Spinning

JULY 2025

GLOBAL

The global production of cotton stood at ~25mln MT in MY25 (MY24: ~24mln MT), up ~5.1% YoY, with China being the largest producer, (~6mln MT), followed by India (~5mln MT), United States (~3mln MT), Brazil (~4mln MT), and Pakistan (~1mln MT). It is estimated to increase to ~26mln MT in MY26.

As per the "OECD-FAO Agricultural Outlook 2025-2034", the global production of cotton is expected to grow steadily and reach ~30mln MT by MY34. Overall, gains in cotton production are predominantly driven by higher yields, and to a lesser extent, by expansion in area harvested. The cotton production in Pakistan is estimated to increase to ~1.1mln MT in MY26. As per the estimate of the Ministry of Finance, however, it is estimated to be ~1.7mln MT*.

The consumption of cotton has increased, primarily driven by an increased demand due to a growing population and income in developing countries. The global consumption of cotton in MY25 clocked in at ~27mln MT (MY24: ~25mln MT), up ~4.5% YoY. This is expected to grow by ~1.3% in MY26. The largest consumer of cotton is China (~9mln MT), followed by India (~6mln MT), and Pakistan (~2mln MT).

Production (000 MT)	MY21	MY22	MY23	MY24	MY25	MY26*
China	5,910	5,730	5,980	5,618	6,164	5,610
India	5,992	5,290	5,722	5,493	5,050	5,730
United States	3,181	3,815	3,150	2,628	3,137	3,467
Brazil	3,002	2,356	2,551	3,200	3,701	3,889
Pakistan	980	1,306	849	1,740**	1,200	1,120
R.O.W.	5,454	6,482	6,122	5,841	6,178	6,271
Total	24,519	24,979	24,374	24,207	25,430	26,087

Consumption (000 MT)	MY21	MY22	MY23	MY24	MY25	MY26*
China	8,315	7,500	8,318	8,314	8,599	8,804
India	5,304	5,200	5,389	5,600	5,681	5,753
Pakistan	2,448	1,900	2,300	1,875	1,907	1,948
Turkey	1,890	1,700	1,500	1,650	1,678	1,715
R.O.W.	7,901	7,362	7,518	8,033	8,754	8,741
Total	25,858	23,662	25,025	25,472	26,619	26,961

**The data for MY26 is projected*

***The value is derived by converting 10,233 bales into MT using a conversion factor 1 bale=170 kgs.*

****MY=August to July*

SPINNING INSIGHTS

- During FY25, yarn production (~2.67mln MT) recovered posting a growth of ~7.6%[1]. This was followed by consecutive dips in production of ~8.1% in FY24 (production: 2.48mln MT) and ~22.1% in FY23 (production: ~2.69mln MT). The recovery came on the backdrop of better performance of the overall Textile group, which recorded a modest uptick of ~2.8% in FY25 (~-5.6% in FY24). Looking forward, the GDP and LSMI growth targets of ~4.2% and ~3.5% for FY26 indicate moderate growth prospects for the Textile group, including the spinning sector. Yarn production is expected to sustain its pace, yet a rebound to the average historic levels of over ~3mln MT (FY19 – FY22) remains uncertain.

- The sector's profit margins are largely driven by its cost dynamics. During 9MFY25, the gross and operating margins[2] clocked in at ~7.3% and ~3.6%, respectively (FY24: ~7.3% gross margins and ~5.9% operating margins). Moreover, the net profit margins continued to hover in the negative zone at ~-0.8% during 9MFY25 (~-1.2% in FY24).

- The sector's increasing reliance on imported cotton poses a supply-side risk. For FY25, imports represented ~35% share in the cotton supply (~11% in FY24), adding USD~1.27bln (USD~448mln in FY24) to the country's import bill. Keeping in view the prevalent climate changes, flooding in key cotton belts, and shifting crop dynamics, the target cotton production of ~10.2mln bales for FY26 seems challenging.

- Currently, the international cotton prices are higher than the price of locally produced cotton. The gap between the two has widened to ~9.8cents/lbs (July 18, 2025), translating into an average increase of USD~36.8 for each bale of cotton imported. Higher dependence on imported cotton would lead to an increase in the raw material cost, eventually impacting the yarn price and profit margins of the sector. On the other hand, energy and finance costs are expected to remain rangebound, considering a reduction in interest rates, and no major energy tariff hike on the cards. Meanwhile, other expenses such as selling & distribution, and administrative costs, are likely to move in line with the estimated CPI inflation levels (~5-7%) during FY26.

