SECTOR STUDY . 19th FEBRUARY 2026

Together. Creating Value.

POLYESTER

Research Team

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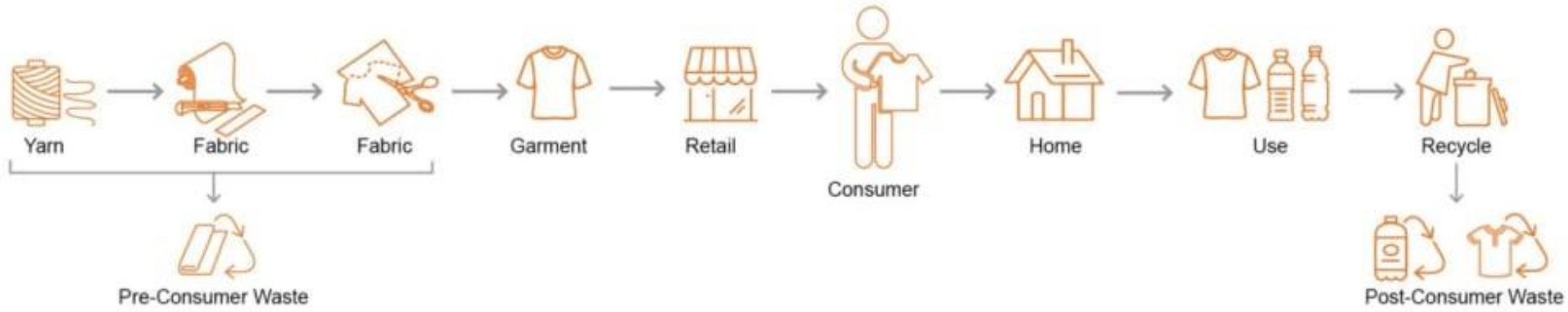
Polyester

Polyester

Introduction

- **Polyester** is a versatile category of synthetic textiles technically known as polyethylene terephthalate (PET). While some specialized versions are derived from biodegradable plant sources, the vast majority are man-made polymers synthesized through a chemical reaction between ethylene glycol and terephthalic acid. It is produced primarily from petroleum and natural gas by-products. This material is essentially a refined plastic engineered for the fabric industry.
- The material is prized for its exceptional durability and ease of maintenance. It is naturally resistant to soil and wrinkles, and its wash-and-wear nature allows it to dry quickly while maintaining heat-set pleats and shapes. Despite its synthetic origins, modern chemical processing allows polyester to remain soft, drape elegantly, and take dyes vibrantly, making it one of the most cost-effective and resilient textiles available. Due to these properties, polyester is common in both consumer and industrial sectors. It is found in everything from apparel and bedding to upholstery and mouse pads. Industrially, its strength is harnessed for tire reinforcements, safety belts, conveyor belts, and insulation. It is also a primary material for manufacturing bottles, films, and tarpaulins. Furthermore, it is frequently blended with natural fibers to create fabrics that balance comfort with high-performance strength.
- Environmentally, while most polyesters are non-biodegradable, its plastic composition (PET) offers circularity. The manufacturing of rPSF utilizes recycled PET chips and post-consumer waste, embodying the principles of a circular economy. This capability allows the material to be diverted from landfills and repurposed into new products.



