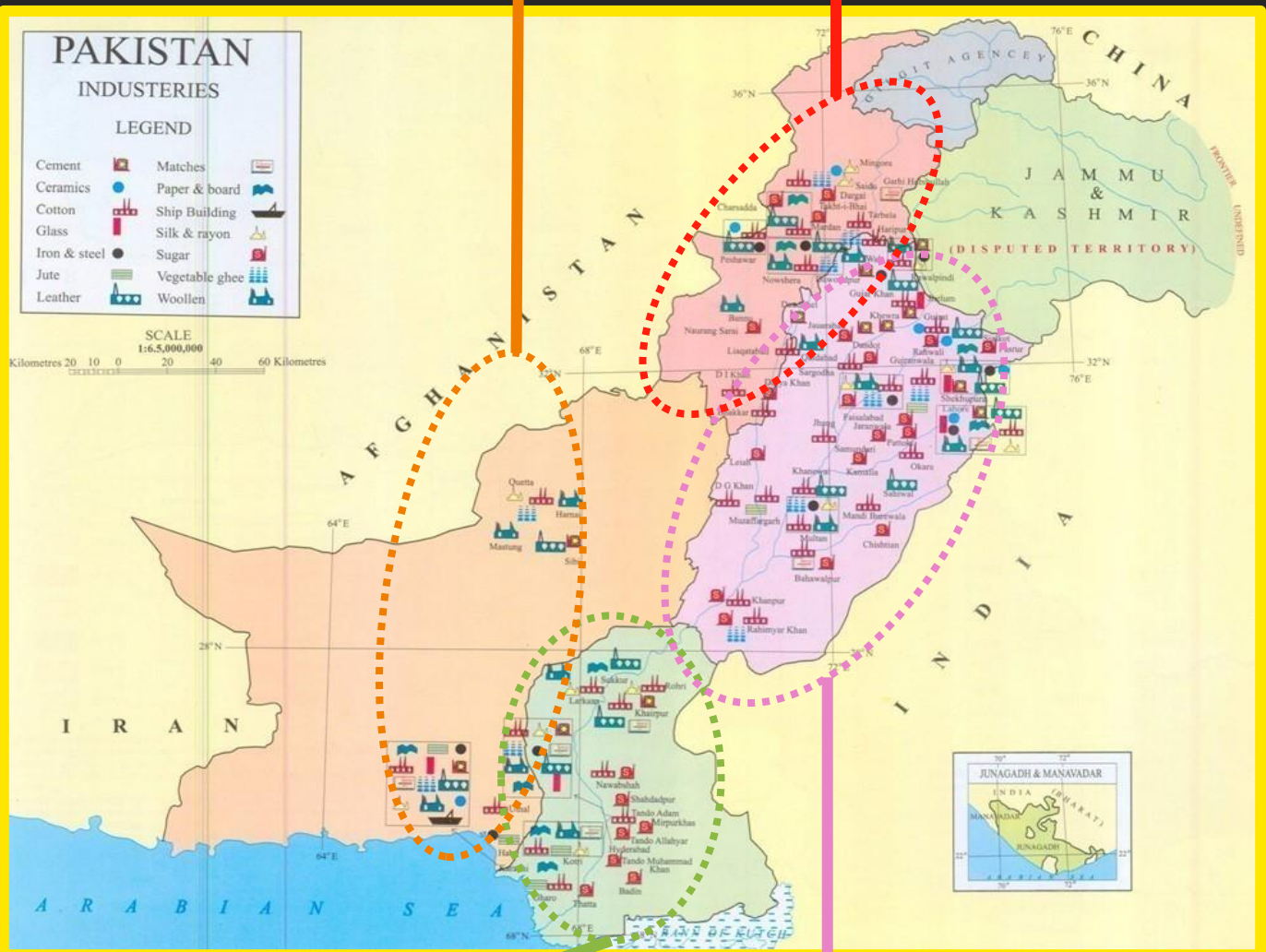


## Value Chain Point of Interest in Balochistan

- 2 locations working **cotton**
- 1 location working **leather**
- 2 locations working **woolen**
- 1 locations working **silk & rayon**
- 0 locations working **jute**

## Value Chain Point of Interest in KPK

- 7 locations working **cotton**
- 3 locations working **leather**
- 2 locations working **woolen**
- 2 locations working **silk & rayon**
- 0 locations working **jute**



## Value Chain Point of Interest in Sindh

- 9 locations working **cotton**
- 4 locations working **leather**
- 4 locations working **woolen**
- 5 locations working **silk & rayon**
- 4 locations working **jute**

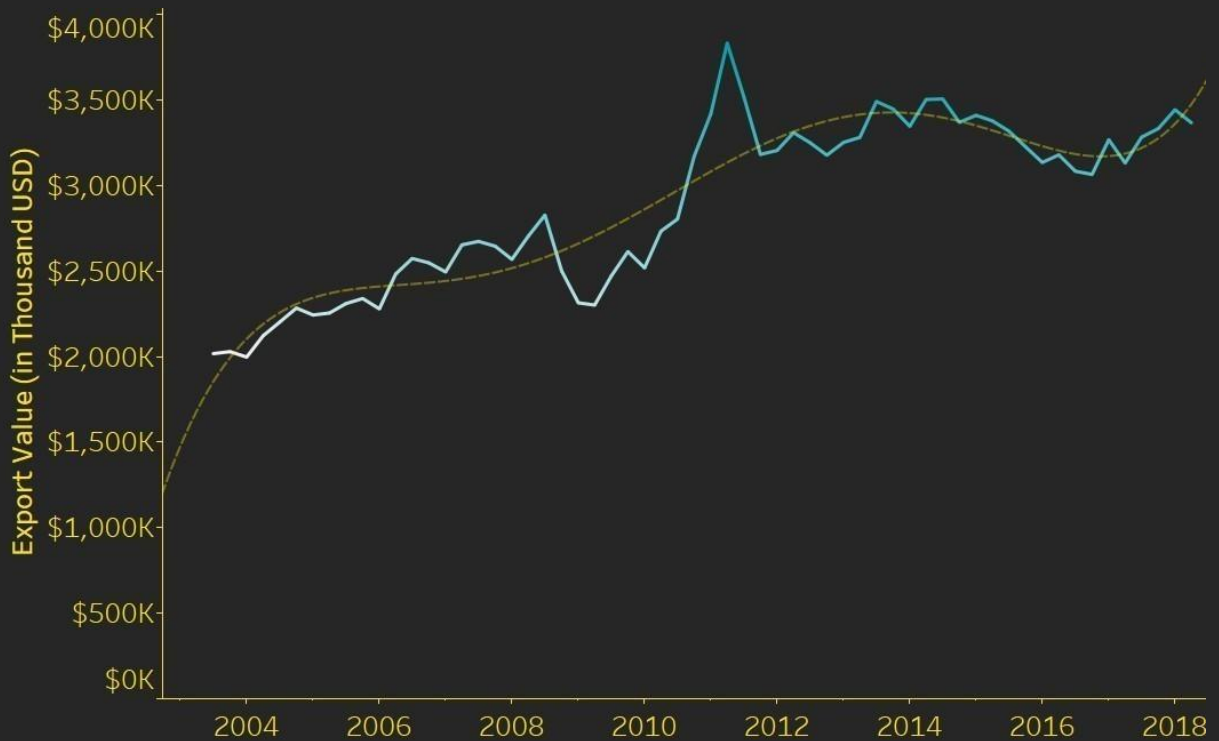
## Value Chain Point of Interest in Punjab