- The recent removal of GST exemption (Finance Bill, 2025) on textile inputs for exporters registered under the Export Facilitation Scheme (EFS) will provide tax protection and a level playing field to the domestic cotton and yarn producers. The measure is expected to foster the domestic supply of inputs at all stages of the textile value chain, which will, in turn, benefit the domestic spinning mills. On the other hand, the customs duty (CD) on imported cotton yarn has been reduced from 11% to 5%. Historically, the imports of cotton yarn have been very low in comparison to its local production. Therefore, a reduction in CD is not expected to bear a notable impact on the demand for locally produced yarn, particularly when the GST disparity has been removed. The exporters registered under the EFS may, however, be placed at a relative disadvantage in terms of the foregone cost benefits earlier offered to them for export incentivization, which may hamper the overall Textile group growth.

- Most of the spinning mills produce coarse and medium count yarns, with a small share of fine count yarns. For FY25, excluding the fine count yarns (50 and above), the domestic yarn price (average for FY25: USD~2.94/kg for 20/2 count) was recorded lower than the international price (average for FY25: USD~3.92/kg). Consequently, imports remained nominal.

- Going forward, the sector's performance is expected to improve on account of the anticipated increase in yarn offtake due to the revived demand prospects, updated duties and taxes, and reduction in some of the key cost components. However, an inclination towards imported cotton and a lower domestic crop output can lead to a considerable rise in raw material costs, affecting the yarn price and profit margins of the sector. Moreover, growth in yarn offtake is critical for the management of fixed costs and recovery of the net profit margins of the sector.

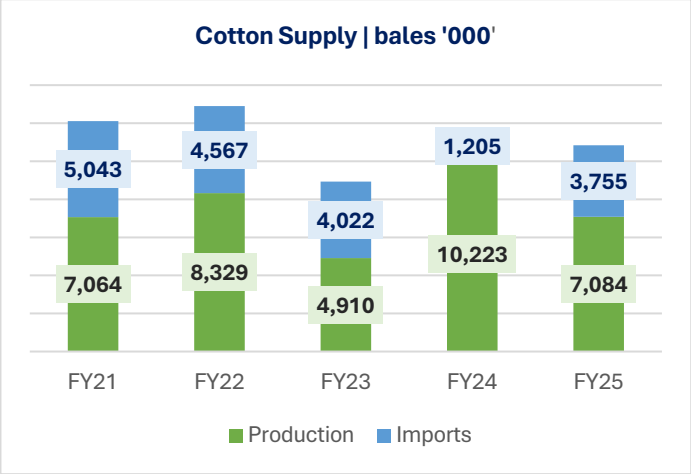
[1] Growth is calculated by annualizing production till May'25 for the full year – FY25.
[2] Margins are calculated based on 27 entities (Spinning mills only) financial statements.

