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TEXTILE SECTOR

PROFILE PAKISTAN

2026







TEXTILES & APPAREL

SECTOR PROFILE

Pakistan | Comprehensive Edition | July 2026

An investor-grade profile of Pakistan's largest export industry - the vertically integrated chain from cotton and yarn to apparel, home textiles and technical textiles - incorporating the Pakistan Economic Survey 2025-26, verified trade data, the Finance Act 2026, and alignment with URAAN Pakistan's export-led growth framework.

PREPARED FOR	PRIMARY SOURCES	EDITION
Investors, Businesses & Academia	**PES 2025-26 · PBS · M/o Commerce · FBR · APTMA · EU GSP**	**Comprehensive · Print Edition**

About This Profile

This profile provides a comprehensive, evidence-based assessment of Pakistan's textiles and apparel sector for national and international audiences - investors evaluating manufacturing and sourcing, buyers assessing the supply base, policymakers, and academic researchers. It is written to be read as an analyst report, with charts and tables used selectively to complement the narrative.

Scope & Methodology

The profile covers export performance and composition, the value chain and industry structure, raw materials, the policy and fiscal framework including the Export Facilitation Scheme and Finance Act 2026, alignment with URAAN Pakistan, investment opportunities, risk factors, and regional benchmarking. Analysis is anchored in primary official sources - the Pakistan Economic Survey 2025-26 (Chapter 3), Ministry of Commerce and PBS trade tables reproduced therein, and FBR instruments - supplemented by industry-association and international data with dated attribution. All references appear in Section 11.

Quality Assurance

Every quantitative claim in this edition has been cross-validated against the source documents cited, and a structured self-audit covering data accuracy, source attribution, and analytical consistency was conducted in July 2026. Industry claims that cannot be independently verified - including refund-stock figures and trade-diversion estimates - are attributed to their claimants and identified as such.

Data Currency

Data are current as at 5 July 2026 unless otherwise stated. Fiscal-year references follow Pakistan's July-June fiscal year. Figures for July-March FY2026 are nine-month provisional data as reported in the Pakistan Economic Survey 2025-26. Fiscal parameters reflect the Finance Act 2026 as effective 1 July 2026; the Export Facilitation Scheme remains under active policy review and current SROs should be verified with FBR.

Disclaimer

This document is for information purposes only and does not constitute investment, legal, or tax advice. Duty structures, the EFS, and rebate regimes change through Finance Acts and statutory regulatory orders; readers should verify current parameters with the Federal Board of Revenue and the Ministry of Commerce before transacting. While every effort has been made to ensure accuracy, no liability is accepted for decisions made in reliance on this document.

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Acronyms & Abbreviations

APTMA	All Pakistan Textile Mills Association	**MMF**	Man-Made Fibre
CAGR	Compound Annual Growth Rate	**MoC**	Ministry of Commerce
DLTL	Duty Drawback of Local Taxes & Levies	**NTR**	Normal Tax Regime
EFS	Export Facilitation Scheme	**PBS**	Pakistan Bureau of Statistics
ESG	Environmental, Social & Governance	**PCGA**	Pakistan Cotton Ginners Association
EU	European Union	**PES**	Pakistan Economic Survey
FBR	Federal Board of Revenue	**PRGMEA**	Pakistan Readymade Garments Mfrs & Exporters Assoc.
FTR	Final Tax Regime	**PSX**	Pakistan Stock Exchange
FTA	Free Trade Agreement	**RMG**	Readymade Garments
GSP+	EU Generalised Scheme of Preferences Plus	**SRO**	Statutory Regulatory Order
LEED	Leadership in Energy & Environmental Design	**T&A**	Textiles & Apparel
LSM	Large-Scale Manufacturing	**WTO**	World Trade Organization

THE SECTOR AT A GLANCE · FY2025-26

Six numbers that frame the opportunity

T&A EXPORTS JUL-MAR FY26	APPAREL EXPORTS	INDUSTRIAL VALUE ADDED	WOVEN APPAREL MOMENTUM
$13.58B	**$6.95B**	**24.2%**	**+5.9% / +3.8%**
59.7% of all national exports (PES 2025-26)	51% of textile exports; +1.1% YoY (PES)	textile share, Jul-Mar FY26 (PES)	woven segment; knitwear declined(PES)

VALUE CHAIN	EMPLOYMENT	EU MARKET ACCESS	NATIONAL TARGET
Full stack	**~40%**	**GSP+**	**$60B**
ginning to apparel, vertically integrated (PES)	of industrial labour force, estimate (World Bank, 2025)	preferential tariffs under extended EU scheme	URAAN Pakistan exports goal, all sectors, FY29

Sources - PES 2025-26, Ch. 3 & Tables 3.3-3.6; World Bank, 2025 / PBS; European Commission; URAAN Pakistan (MoPD&SI, 2024).