- 18 locations working **cotton**
- 6 locations working **leather**
- 7 locations working **woolen**
- 5 locations working **silk & rayon**
- 2 locations working **jute**

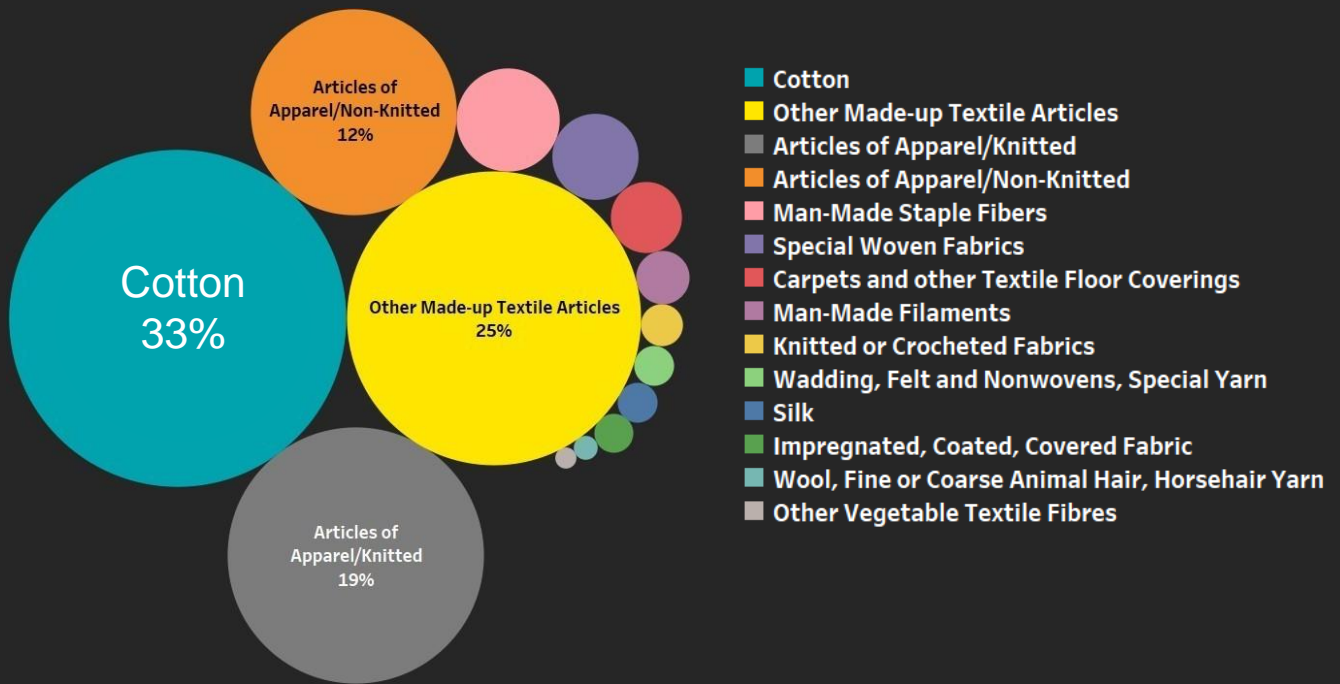
# Textile Statistics



## Pakistan's Textile Exports Trend (2006-2018)



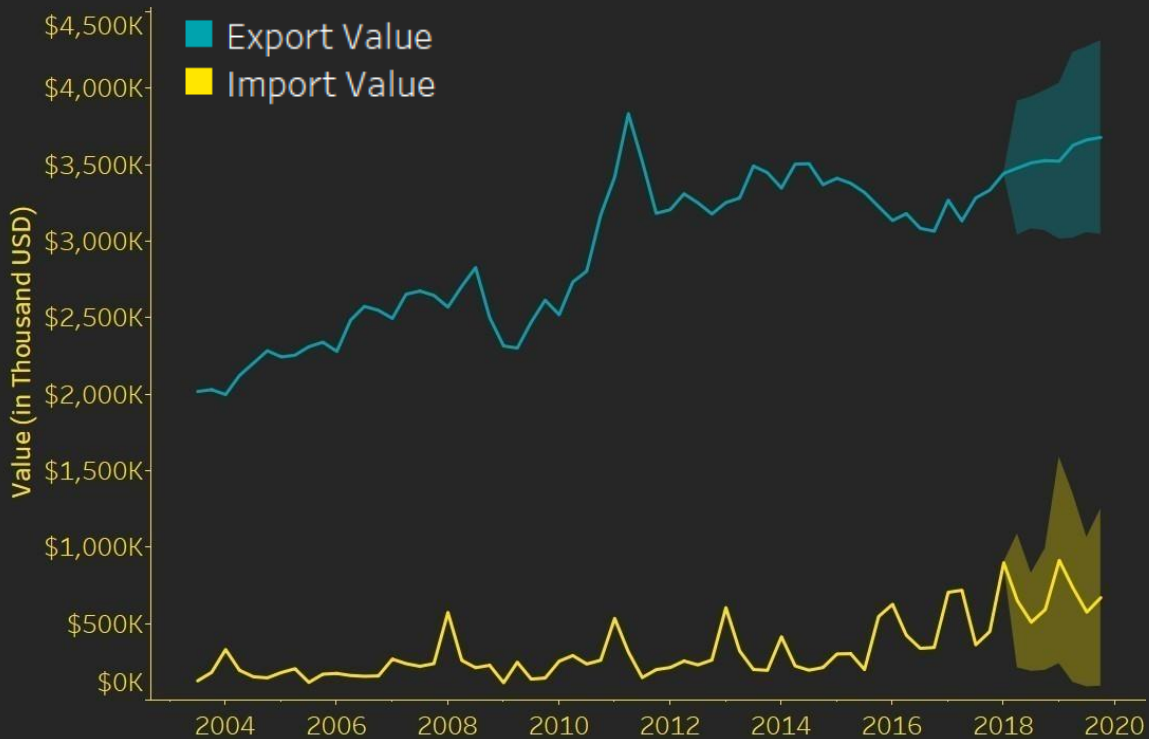
## Breakdown of Pakistan's Textile Sector Exports