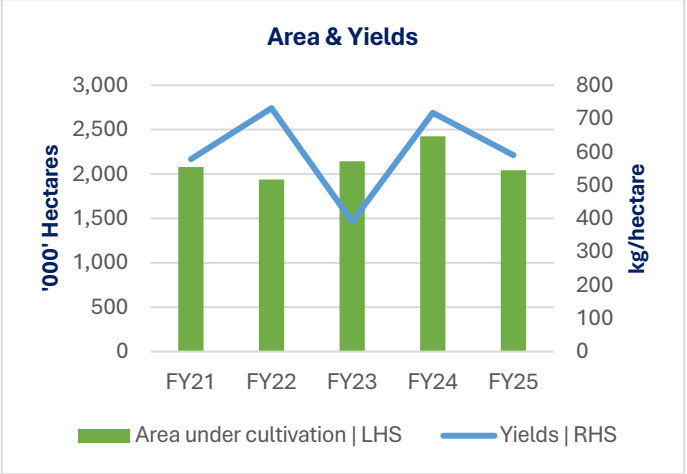
Economic Overview & the Spinning Sector

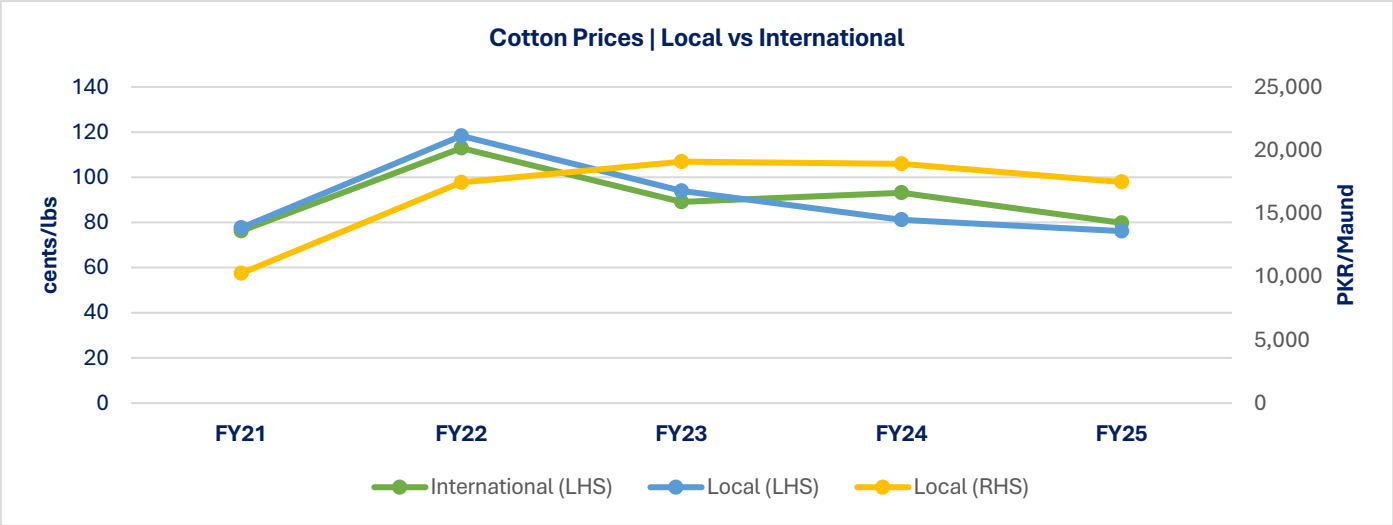
Indicators	Units	FY23	FY24	FY25
Economic Highlights				
GDP Growth (Real)	%	-0.2	2.5	2.7
Growth in LSMI	%	-10.3	0.8	-1.2
Textile group Growth in LSMI	%	-23.0	-5.6	2.8
Spinning Sector Weightage in Textile group	%		8.88	
Avg. Inflation (CPI)	%	29.1	23.9	4.6
Monetary Policy Rate (Period-end)		22.0	20.5	11.0
Avg. Exchange Rate	USD/PKR	248.6	283.1	278.7
Goods Exports	USD mln	27,724	30,675	32,040
Goods Imports		55,198	54,779	58,386
Net Trade Balance | Goods		**-27,474**	**-24,104**	**-26,345**
Textile & Spinning				
Textile Exports	USD mln	16,502	16,656	17,887
Textile Imports		3,742	2,714	4,205
Textile Net Trade Balance		**12,760**	**13,942**	**13,682**
Cotton Exports		13	56	0.9
Cotton Imports		1,679	448	1,266
Cotton Net Trade Balance		**-1,666**	**-392**	**-1,265**
Spindles Installed	mln	13.4	13.4	13.4
Spindles operational	mln	11.3	9.7	9.5
Yarn Produced	000' MT	2,695	2,477	2,443
Yarn Exports	000' MT	283	353	256
Yarn Exports	USD mln	844	956	681

Yarn production for FY25 is for 11 months

Cotton Dynamics







Global cotton prices are expected to remain subdued for the remaining FY25, owing to an increased global supply amid sluggish demand. The prices are expected to remain under ~80cents/lbs, with a modest recovery expected in FY26. Meanwhile, in Pakistan, cotton price is recorded even lower, currently almost ~10cents/lbs below the global price. In the coming months, an increase in procurement and a rise in cotton arrivals to the mills are expected to improve the prices.

Yarn Dynamics

Yarn Supply

Cotton Yarn	Units	FY21	FY22	FY23	FY24	FY25
Production	000 MT	3,441	3,459	2,695	2,477	2,215
Imports		21	18	15	9	-
Exports		391	337	283	353	231

Yarn Imports quantity available till FY24.

Synthetic Yarn	Units	FY21	FY22	FY23	FY24	FY25
Production	000 MT	467	521	517	517	481
Imports		447	372	200	298	349
Exports						

Synthetic yarn export quantity available till FY24.