Source: Comtrade

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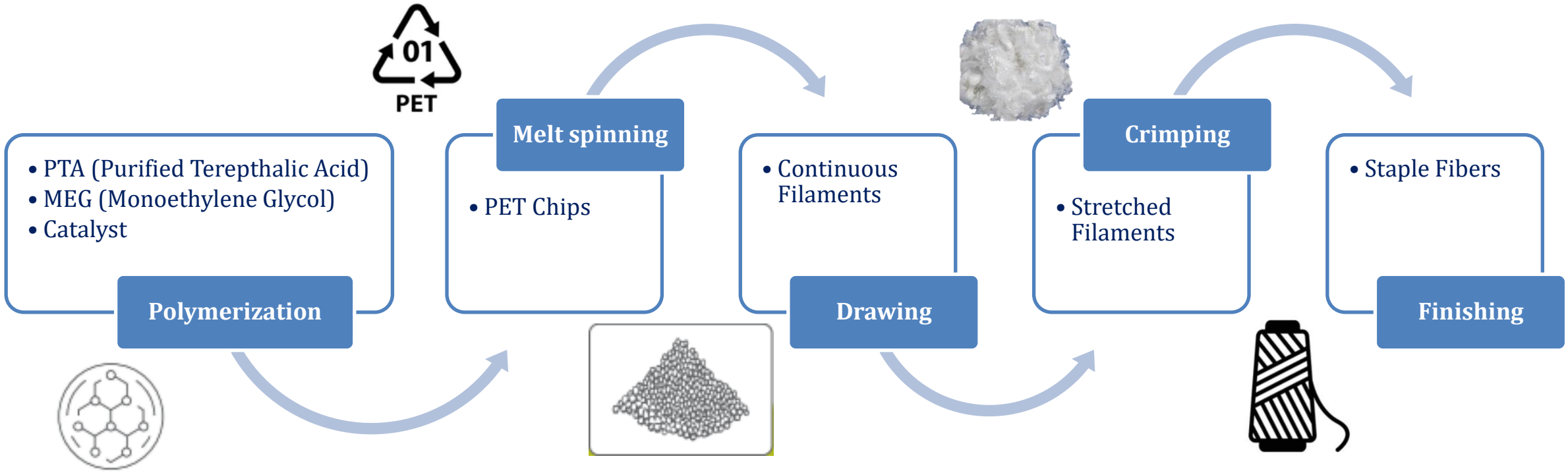
Production Process



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Global | Overview

- The Global Polyester market size was valued at USD ~98bn in 2025. Asia Pacific dominated the polyester fiber market with a market share of ~65.0% in 2025. The global polyester fiber market is on track to reach USD ~157bn by 2030 and the cross USD ~200bn mark by 2035. This represents a steady growth rate (CAGR) of ~7.8%.
- Polyester filament yarn (PFY) segment led the market with the largest volume share of ~70.0% in 2025. Regarding grade/varieties, polyester fibers are available in two varieties, PET (polyethylene terephthalate) and PCDT (Poly-Cyclohexylene Dimethylene Terephthalate), of which PET is the more prevalent. However, sustainability concerns continue to pose a significant challenge to industry growth.
- China commands an overwhelming share of the global production of PFY, accounting for 82.0% of the total world production capacity, with an annual production exceeding ~50mn metric tons (MT).
- The polyester market comprises two primary product categories: solid fibers and hollow fibers. Solid fibers have majority share in the sector, accounting for approximately 56%, and continue to gain traction over hollow alternatives. Recent developments highlight increasing demand for sustainable and recycled solid polyester fibers, driven by growing environmental awareness among consumers. The growing adoption of solid polyester fibers in apparel, home textiles, and nonwoven products, supported by their durability and color retention, is driving steady growth in the global market.
- Despite the ambitious "2025 Recycled Polyester Challenge" led by the Textile Exchange, which aimed to increase the share of recycled polyester (rPET) to ~45.0%, only about ~26.0% of participating brands have met this goal.