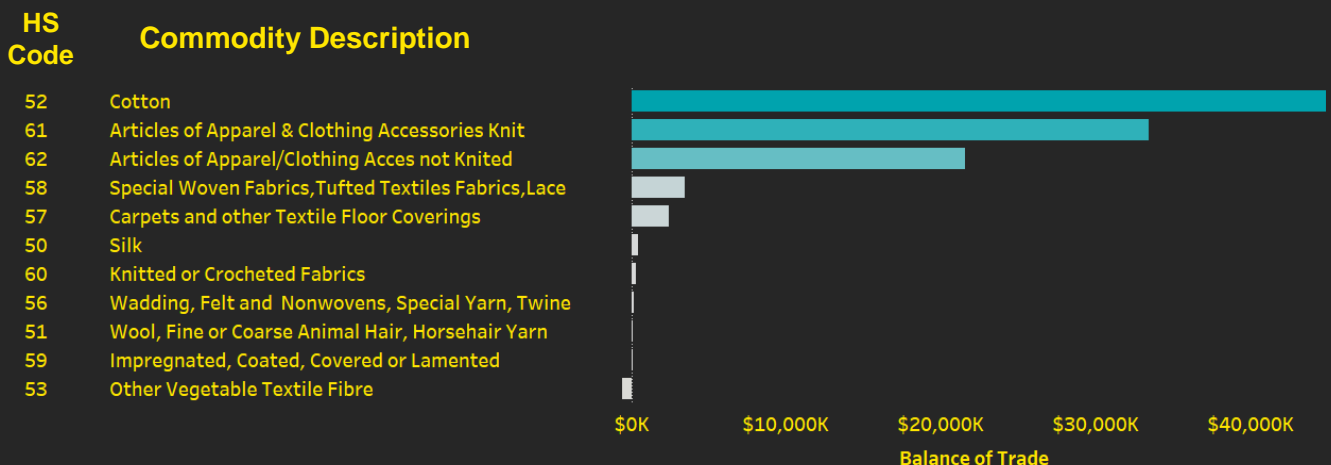
# Textile Statistics



## Pakistan's Textile Balance of Trade (2006-2018)



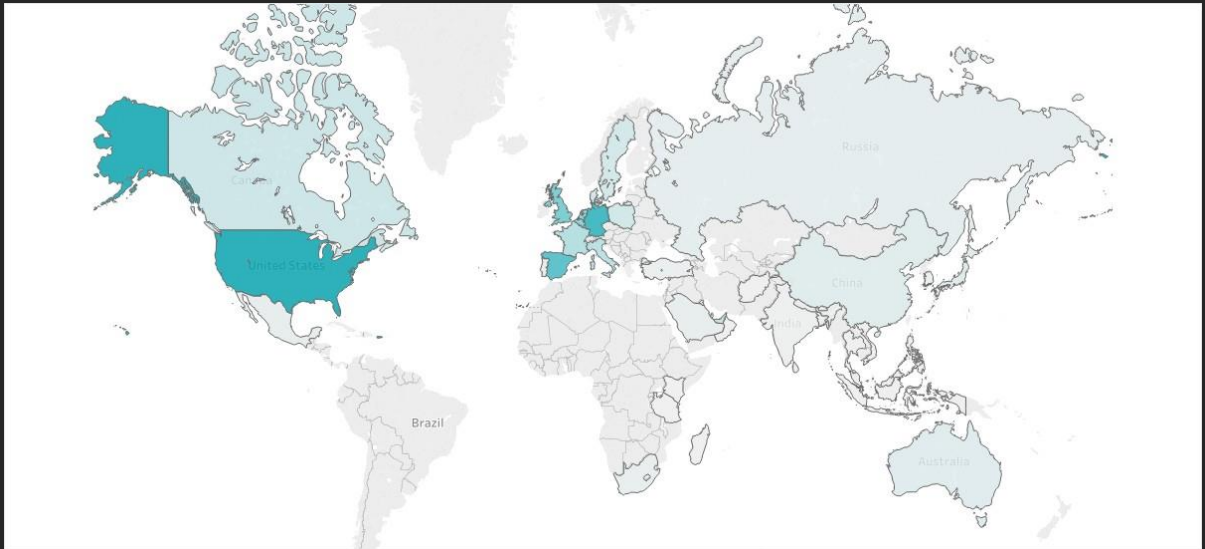
## Breakdown of Pakistan's Textile Balance of Trade by Type (Since 2004)



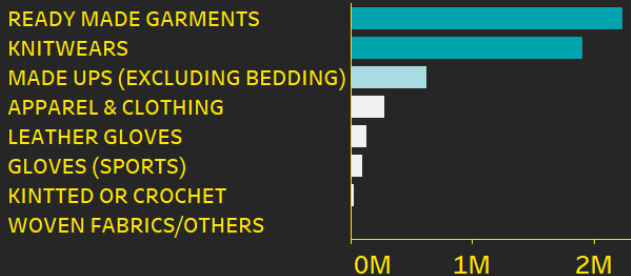
# Textile Statistics



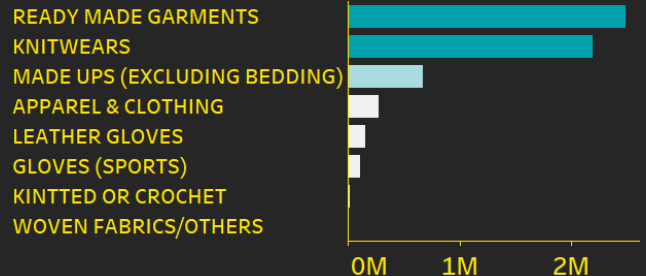
## Textile Exports by Country (July 2016-July 2018) – Source: TDAP