1. Executive Summary

Textiles and apparel is Pakistan's export economy: US$13.58 billion in July-March FY2026, or 59.7% of everything the country sold abroad, produced by the sector that also generates 24.2% of industrial value added and employs an estimated 40% of the industrial labour force (World Bank,2025). Its competitive foundation is unusual globally: a vertically integrated chain running from domestic cotton and ginning through spinning, weaving and processing to apparel, home textiles and technical textiles, spanning firms from micro units to listed groups (PES 2025-26).

The FY2026 headline - exports down a marginal 0.5% - conceals the composition story that matters to investors. Value-added categories grew while basic textiles lagged: apparel, now 51% of textile exports, rose 1.1% to US$6.95 billion, with woven apparel up 3.8% in value; woven apparel volumes rose 5.9% even as knitwear volumes fell 4.2%, leaving total apparel quantity down 1.8% while value still rose 1.1%; and bed wear held its ground. The sector is climbing the value ladder even in a flat year - continuing the structural shift that took its share of national exports from 55.2% to 59.7% in twelve months as other exports fell (PES 2025-26, Tables 3.3-3.5).

Policy is the sector's central tension. The Export Facilitation Scheme - the duty-and-tax-free import backbone of export manufacturing - has been narrowed into a compliance-driven framework, with raw cotton, cotton yarn and grey cloth excluded from its scope under SRO 1435(I)/2025 (August 2025), and exporters moved from the final tax regime to the minimum tax regime under the Finance Act 2024, converting a 1% final withholding tax into a floor against normal-regime liability. The industry's core budget demands - full EFS restoration, reinstatement of the final tax regime, and clearance of its claimed Rs 327 billion in pending refunds - were not met in full in the Finance Act 2026 (FBR SROs; Business Recorder, May 2026). The government did grant partial relief: the levy on export proceeds was cut from 2% to 1.25%, the 0.25% Export Development Surcharge was removed, and elimination of the super tax for exporters was proposed. Liquidity and energy costs, not demand, are the binding constraints most operators cite. The strategic frame is set by URAAN Pakistan: export-led growth is the first of the plan's five pillars, with a national export target of roughly US$60 billion by FY2029 - unreachable without textiles, which supplies six of every ten export dollars today. GSP+ preferential access to the EU continues under the extended scheme, the apparel mix is shifting toward higher-value products, and the investment cases - garment capacity, man-made fibre, technical textiles, and sustainability retrofits - all push the same direction the national plan demands.

FIVE INVESTOR ENTRY POINTS

01 · GARMENT CAPACITY	02 · MAN-MADE FIBRE	03 · TECHNICAL TEXTILES	04 · HOME TEXTILES	05 · GREEN RETROFIT
Apparel now 51% of exports and growing; woven volumes +5.9% (knitwear volumes down); buyers diversifying from China.	Global demand is roughly three-quarters MMF; Pakistan remains cotton-centric - the conversion gap is the opportunity.	Nascent domestically; medical, protective & industrial fabrics named in the value chain (PES).	Bed wear & towels: established world-scale positions; brand and retail-margin capture next.	Solar, water recycling & ESG compliance: buyer-mandated and energy-cost-driven at once.