Yarn Prices

Domestic Yarn Prices (Avg.) - PKR/kg	Counts	FY21	FY22	FY23	FY24	FY25
Coarse	20/2	470	661	791	870	820
	10/1 - 30/1	446	632	758	808	783
Fine	52/1 & 60/1	646	943	1,049	1,095	1,096

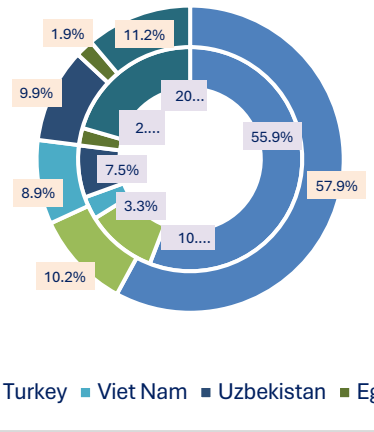
Yarn prices are averages for the year, and for the 10/1 – 30/1 category, these include 10/1, 16/1, 21/1, 22/1, 20/2, 26/1, and 30/1.

Production of Yarn (MT)	FY21	FY22*	FY23*	FY24*	11MFY25*
Synthetic/Blended	1,385,574	1,392,481	1,084,904	997,328	977,260
Medium	826,441	830,560	647,103	594,867	586,356
Coarse	792,771	796,723	620,739	570,632	561,925
Fine	350,824	352,573	274,695	252,521	244,315
Super Fine	85,975	86,404	67,318	61,884	48,863
Total	**3,441,585**	**3,458,740**	**2,694,760**	**2,477,233**	**2,443,151**

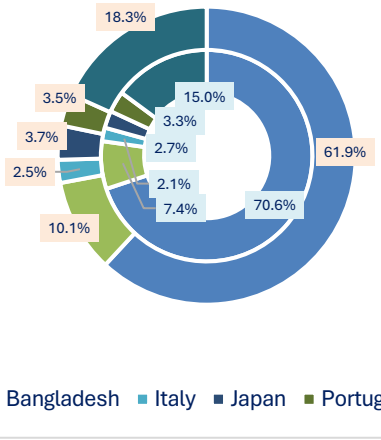
**The values for FY22 to 11MFY25 are estimated based on FY21values*

Pakistan's annual production of yarn has remained relatively stable in the past few years with production of yarn being consistent from FY21-FY22, growing by only ~0.1%. Yarn production in FY23 reduced by ~22% to ~3mln MT as compared to FY22. During 11MFY25, a total of ~2mln MT of yarn was produced (FY24: ~2mln MT). Synthetic or blended yarn, which includes Polyester-Viscose and Polyester-Cotton, has the largest share of total yarn production. Moreover, there is greater production of coarse and medium type yarn as compared to fine and super fine cotton yarn.

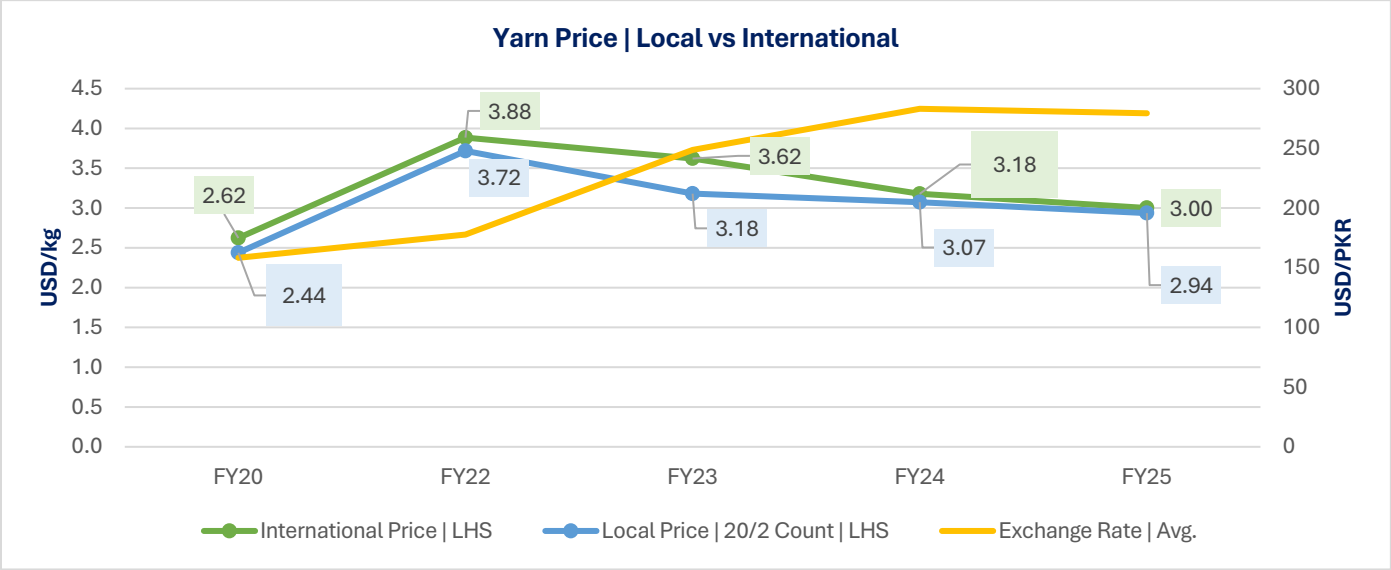
Import Destinations | Cotton Yarn | MY24, MY25