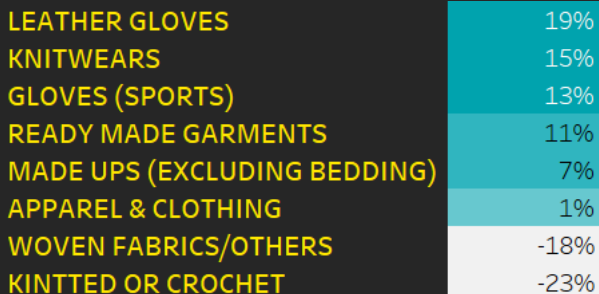
### Exports in 2016/17 by Product



### Exports in 2017/18 by Product



### Change in Export % from FY16 to FY 17



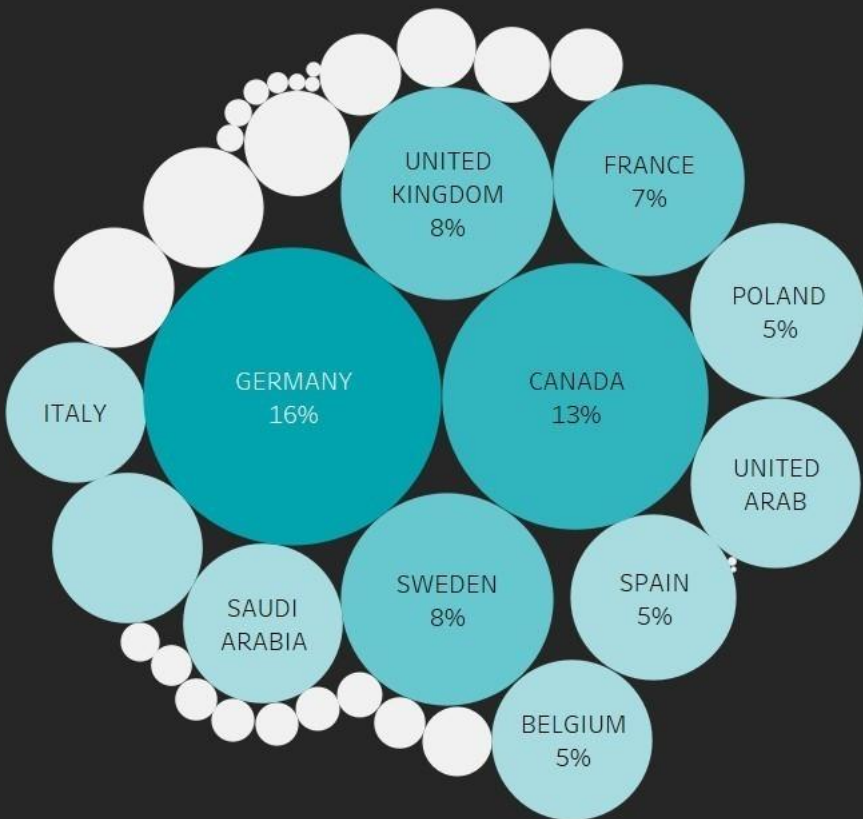
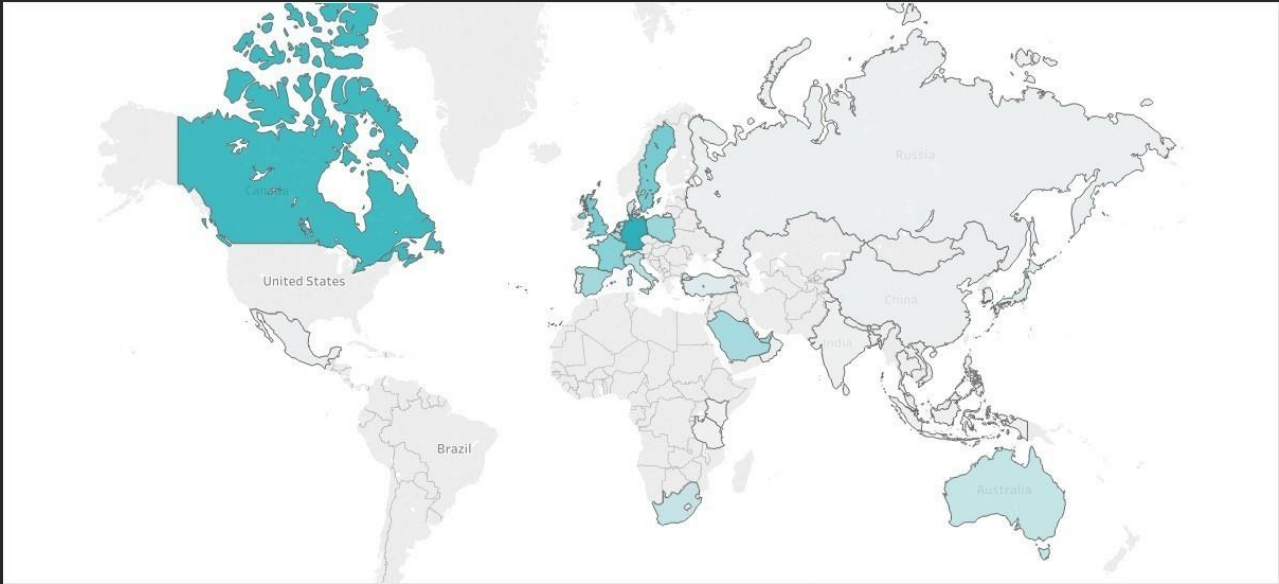
### Textile Exports Balloon Chart



The size of the balloon represents the export % increase from 2016 to 2017. Whereas, the darkness of the color represents a greater amount exported



## Leather Gloves Exports by Country

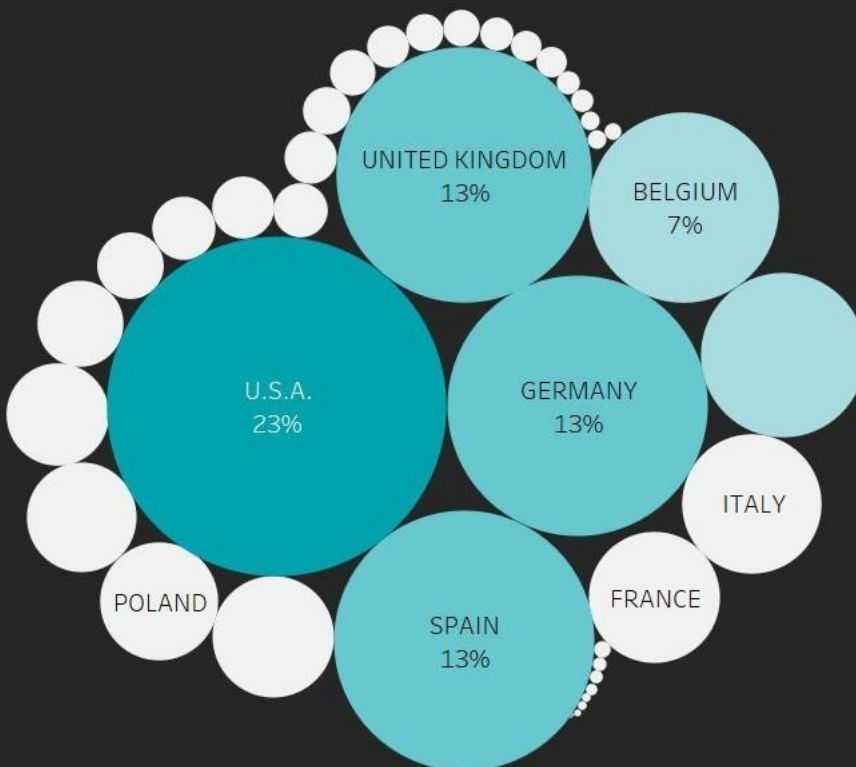
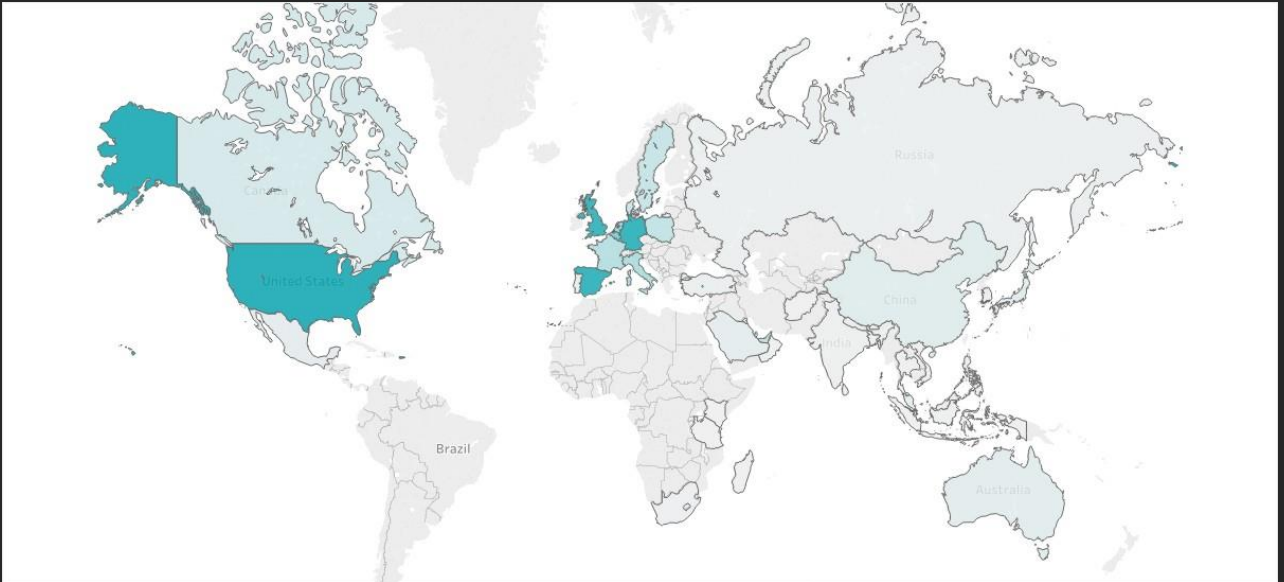


