



Towels

Sector Study



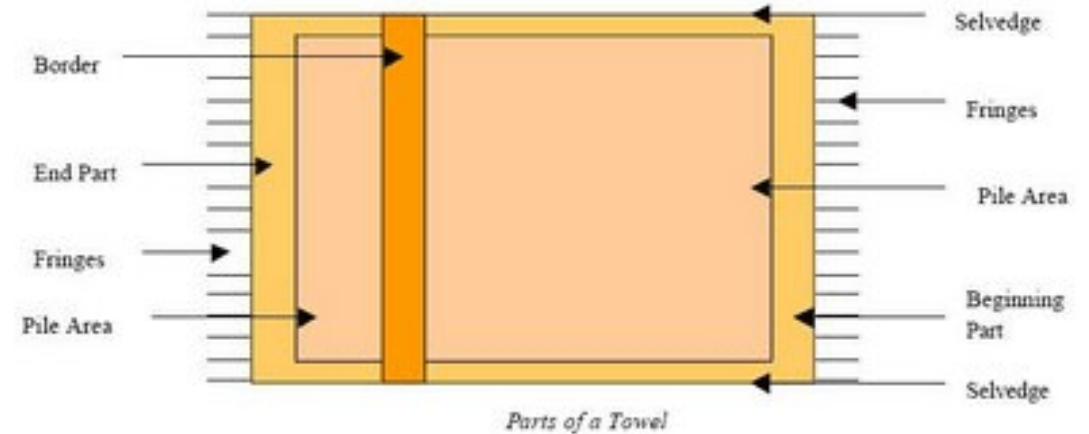
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Introduction

- Until the 1960's, most of the country's demand for towels was met through imports
- Towel Manufacturers Association was founded in 1965 and recognized by the Ministry of Commerce in 1972
- In subsequent years, easy availability of raw material, simplicity of manufacturing process and government's incentives have boosted production
- In made ups, towel's subsector is the third largest after bedwear and garments in terms of production and exports
- According to *Pakistan's Economic Survey 2019*, there are ~10,000 (shuttle and shuttle-less) towel looms installed in Pakistan's organized and unorganized sector
- Growth in towel sales has been modest in the past 10 years (CAGR: ~4%) as the consumption around the world has become stagnant.

Terry Towels

- A terry towel is a textile product which is made with pile loops on one or both sides covering the entire ground surface or forming pile strips, pile checks, or other pile patterns (with hemming end or with firm selvages)
- Purpose of long loops is to absorb a large amount of water
- Length of loops determines how much fluid is absorbed by the cloth as longer loops provide more surface area to absorb and come in contact with the fluid



Fibres used for Terry Towel Production

- Cotton is the most common fiber used for terry towel production due to its natural qualities including:
 - Absorbency
 - Wet strength
 - Hypoallergenic
- Fibres other than cotton used for towels include:
 - Polyester
 - Bamboo
 - Flax
 - Nylon

Manufacturing Process

- Woven fabrics usually consist of i) **warp** and ii) **weft** yarns in 2 dimensions
- Terry towels consist of in 3 dimensions with an additional **pile** yarn. Threads that are parallel to the edge along the length of the woven fabric are called warps.
- Coarse count cotton yarn is mainly used for towel manufacturing

Process Flow Chart of Terry Towel Manufacturing



Types of Towels



Towel type	Size	Best Uses
Bath Towel	From 27" x 52" to 30" x 58"	<ul style="list-style-type: none">• Small bathrooms• Kids' bathrooms• Guest bathrooms
Bath Sheet	From 35" x 60" to 40" x 70"	<ul style="list-style-type: none">• Master bathrooms• Large bathrooms
Hand Towel	From 16" x 28" to 18" x 30"	<ul style="list-style-type: none">• Any bathroom• Powder room
Finger Towel	11" x 18"	<ul style="list-style-type: none">• Small bathroom• Powder room
Washcloth	About 13" x 13"	<ul style="list-style-type: none">• Showers and bathtubs



Main Importers and Exporters of Towels

Importers

- USA
- Germany
- Netherlands
- Italy
- Spain

Exporters

- India
- China
- Pakistan
- Bangladesh

Asia is the largest exporter of bath towels while Europe is the largest importer.

USA's Towel Imports

USA Towel Imports			
US\$ mln			
	2016	2017	2018
Towel Imports	1588	1650	1635
India	634	642	635
Market Share	40%	39%	39%
China	367	397	407
Market Share	23%	24%	25%
Pakistan	350	352	331
Market Share	22%	21%	20%

In last three years:

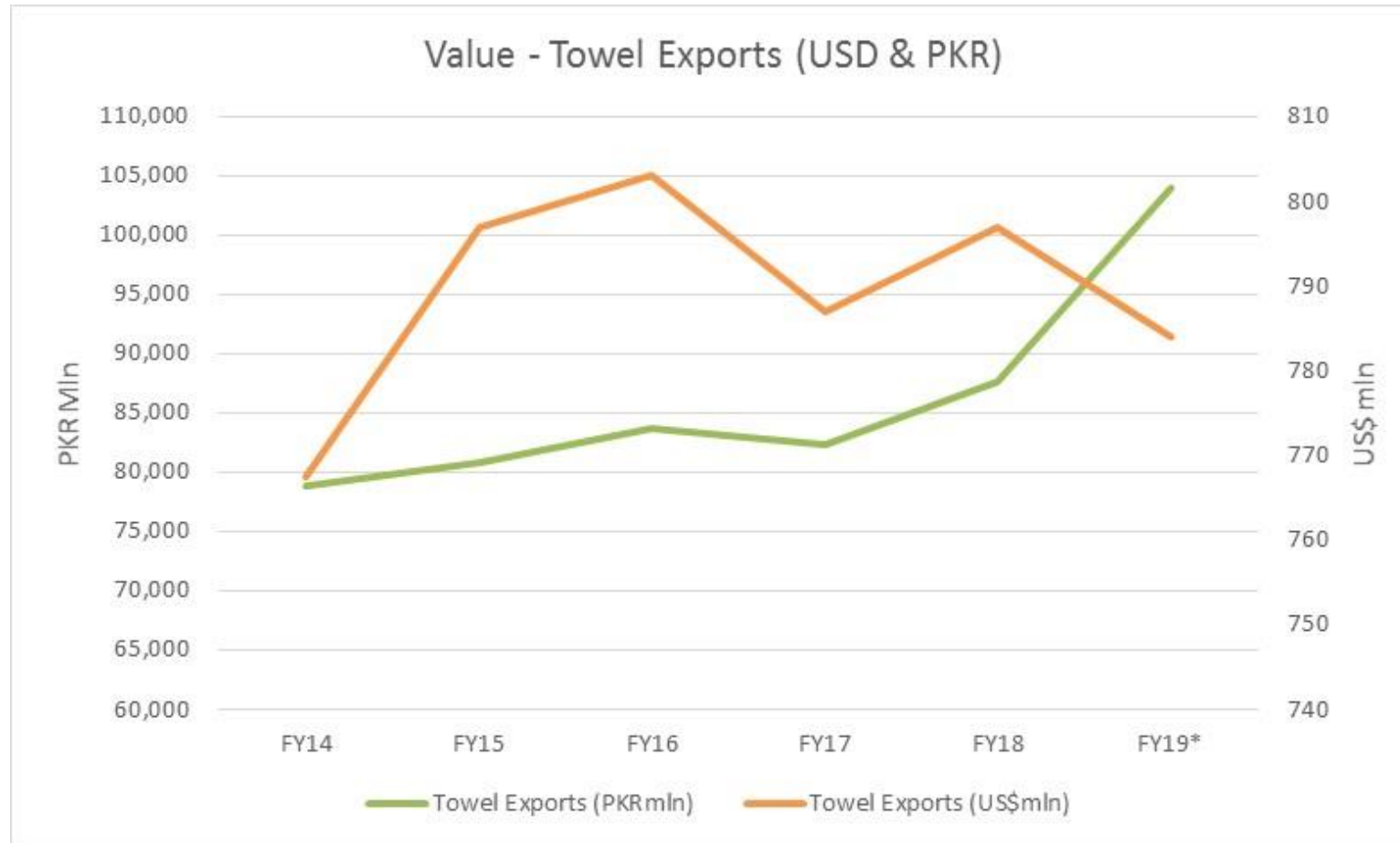
- India's market share in USA has almost remained stable
- Pakistan has lost 2% market share
- China's share in USA's towel market has increased by 2%

Source: International Trade Administration

Pakistan – Towel Exports

	FY14	FY15	FY16	FY17	9MFY18	FY18	9MFY19
Quantity - Towel Exports (MTs)	166,567	172,156	177,946	197,000	154,237	205,593	137,318
Textile Exports (PKR mln)	1,411,087	1,362,904	1,297,257	1,303,570	1,074,422	1,488,014	1,322,681
Towel Exports (PKRmln)	78,889	80,778	83,681	82,357	64,506	87,601	77,944
Towel Exports/ Textile Exports	5.6%	5.9%	6.5%	6.3%	6.0%	5.9%	5.9%
Textile Exports (US\$mIn)	13,720	13,453	12,447	12,450	9,983	13,530	9,991
Towel Exports (US\$mIn)	768	797	803	787	599	797	588
<i>Source: PBS</i>							

Pakistan – Towel Exports | Value



FY19: Annualized on the basis of 9 months*

Pakistan – Towel Exports | Quantity



FY19: Annualized on the basis of 9 months*

Country wise share of Pakistan's Towel Exports

Pakistan's Towel Supply to Counties					
COUNTRIES:	FY14	FY15	FY16	FY17	FY18
USA	50%	50%	50%	48%	45%
UK	8%	10%	10%	10%	10%
Germany	4%	5%	5%	5%	5%
Netherlands	2%	2%	2%	4%	5%
Italy	4%	4%	4%	4%	5%
Spain	2%	3%	3%	3%	4%
Belgium	2%	2%	3%	2%	3%
UAE	4%	4%	3%	3%	3%
Ireland	1%	1%	1%	1%	1%
Malaysia	0%	0%	1%	1%	1%
South Africa	1%	1%	2%	1%	1%
Other Countries	22%	18%	16%	18%	17%

Other countries include Poland, Canada, Norway, Japan, Sweden, Greece and Australia

Source: Trade & Development Authority of Pakistan (TDAP)

Opportunities:

- GSP+ scheme has enabled Pakistan to export more textile products in Europe region.
- America – China Trade War is an opportunity for South Asian countries to grab more share in American markets.
- Expiration of Free Trade Agreement between America and India

Duty Structure:

- Terry Fabric: 20%
- Terry Towels: 20%
- Normal Fabric: 16%
- Cotton Ginning | 9% import duty on raw cotton imports
- Spinning | 15% import duty on cotton yarn
- Weaving & Processing | 15% import duty on greige and processed fabric

Challenges faced by Towel Industry of Pakistan

- Towel manufacturers need to add more value to their products as compared to Bangladesh and Vietnam, in order to grab more international market share.
- The towel producers of Pakistan face tough competition to get a slice of market share to enhance sales volume.
- Withdrawal of Zero Rating for Export sector will effect liquidity
- Higher Interest Rates and devalued currency has made investments tough

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