Export Destinations | Cotton Yarn | MY24, MY25



Pakistan's cotton yarn imports and exports are largely concentrated towards China. Cotton yarn imports from China had a share of ~57.9% in MY25 (MY24: ~55.9%). Türkiye's share of yarn imports was ~10.2% in MY25 (MY24: ~10.3%). Other importing countries of yarn include Uzbekistan, Vietnam, and Egypt and accounted for ~9.9%, ~8.9% and ~1.9% of Pakistan's total yarn imports, respectively during MY25. Similarly, China accounted for ~61.9% of total yarn exports in MY25 (MY24: ~71.6%). Other export destinations include Bangladesh, Portugal, Japan and Italy which accounted for ~10.1%, ~3.5%, ~3.7%, and ~2.5% of Pakistan's total yarn exports in MY25, respectively.

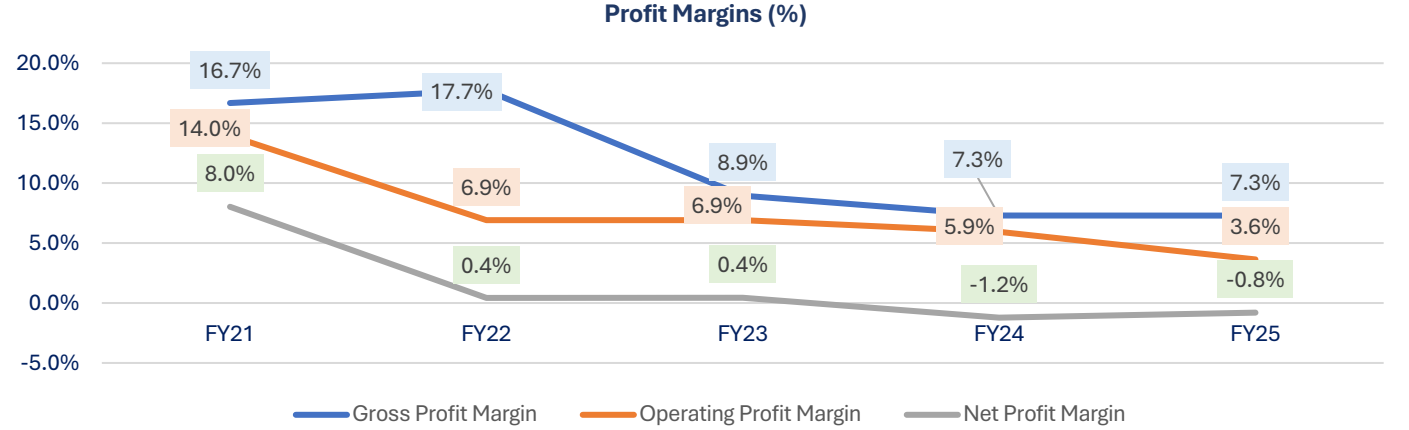


In line with the forecast for global cotton prices, yarn price is expected to remain restricted in 2HCY25. As per sources, the USA and China yarn prices are expected to drop to USD~2.54/kg and USD~2.92/kg by Dec'25, which in July'25 stood at USD~2.70/kg for the USA and USD~3.13/kg for China, respectively. In Pakistan, yarn prices are also expected to move in tandem with the cotton price trend. However, fluctuations in cost factors, particularly in raw material cost, energy, and finance costs, along with the revived demand can result in an uptick in the price of yarn.