### Top 20 Countries Pakistan exports to:

GERMANY	44,797
CANADA	35,796
UNITED KINGDOM	22,807
FRANCE	18,548
SAUDI ARABIA	12,881
SPAIN	13,889
UNITED ARAB EMIRATES	14,563
BELGIUM	13,046
NETHERLANDS	11,427
ITALY	9,965
TURKEY	2,894
VIET NAM	1,042
KOREA REP.OF	769
CHINA	897
INDIA	377
SRILANKA	146
KENYA	129
BANGLADESH	41



## Ready Made Garments Exports by Country

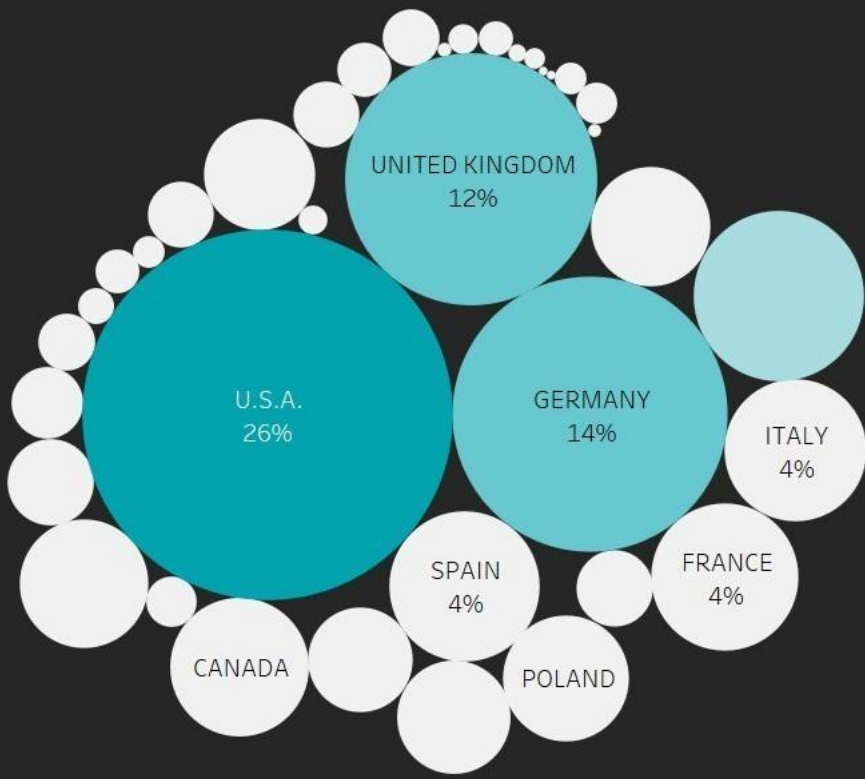
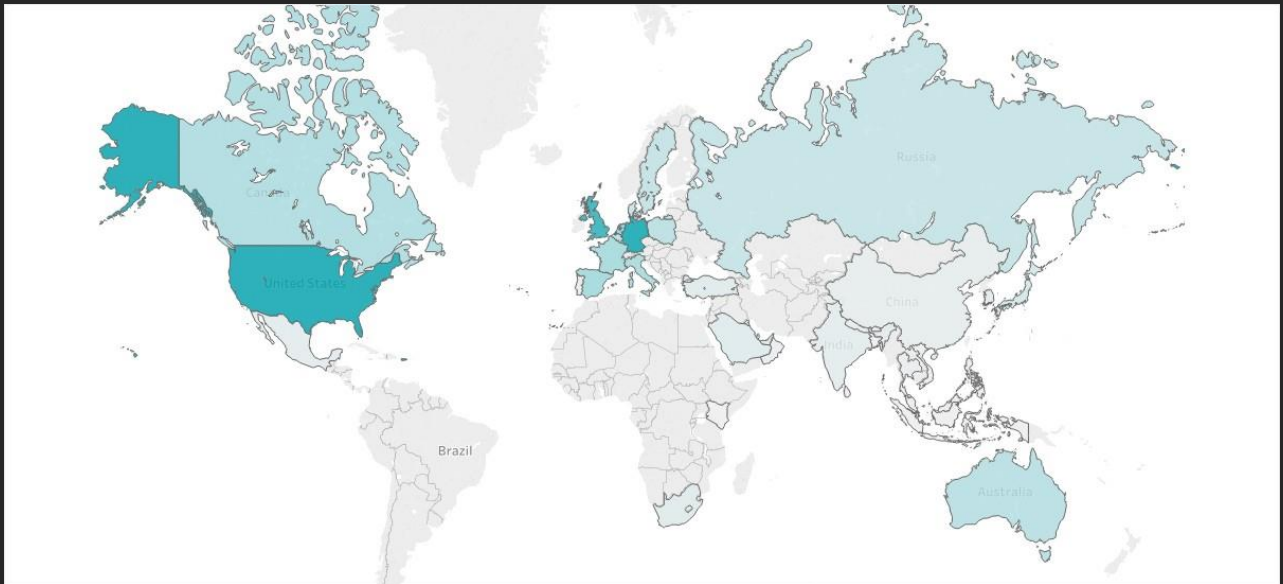