2. Export Performance & Composition

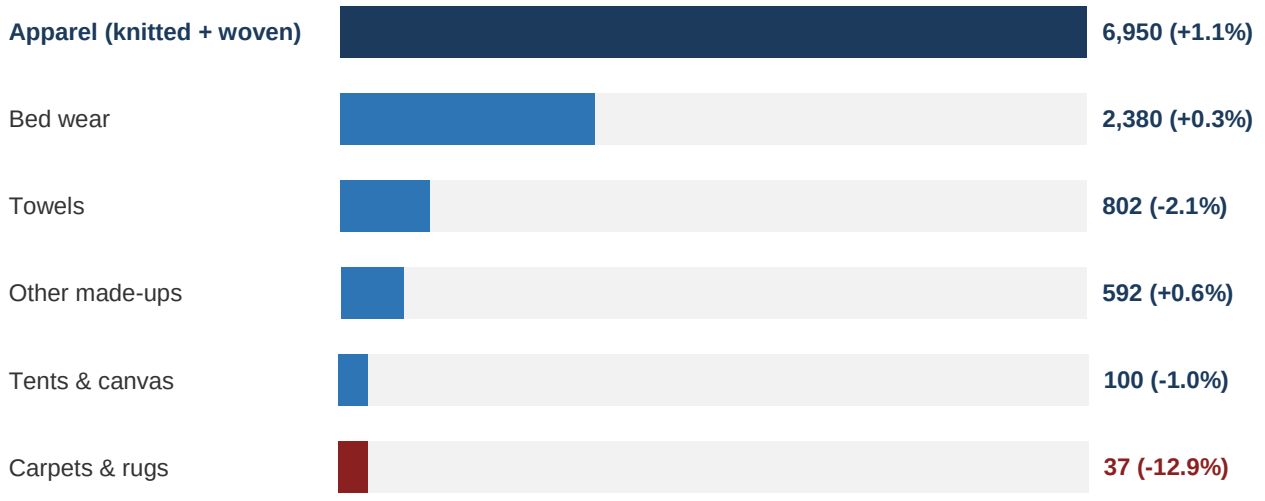
2.1 FY2026 Performance

Textile and apparel exports were US$13,581.8 million in July-March FY2026, 0.5% below the US$13,655.9 million of the same period last year - a flat result that nonetheless lifted the sector's share of national exports from 55.2% to 59.7%, as total exports declined faster than textiles did (PES 2025-26, Table 3.3). The sector's history frames the level: exports peaked at roughly US$19.3 billion in the record year FY2022 (PBS), and the current run-rate of about US$18 billion annualised sits just below that peak, with the composition materially richer in value-added product than in 2022.

2.2 Export Composition

Apparel is now the sector's centre of gravity at 51% of textile exports - US$6,950.3 million in July-March FY2026, up 1.1% - with woven apparel the growth engine (+3.8% value, +5.9% volume) while knitted apparel eased. Made-ups hold the second position: bed wear at US$2,380.2 million (+0.25%) and towels at US$801.5 million (-2.1%), franchises in which Pakistan ranks among the world's leading suppliers. The long tail - carpets (-12.9%) and tents/canvas (-1.0%) - continues its structural decline, and basic textiles (yarn and fabric) account for much of the remainder of exports, the segment most exposed to the EFS policy changes discussed in Section 6 (PES 2025-26, Tables 3.4-3.6).

Textile & apparel export composition, Jul-Mar FY2026 (US$ million, PES)



Source - PES 2025-26, Tables 3.4-3.6 (Ministry of Commerce / PBS). Remainder of the US$13.58 billion total comprises cotton yarn, fabric, and other basic textile categories.

3. Value Chain & Industry Structure

Pakistan's defining advantage is vertical integration: the survey describes a supply chain running from ginning through yarn and fabric manufacturing and processing to apparel, home textiles, and technical textiles, hosting micro, small, medium and large-scale manufacturing simultaneously (PES 2025-26).

Spinning capacity organised under APTMA anchors the upstream; weaving and processing bridge to the export-facing downstream of garment makers (PRGMEA) and made-ups producers. The listed tier includes some of Pakistan's largest industrial groups - Interloop, Nishat Mills, and Gul Ahmed among them - while thousands of unlisted and SME units supply, subcontract, and export in their own right.

The structural weakness mirrors the strength: integration built around cotton leaves the industry concentrated in cotton-based products while global consumption has shifted decisively toward man-made fibres, and much spinning and weaving capacity runs on dated technology. The investment implication is a two-front modernisation: MMF-capable capacity and downstream value addition, both consistent with where FY2026's growth actually occurred.

3.1 Success Stories

Three cases demonstrate world-scale competitiveness from a Pakistani manufacturing base.