Business Risk

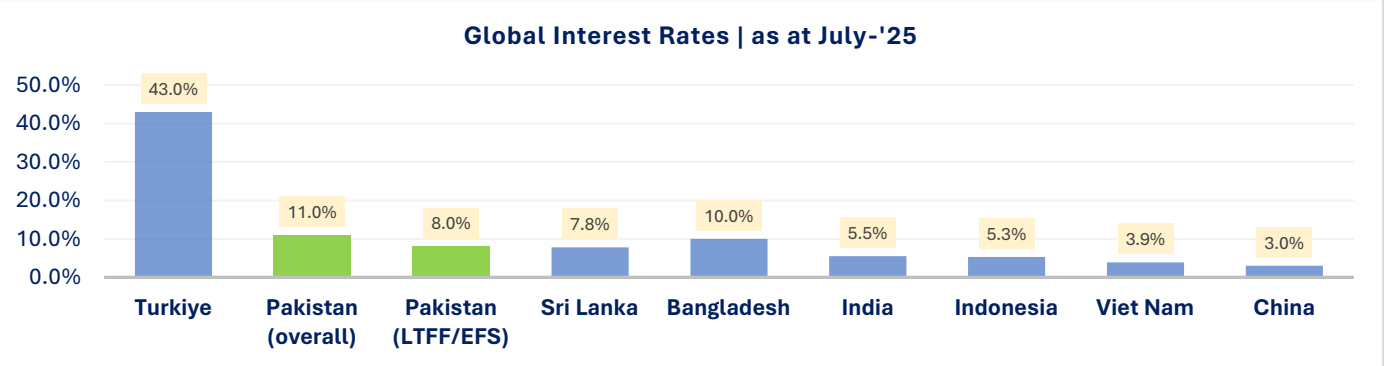
The profit margins of the spinning sector have witnessed a consistent decline since FY22, with gross profit margins dropping from ~17.7% in FY22 to 7.3% in FY25. The sector slipped into net losses from FY24 onwards, reflecting persistent cost pressures and weakened pricing power amid subdued demand and high financial charges. Cotton price/kg clocked in at PKR~805. Looking at the cost structure of spinning companies in FY24, raw materials made up ~60.2% of the price/kg, followed by energy and fuel at ~10.9%, and salaries and wages at ~3.4%. Other costs including administration and distribution costs made up 22.8%.

Moreover, Pakistan still has the second-highest interest rate in the region (~11.0% overall, 14.0% LTFF/EFS), highest being the Turkiye (~43.0%). The high cost of borrowing acts as a barrier to investments in various sectors.



Profit margins are reflective of 27 entities (Spinning mills only) for 9MFY25.

Particulars	FY24
Yarn Price/KG (Weighted Average)	**856**
Raw Material/Cotton	515
Energy	64
Labor	29
Finance Cost	53
Others (OHs, Other Expenses, Associates Profits, etc.)	195
Taxes	7
Net Profit	-6
Net Profit Margin	**-0.70%**
	Actual



Financial Risk

As of June'25, the Banking sector private credit stood at PKR~8.6trn, reflecting an increase of ~13% from June'24. The Textile group accounted for PKR~1.99trn (~23.1% of the private sector credit), marking a ~12.8% growth from the previous year.

The borrowing mix of the spinning sector is primarily concentrated in short-term facilities, export-related credit lines, and term-based funding, together forming the bulk of total obligations. This reflects the segment's operational pattern, characterized by inventory-heavy cycles, raw material stocking, and phased capital outlays.

The spinning sector borrowings have grown steadily from PKR~418bln in FY21 to PKR~642bln in FY25—reflecting a cumulative growth of ~53% over the five years. As its share in Textile borrowing has hovered around 32–35%, the spinning sector has remained the dominant segment.

Going forward, the spinning sector borrowings are expected to rise, supported by recent policy rate cuts and expectations of further monetary easing. Lower financing costs may accelerate credit demand, particularly for working capital tied to cotton procurement and ongoing BMR initiatives.

The Textile group non-performing loans (NPLs) were recorded at PKR~185bln, as of Mar'25, constituting ~18.3% of the Banking private sector NPLs. The Textile group NPLs grew by ~3.9% over June'24 (PKR~178bln), broadly in line with the overall NPL growth of ~0.9%, though slightly outpacing it in nominal terms.