### Top 20 Countries Pakistan exports to:

U.S.A.	1,072,857
GERMANY	632,461
SPAIN	630,718
UNITED KINGDOM	607,604
BELGIUM	337,358
NETHERLANDS	251,944
ITALY	181,079
FRANCE	160,063
UNITED ARAB EMIRATES	137,326
CANADA	68,943
CHINA	41,269
SAUDI ARABIA	27,375
TURKEY	13,059
KOREA REP.OF	8,696
INDIA	5,007
SRILANKA	4,636
KENYA	1,624
BANGLADESH	1,770
AFGHANISTAN	464
VIET NAM	78



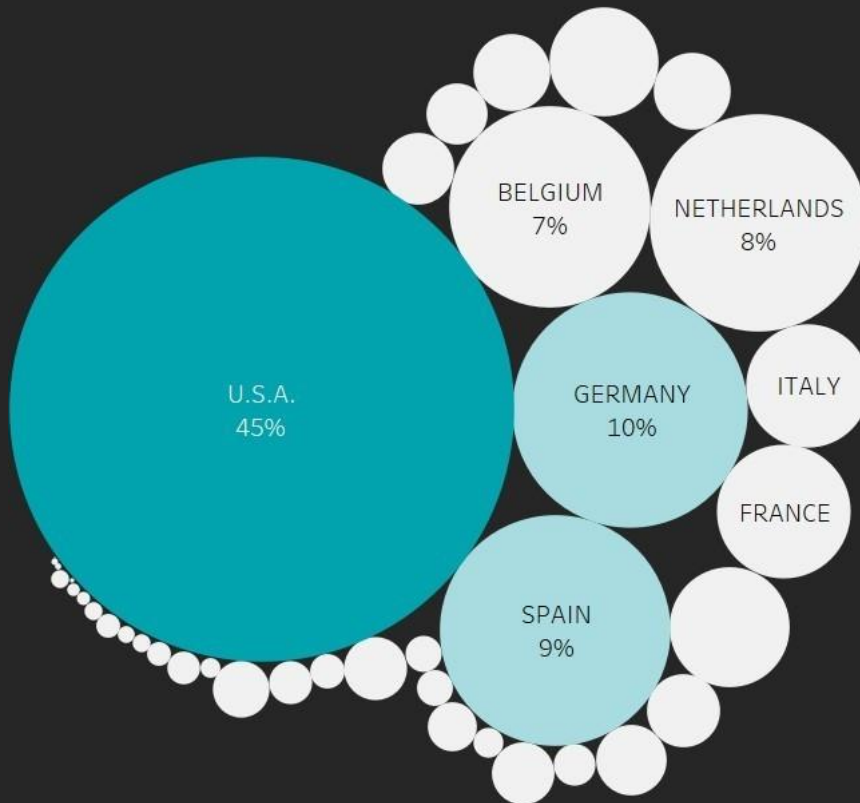
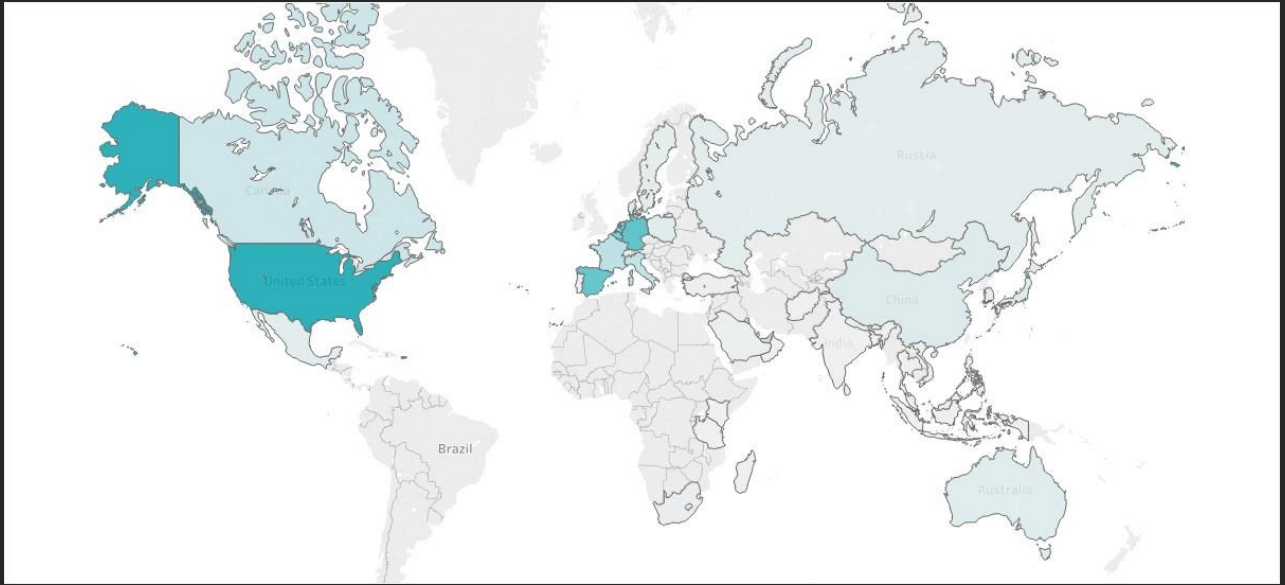
## Gloves (Sports) Exports by Country



Top 20 Countries Pakistan exports to:	
U.S.A.	54,026
GERMANY	29,803
UNITED KINGDOM	25,011
NETHERLANDS	11,434
SPAIN	8,891
FRANCE	8,537
BELGIUM	5,614
ITALY	7,946
CANADA	7,574
UNITED ARAB EMIRATES	2,294
SAUDI ARABIA	2,019
INDIA	1,272
TURKEY	1,730
KOREA REP.OF	1,155
CHINA	1,000
SRILANKA	77
VIET NAM	67
BANGLADESH	28
KENYA	31



## Knitwear's Exports by Country



### Top 20 Countries Pakistan exports to:

U.S.A.	1,839,901
GERMANY	400,492
SPAIN	384,556
BELGIUM	293,231
NETHERLANDS	341,103
FRANCE	129,243
ITALY	109,976
UNITED ARAB EMIRATES	104,138
CANADA	85,859
CHINA	42,759
KOREA REP.OF	23,120
SAUDI ARABIA	12,616
SRILANKA	7,782
TURKEY	9,471
INDIA	2,840
BANGLADESH	2,457
KENYA	1,309
AFGHANISTAN	288
VIET NAM	331

# Opportunities & Reasons to Invest



46% of total manufacturing sector, providing employment to 40% of total labor force.

## Employment

## Productivity

Better management practices can improve productivity by at least 20%

Pakistan's comparative advantage in cotton needs to be converted into a sustainable competitive advantage.