INTERLOOP	THE DENIM CLUSTER	HOME TEXTILES LEADERSHIP
Hosiery at global scale	**Karachi to the world**	**Bed wear & towels**
Faisalabad-based Interloop is among the world's largest hosiery manufacturers, supplying leading global athletic and apparel brands, and its 2019 listing was at the time the largest private-sector IPO on the Pakistan Stock Exchange - proof that Pakistani plants can hold anchor positions in global brand supply chains at scale.	Pakistan's denim manufacturers - Artistic Milliners, Soorty and peers - supply the world's major denim brands from LEED-certified plants, with Artistic Milliners holding Pakistan's highest-rated LEED Platinum certification and among the first denim/garment facilities in South Asia certified to that standard.. Sustainability here is not compliance overhead; it is the sales pitch.	With US$2.4 billion in bed wear and US$0.8 billion in towel exports in nine months of FY2026 (PES), Pakistan ranks among the world's leading home-textile suppliers, holding top-tier positions in EU and US import markets - established franchises whose next margin layer is branding and direct retail relationships.

4. Cotton & Raw Materials

The industry's raw-material base has shifted beneath it. Domestic cotton production slipped a further 0.5% in FY2026 (PES 2025-26) and stands at roughly half the peaks of the early 2010s, as acreage migrated to sugarcane and other crops and yields suffered from heat, pests and seed-quality issues - a structural decline documented across a decade of national data (PBS; PCGA). Imported cotton now routinely supplements the domestic crop in every spinning season, making fibre security a foreign-exchange exposure as well as an agricultural one.

The second gap is fibre mix. Global fibre production is now roughly three-quarters man-made (synthetics and man-made cellulosics combined), against just 19% cotton, while Pakistan's export basket remains predominantly cotton-based; polyester and other MMF inputs carry tariff and supply frictions that a modern MMF value chain would resolve. Both gaps convert into investment theses - cotton revival through certified seed and corporate farming (see this series' Agriculture profile), and MMF capacity from fibre through blended spinning - and both are prerequisites for the export trajectory URAAN Pakistan assumes.

5. Policy Framework & URAAN Alignment

Sector policy sits with the Ministry of Commerce (Textiles Wing) under the Textiles and Apparel Policy framework, with FBR administering the fiscal instruments - the EFS, duty drawbacks, and tariff structure - and the EU's GSP+ scheme providing the single most valuable piece of market access: preferential tariffs on most textile lines into Pakistan's largest export market, continuing under the extended EU GSP framework (European Commission). Provincial labour and environmental regimes, and increasingly buyer-imposed ESG codes, complete the operating envelope.

Textiles is the load-bearing wall of URAAN Pakistan's first pillar. The National Economic Transformation Plan 2024-29 targets export-led growth toward roughly US$60 billion in annual exports by FY2029, with a market-driven exchange rate and duty-reduced imports of raw materials among its stated instruments - and with six of every ten current export dollars coming from textiles and apparel, no plausible path to the national target exists without textile expansion (Ministry of Planning, Development & Special Initiatives, 2024). The plan's diagnosis of falling manufacturing investment and premature de-industrialisation reads as a description of the sector's last decade; its remedy - reversing the investment collapse (from 24% of private investment in manufacturing in 2004 to just 11% by 2024) with export orientation - is the sector's requirement precisely.

THE POLICY ARC · 2014-2026

2014
GSP+ Granted
EU preferential access transforms apparel economics; still in force.

2021
EFS Launch & FY22 Record
Consolidated duty-free import scheme; exports peak ~US$19.3B in FY2022.

2024
Tax Regime Shift
Exporters moved from final tax regime to minimum tax regime; liquidity tightens.

2025
EFS Narrowed
Raw cotton, cotton yarn & grey cloth excluded; compliance-driven SRO framework.

DEC 2024
URAAN Pakistan
Export-led growth is pillar one; ~US$60B national export goal by FY29.

JUL 2026
Finance Act 2026
Industry's EFS/FTR restoration demands unmet in full; review continues.