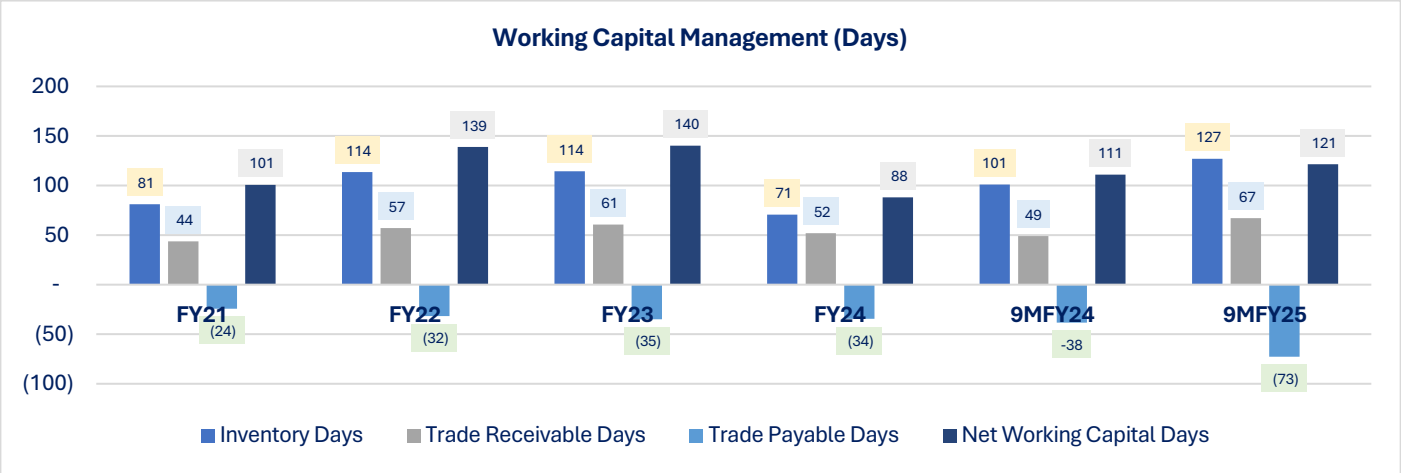
Throughout the years, the Textile group's infection ratio/NPLs have consistently remained above the overall banking sector's, with the gap narrowing from a high of ~5.0% points in FY20 to ~0.8% as of Mar'25.

Looking ahead, the infection ratio is expected to remain contained, given the declining trend observed in Mar'25 (~7.9%) from the recent peak in June'24 (~9.0%).

During FY25, the spinning sector's debt coverage ratio (EBITDA to Finance Cost) stood at 1.7x, marginally above the FY24 average (1.6x) but significantly lower than FY23 (2.8x), highlighting a persistent strain on the sector's operating profitability.

Borrowing Mix | Textile Breakdown

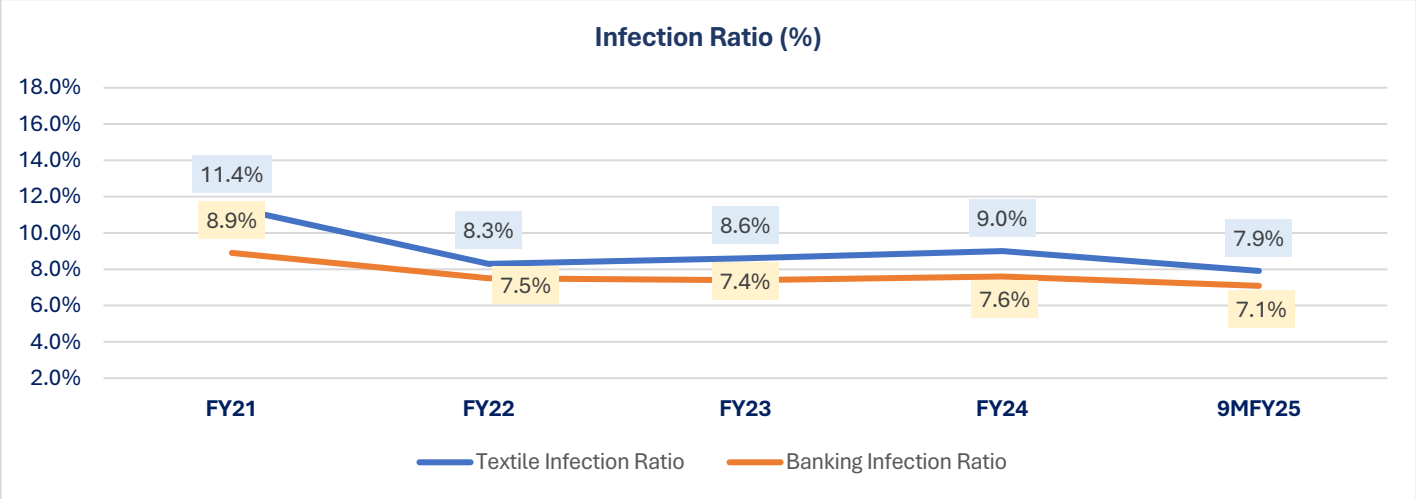
PKR/bln	FY21		FY22		FY23		FY24		FY25	
Advances	Value	%	Value	%	Value	%	Value	%	Value	%
Spinning	418	34.3	542	32.8	600	34.8	592	33.5	642	32.2
Weaving	243	20.0	321	19.4	354	20.5	367	20.8	423	21.2
Finishing	224	18.4	325	19.6	315	18.3	322	18.2	362	18.2
Textile Articles	172	14.1	232	14.0	225	13.1	233	13.2	265	13.3
Others	119	9.8	175	10.6	174	10.1	183	10.4	218	10.9
Knitted and Crocheted	42	3.4	59	3.6	55	3.2	69	3.9	83	4.1
Textile	**1,218**	**100**	**1,654**	**100**	**1,723**	**100**	**1,766**	**100**	**1,992**	**100**
Private Sector Advances	**5,853**		**7,153**		**7,164**		**7,633**		**8,623**	