## Comparative Advantage

## Domestic Garment Market

Rising per capita income in Pakistan during last 5 years (23% increase)

## Opportunities in Textiles & Garments



## Key highlight ☆

Exports of readymade garments increased 43% in value from \$1.62 billion in 2011-12 to US \$2.32 billion in 2016-17

## Textiles Policy Goals (2014-19)

- To double value-addition from \$1 billion per million bales to \$2 billion per million in next 5 years.
- To facilitate additional investment of \$5 billion machinery and technology
- Textiles sector will be made domestically and internationally compliant with respect to labour and environment rules and conventions
- Adopt measures to increase ease of doing business and reduce cost of business

- Attainment of The Generalized System of Preferences + (GSP+) in 2014 has had a significantly positive impact on Pakistan's garments exports to EU. Garment exports to EU grew much faster than to the rest of the world in the first two years of the years of GSP+ (i.e., on average 11 % p.a. to EU compared with 1.5 % p.a. to the rest of the world in 2014 and 2015).
- Pakistan would be the only second country in all of South and South East Asia to have duty free access to European Union. Competitors in the Textile and Clothing sector such as China, India, Vietnam, Thailand, Indonesia do not have duty free access nor any preferential access. Pakistan leverages a 10-14% duty advantage.
- Impact of policy measures on one sub-sector ultimately affect other sub-sectors: as the chain moves downstream, each link creates larger number of jobs with relatively lower investments.
- Drawback of local taxes and levies has been provided to manufacturing-cum exporting units on exports of products under specific tariff codes.
- Ready-made garments industry has emerged as one of the important small-scale industries in Pakistan. These readymade garments and products have large demand both at home and abroad.
- Exports of readymade garments increased 43% in value from US \$1.62 billion in 2011-12 to US \$2.32 billion in 2016-17 and are expected to continue doing well.
- The utilization of better technology and techniques can help to improve production and so there is an opportunity to invest in better techniques to convert Pakistan's competitive advantage in both the domestic and international market



## Textile Policy (2014-2019)

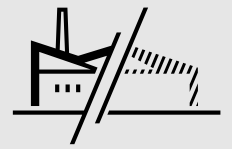
The salient features of this policy are:

- Tax incentives provided to support exporting industries.
- Subsidized credit scheme helped the textile sector to maintain the increasing momentum of import of textile related machinery.
- Vocational training for capacity building and skills enhancement.
- The Ministry of Textile Industry has been making efforts to create an enabling environment for the textiles value chain
- Developing clusters to promote cost efficiencies especially in the SME sector
- Improve overall technological configuration of the sector, remove critical imbalances in the value chain and achieve compliance with international standards

- ▶ Draw-back for local taxes and levies would be given to exporters of textiles products on free of board values of their enhanced exports on an incremental basis if increased beyond 10% over previous year's exports at the following rates:
  - ▶ Garments 4%
  - ▶ Made ups 2%
  - ▶ Processed fabric 1%
- ▶ Mark-up rates for 'Export Refinance Scheme' of State Bank of Pakistan has been reduced from 9.4% to 7.5%
- ▶ A new vocation training programme will be launched through the Public Sector Development Programme (PSDP) to train sufficient men and women over five years period. The Ministry of Textile Industry set up the Pak Korea Garment Technology Institute in Karachi with the contribution by Korea International Cooperation Agency (KOICA) of \$1.28 million, with the remaining funds coming from PSDP.
- ▶ Drawback of local taxes and levies has been provided to manufacturing-cum exporting units on exports of products under specific tariff codes including 1% for eligible product lines of processed fabrics; eligible products of made-ups category at 2%; & eligible products of garments category at 4%.
- ▶ As part of the 'Technology Up-gradation Fund Support Scheme', the federal government may reimburse 50% of markup subject to a maximum of 5% per annum (whichever is less) and also extend up to 20% investment support to SMEs and 5% to non-SMEs for the import of new plant and machinery up-to Rs. 10 million, through loans or their own sources.
- ▶ Priority to the textiles sector for availability of energy to fully utilize the 'Generalized System of Preferences Plus Status' (GSP+) granted by the European Union allowing Pakistani products a duty free access to the European market.
- ▶ Further concessions include a reduction in the end-user mark-up rate for Long Term Financing Facility (LTFF) from 6% to only 5% in November 2015 – which is even lower than the target rate – and expanded provision of 100% refinancing for the entire spinning and ginning sub-sectors.
- ▶ Textiles sector is exempted from sales tax (zero rated) on purchase of raw material.
- ▶ Under the Prime Minister's Package of Incentives for Exporters, the government has allowed duty draw back up to 7% on the export of garments, home textiles, processed fabric, Greige fabric and yarn manufacturing cum exporters units
- ▶ The package also exempted customs duty on the import of raw material for textiles and exempted sales tax on the import of textile machinery

# Areas to Invest

## Spinning & Weaving



Spinning is the first process in the chain that adds value to cotton by converting raw material into a finished product

Weaving is defined as the process of conversion of cotton yarn into raw fabric. It can be classified as the third process in the textile value chain.

### FACTS & FIGURES

- At present the spinning sector comprises of 423 spinning mills in the country with 13.269 million spindles and 220 thousand rotors installed.
- The production of yarn increased significantly from 3.06 billion kg in 2012-13 to 3.43 billion kg in 2016-17, thus showing an average growth of 2.4% per annum.
- Pakistan's leading buyers of cotton yarn are China, Hong Kong, Bangladesh, Korea Republic, Turkey, Japan and Portugal.

### FACTS & FIGURES

- Pakistan is ranked 3rd in the world in terms of the yarn production, a key input for weaving sector.
- Cotton fabric exports represented approximately 18% of the country's total exports on average during the previous 3 years.
- Export of Cotton fabrics has risen from 1,502 million sqm in 2014-15 to 1,989 million sqm in 2017-18.

### SECTOR POTENTIAL

The pattern of cloth production is different than spinning sector and there are three different sub-sectors in weaving industry:

- Integrated
- Independent Weaving Units
- Power Loom Units.

The investment in the shuttle-less looms both in integrated and independent weaving sector has increased gradually and this trend is likely to intensify further

### SECTOR POTENTIAL

- Recent depreciation of the Pakistani rupee has provided much needed relief for the textile exporters operating in the weaving segment as the exports are deemed less expensive by the countries importing.
- Industry experts believe that margins of most companies are expected to improve.
- Relief is available to the export oriented textile manufacturers in the form long term finance facility (LTFF)

# Areas to Invest

## Garments



Ready-made garments industry has emerged as one of the important small-scale industries in Pakistan. These readymade garments and products have large demand both at home and abroad.