6. Fiscal & Trade Framework: EFS & the Finance Act 2026

The Export Facilitation Scheme is the sector's operating system: duty- and tax-free import of inputs for export production, consolidated in 2021 from legacy schemes. Its recent evolution has cut in two directions. Compliance tightened - digital tracking, reconciliation and audit obligations under successive SROs - which the formal large-scale sector can absorb. And scope narrowed: the exclusion of raw cotton, cotton yarn and grey cloth from EFS coverage deliberately withdraws support from low-value-added export stages, pushing the scheme toward finished-product exporters (FBR; DSI/industry analyses, 2025-26). Combined with the 2024 shift of exporters from the final tax regime to the minimum tax regime — under which the withheld 1% becomes a tax floor rather than a full discharge of liability — the working-capital burden on exporters has risen materially; the industry claims refund stocks exceeding Rs 327 billion (APTMA/value-added associations, as reported May 2026 - an industry figure, not independently verified).

What the Fiscal Framework Means for Investors

The policy direction rewards exactly what the investment theses in Section 7 propose: finished-product manufacturing inside compliant, documented structures. Basic-textile business models that depended on EFS coverage of yarn and grey cloth have lost their subsidy.

Liquidity is the operative risk to underwrite: refund cycles and normal-regime taxation raise working-capital needs versus regional competitors, and should be modelled explicitly in any acquisition or greenfield case.

The Finance Act 2026's broader tariff liberalisation cuts machinery and input costs, and government signalled openness to EFS improvements as of mid-2026 - upside optionality, not a base case. Verify the current SRO position with FBR before structuring.

7. Investment Opportunities

Four theses align with both the FY2026 composition data and the national policy direction. Garment capacity: apparel is the growing half of the export basket, buyers continue diversifying sourcing away from concentration risk, and GSP+ gives EU-facing economics an edge; expansion here is brownfield-friendly and quick to revenue. Man-made fibre: closing the fibre-mix gap from polyester and blends through MMF-capable spinning and knitting addresses the largest structural mismatch with global demand. Technical

textiles: named in the national value-chain description but barely developed domestically, spanning medical, protective, geo- and agro-textiles with import-substitution and export dual markets. Sustainability retrofits: solar generation, water recycling and certification upgrades cut the sector's most damaging cost line (energy) while meeting buyer ESG mandates - the denim cluster demonstrates the commercial return.

Opportunity	Key Enablers	Risk Factors
Garment / RMG capacity	51% and rising share; +5.9% volumes; GSP+; buyer diversification	Energy costs; refund liquidity; compliance load
Man-made fibre chain	Global demand ~three-quarters MMF; domestic gap; tariff reform direction	Capital intensity; petrochemical input pricing
Technical textiles	Dual import-substitution/export market; policy recognition	Standards & certification; thin local demand base
Green retrofits	Energy-cost relief; buyer ESG mandates; proven cluster models	Financing tenors; NEPRA's 2026 shift from net metering to net billing, which cut new-connection solar buyback rates by roughly two-thirds

Sources - PES 2025-26; FBR; European Commission; industry documentation.

8. Challenges & Risk Factors

Risk ratings are the authors' qualitative assessment of relevance to international investors.

Energy Cost & Reliability

HIGH RISK

Industrial power and gas tariffs have run persistently above regional competitor levels, eroding conversion-cost advantage - the industry's most consistently cited constraint. Captive solar adoption is the market's own answer; tariff policy remains the systemic variable.

Liquidity: Refunds & Tax Regime

HIGH RISK

Minimum-regime taxation plus slow refund cycles ties up exporter working capital; the industry claims pending refunds above Rs 327 billion (industry figure). For investors this is a modelling parameter and a due-diligence item on any target's receivables from government.

Raw Material Security

MEDIUM RISK

Domestic cotton has fallen by more than half from its early-2010s peak — from roughly 14–15 million bales to just 5–7 million bales in FY2025-26 (PCGA; OICCI, July 2026) — making fibre supply import-dependent and FX-exposed, while the MMF gap constrains product-mix flexibility.. Vertical players hedge through imports and blends; the structural fix is agricultural and petrochemical.