Within the sector's working capital, inventory consists mostly of raw material and finished goods, with work-in-process making a small contribution. The sector's average receivable days stood at ~67 days as at 9MFY25. This is up from ~49 days in 9MFY24. However, during 9MFY25, the average inventory days also increased by ~26 days to clock in at ~127 days (9MFY24: ~101 days). Payable days in 9MFY24 were ~38 days which increased to ~73 days in 9MFY25.

Despite, the increase in the receivable and inventory days, average net working capital days increased from ~111 days in 9MFY24 to ~121 days during 9MFY25.

Textile group - Non-Performing Loans



Debt Coverage (times)	FY23				FY24				FY25
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	9M
EBITDA/Finance Cost	4.2	2.5	2.4	2.2	1.6	1.7	1.5	1.6	1.7

Duties & Taxes

PCT Codes	Description	Customs Duty		Additional Customs Duty		Regulatory Duty		Total	
		FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
	COTTON								
52.01	Cotton, not carded or combed.	0%	0%	0%	0%	0%	0%	**0%**	**0%**
52.02	Cotton waste (including yarn waste and garneted stock).	0%	0%	0%	0%	0%	0%	**0%**	**0%**
	COTTON YARN								
52.05	Cotton yarn (other than sewing thread), >85% by weight of cotton	11%	5%	2%	0%	0%	0%	**13%**	**5%**
52.06	Cotton yarn (other than sewing thread), < 85% by weight of cotton	11%	5%	2%	0%	0%	0%	**13%**	**5%**
52.07	Cotton Yarn (other than sewing thread) (retail sale)	11%	5%	2%	0%	0%	0%	**13%**	**5%**

The recent removal of GST exemption (18% exempt for zero-rated supplies) (Finance Bill, 2025) on textile inputs for exporters registered under the Export Facilitation Scheme (EFS) will provide tax protection and a level playing field to the domestic cotton and yarn producers. The measure is expected to foster the domestic supply of inputs at all stages of the textile value chain, which will in turn benefit the domestic Spinning mills.

On the other hand, the customs duty (CD) on imported cotton yarn has been reduced from 11% to 5%. Historically, the imports of cotton yarn have been very low in comparison to its local production. Therefore, a reduction in CD is not expected to bear a notable impact on the demand for locally produced yarn, particularly when the GST disparity has been removed. The exporters registered under the EFS may, however, be placed at a relative disadvantage in terms of the foregone cost benefits earlier offered to them for export incentivization, which may hamper the overall Textile group growth.

Sources

Pakistan Economic Survey (PES)
Pakistan Bureau of Statistics (PBS)
State Bank of Pakistan
Pakistan Stock Exchange (PSX)
All Pakistan Textile Mills Association (APTMA)
Pakistan Central Cotton Committee (PCCC)
Business Analytiq
Federal Board of Revenue (FBR)
PACRA Database
International Trade Centre (ITC)
Cotlook A Index

Research Team

Saniya Tauseef | Senior Manager Research
saniya.tauseef@pacra.com
Durr E Sameen Shahid | Research Analyst
durresameen.shahid@pacra.com