### FACTS & FIGURES

- Exports of readymade garments increased 43% in value from US \$1.62 billion in 2011-12 to US \$2.32 billion in 2016-17.
- The production of garments involves many processes and the first important process is cutting the fabric into appropriate patterns. Import of sewing machines and parts increased from Rs.2.67 billion in 2014-15 to Rs.374 billion in 2016-17, thus showing an increase of 28%..

### SECTOR POTENTIAL

- The readymade garment segment is the highest value added a link in the entire textile value chain. The global trade in the sector accounts for 53% of the total value of global textiles trade and is consistently growing since the last two decades.
- According to an estimate by Pakistan Hosiery Manufacturers Association, current production of knitwear & sportswear is at the level of 1.1 billion pieces.
- Exports of knitted goods and sportswear in 2016-17 were worth a total of \$2.36 billion, an increase of 16% from 2012-13's \$2.04 billion

### FACTS & FIGURES

At present the hosiery and knitwear units of Pakistan are comprised of 3,500 large, medium and small units:

- 85% of which are small enterprises
- 10% medium ventures
- 5% largely integrated factories.

With 13,372 circular knitting machines, 10,646 flat knitting and 23,241 socks knitting machines spread all over the country.

### SECTOR POTENTIAL

- In knitwear & sportswear, the US market alone accounted for 33% of total knitwear with exports of \$876 million in 2016-17. Approximately 32% went to the EU.
- Fashion has become an integral part of the operations of E-commerce businesses. It has helped to contribute a great deal to the revenues and profits of online businesses with a reported 16.6 million users on e-commerce platforms.
- The popularity of garments has grown tremendously in the recent years, particularly in areas of sportswear and other casual wear-segments

# Impact of CPEC



There will be great opportunities for the textiles industry of Pakistan to collaborate with China's textile companies. CPEC projects will also assist in the industry reaching its full capacity and potential.



With Pakistan's strategic position and a view to becoming a trade hub at the crossroads of Asia, CPEC will lead to better trade routes allowing easier and cheaper exports of goods to neighboring countries.



## Collaboration Opportunities



China is not only the biggest textile producer country, but also the biggest export country.

Jiangsu YDTEX Group, Ltd is a leading company that manufactures textiles with the collaboration of local cotton and textile industry of Pakistan and YDTEX group, huge economic profit can be obtained in this sector

## Industrial Zones & Energy Projects



One of the challenges for the textiles industry has been power and energy, but with various power generation projects making up 70% of CPEC initiatives, it will enable the industry to produce to full capacity.

With approximately \$33 billion expected to be invested in energy sector projects, power generation assumes an important role in the CPEC project.

# Success Stories Interloop Ltd.



## Pakistan's biggest IPO

Interloop is planning Pakistan's biggest ever initial public offering by a private firm.

The company plans to raise as much as 6.8 billion rupees (\$51 million) to expand its sock manufacturing capacity by around 20 percent and enter the denim business

Interloop is one of the world's largest hosiery manufacturers having an annual turnover exceeding \$270 million. Interloop is also a reputed manufacturer of quality yarn. It is a complete vertically integrated organization with in-house spinning, yarn dyeing, knitting and finishing facilities. The Company offers a wide range of socks with various quality levels and price points in line with all types of customers including brands, retailers, specialty stores etc. besides quality yarns for Denim, Hosiery & weaving industry.

Interloop houses over 4,000 knitting machines, 46,704 ring-spinning spindles.



## Monthly Capacity

3.3 million dozens knitting  
3.5 million dozens  
2,400 tons spinning  
285 tons yarn dyeing

**More than 15,000 employees**



Interloop provides services to the following leading global retailers and brands:

- |                 |                  |
|-----------------|------------------|
| • H&M           | • Nike           |
| • Target        | • Adidas         |
| • C&A           | • Puma           |
| • Dickies       | • Levis          |
| • Tesco         | • Reebok         |
| • JCPenny       | • Tommy Hilfiger |
| • ASDA          | • Prince         |
| • LIDL          | • Hurley         |
| • SportMaster   | • Hi-Tec         |
| • Primark,      | • Umbro          |
| • Payless       | • Columbia       |
| • Family Dollar | • S Oliver       |
| • Medipeds      | • Yonex          |
|                 | • Wilson         |



Manufacturing facilities in Faisalabad and Lahore (Pakistan), Bangladesh and Sri Lanka. Product design/development, marketing & distribution network in Pakistan, Bangladesh, North America and Europe.



# Success Stories

## Khaadi



Khaadi launched in 1998 as a single store startup in Karachi, offering customers kurtas and loose fabric made from hand-woven fabric. Khaadi produces an eastern and western fusion of styles while using hand-woven fabrics on select products.

Khaadi means “hand-woven”



Khaadi expanded internationally in 2010 by opening stores in the UAE. It later expanded to several locations in UK and has an online website attracting orders from around the world.

Khaadi’s products range from fast fashion for men, women and children, to accessories and a home line.



Presently in 2018, Khaadi has 46 stores across Pakistan and is also the first Pakistani fashion retail brand to successfully establish a global footprint with 17 stores in the United Arab Emirates and United Kingdom.



# Success Stories Nishat Mills Ltd.



Established in 1951 Nishat Mills Limited is the flagship company of Nishat Group. One of the most modern and largest vertically integrated textile company in Pakistan.

Nishat Mills has the most modern textile dyeing and processing units in Pakistan

Nishat Mills Limited engages in the textile manufacturing business in Pakistan, Europe, other Asian countries, Africa, Australia, the United States, and Canada.



The Company's total revenue for 2018 was \$400.15 million.



The company offers yarns using natural and artificial fibers; greige fabrics using yarns; dyed fabrics using various greiges; and garments using processed fabrics. It also provides home textile, including quilt covers, quilted throw-overs.

Power Generation facilities with a capacity of 120 MW.



2 stitching units for home textiles, 2 stitching units for garments.

227,640 spindles, 805 Toyota air jet looms.



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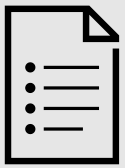
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# Limitations



The information taken to prepare graphs and other statistics for analysis has been taken from credible websites such as All Pakistan Textile Mills Association (APTMA), State Bank of Pakistan and World Bank.

Although we have made all efforts to ensure that data is taken from credible sources, we have not tested the data for reliability or accuracy.

The trend analysis conducted in this sector profile is based on data from July 2003 to August 2018, from the State Bank of Pakistan, and data from financial years 2017 and 2018 from APTMA . The graphs have been prepared on a software platform (Tableau). This software was used to conduct forecasts for the next 2 years as well, based on the historical data. The graphs have been included as screenshots in this profile .

The analysis was perform describing the strengths of the sector from investor perspective. As such, improvement opportunities and matters for the attention of policy makers have not been highlighted as such in this document.

From an investor's point of view, the information in this sector profile is incomplete in order to convince someone to invest in Pakistan. Further sections need to be added to the actual website where these value propositions will be uploaded, which shows all steps that need to be taken to invest, starting from getting a visa, registering and starting a business, operating a business in Pakistan and other legal and regulatory requirements.