Trade-Preference Erosion

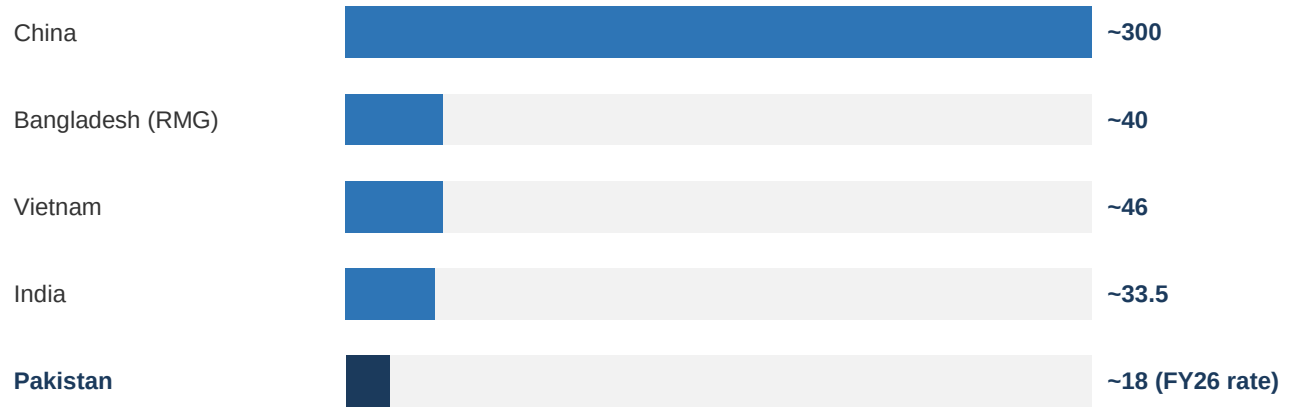
MEDIUM RISK

GSP+ is periodically reviewed against covenant compliance, and competitor FTAs - the India-EU free trade agreement, signed in January 2026, eliminates EU tariffs of up to 12% on Indian textiles and apparel; industry (APTMA; former Commerce Minister Gohar Ejaz) has flagged an estimated US$9 billion of Pakistan's EU-bound exports and up to 10 million jobs at risk (industry claim) - eroding Pakistan's relative GSP+ preference. Diversification toward US, UK and non-EU markets is the mitigation.

9. Regional Benchmarking

Pakistan is a top-ten global textile and apparel exporter but a second-tier one by value: the annualised US$18 billion run-rate compares with roughly US$38-45 billion for Bangladesh's garment exports, similar magnitudes for Vietnam's textile complex, and US$33.5 billion-plus for India's textile and apparel exports (national industry bodies; WTO statistics, approximate). The composition gap explains most of the value gap: Bangladesh and Vietnam sell almost entirely finished garments, while roughly half of Pakistan's basket remains yarn, fabric and home textiles. Pakistan's differentiators - fibre-to-finished integration, GSP+ access, and world-scale home-textile franchises - are real; the deficit is downstream capacity and conversion cost.

Textile & apparel exports, approximate annual (US$ billion)



Sources - WTO; national industry bodies (BGMEA, VITAS, CITI); PES 2025-26 for Pakistan. Figures approximate; category definitions vary.

10. The Upside Case

The Upside Case

The composition shift is already underway: apparel at 51% of exports and growing volumes at nearly 6% in a flat year demonstrates that Pakistani garment manufacturing wins orders when capacity exists. Every incremental garment line converts existing domestic yarn and fabric into an estimated two to three times the export value — a value-chain rule of thumb rather than a PES-reported figure. Using the value-chain multiplier above, matching Bangladesh's garment-share of basket at Pakistan's current total volume would alone lift textile exports by roughly half - before any growth in underlying capacity - and URAAN Pakistan's US$60 billion national export target effectively mandates that trajectory.

The enabling stack is in place: GSP+ access, a more vertically integrated supply base no garment-only competitor possesses, a demonstrated world-class sustainability cluster, and a policy regime now explicitly biased toward finished-product exporters. The binding constraints - energy cost and liquidity - are policy variables not structural endowments; liquidity already has an active reform agenda underway (Finance Act 2026, EFS review), while energy-tariff reform remains a live but unresolved policy question.

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All data and analysis are sourced from primary and authoritative secondary sources, presented in APA 7th Edition format.

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TEXTILES & APPAREL SECTOR PROFILE

Pakistan - Comprehensive Edition - July 2026

Part of the Pakistan Sector Profile Series

Housing & Construction - Automotive - Information Technology - Agriculture & Food Processing - Transport & Logistics - Tourism & Hospitality - Textiles & Apparel

Compiled from official and primary sources: PES 2025-26 - PBS / MoC - FBR - European Commission - APTMA - URAAN Pakistan

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