Source: Coherent Market Insights, Materials Market Report

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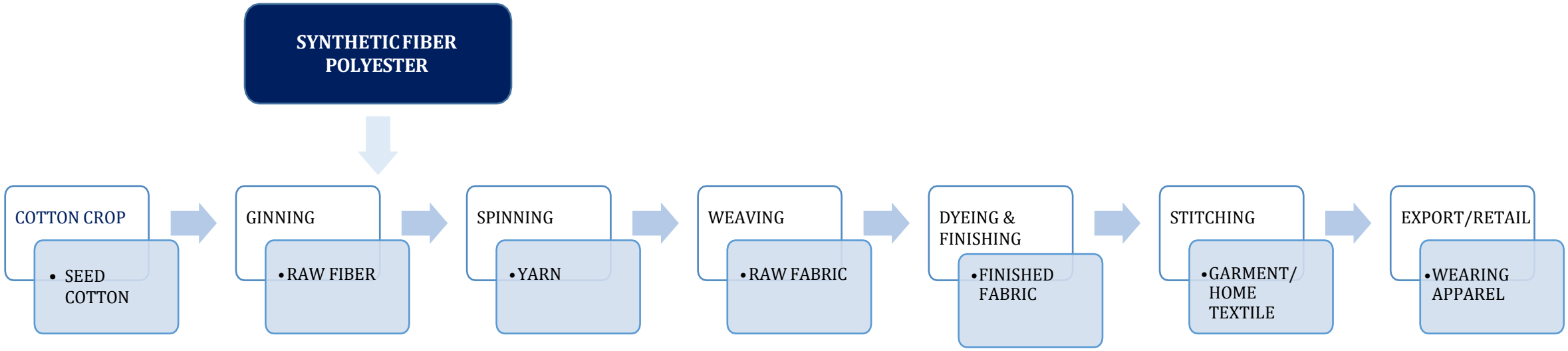
Local | Introduction

- 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 mainly 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

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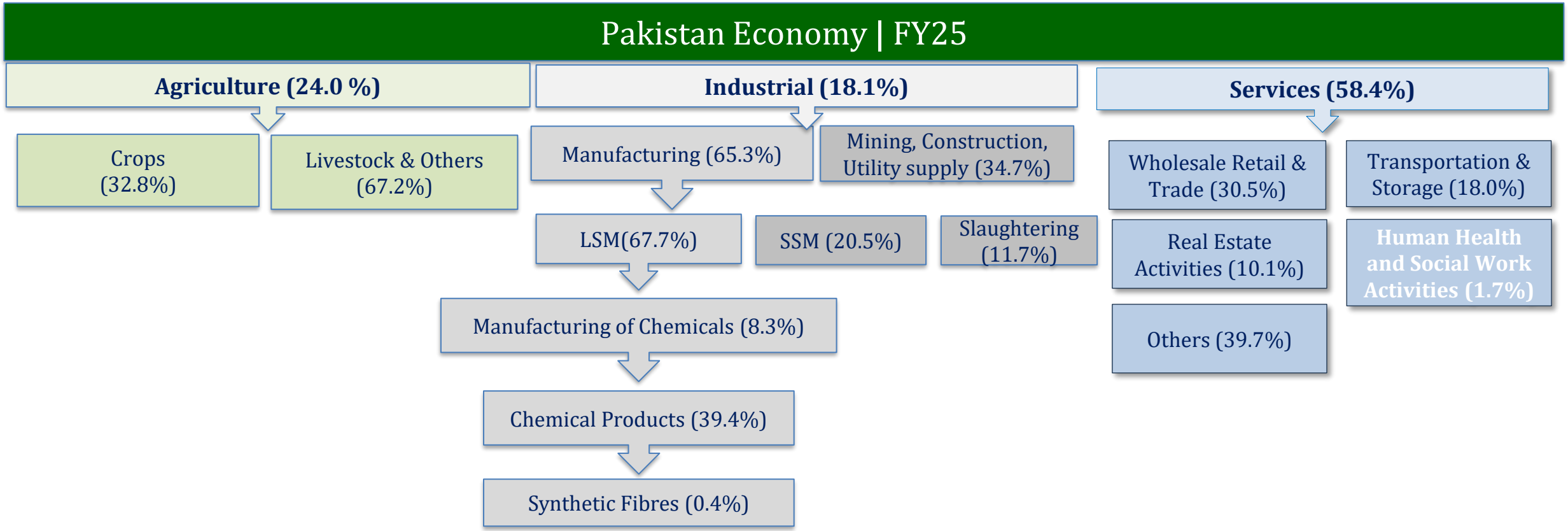
Local | Overview

- In FY25, Pakistan's Real GDP recorded a growth of ~2.7%(SPLY ~2.4%) with GDP at current market prices increased to PKR ~114.7Tn (SPLY PKR ~105.1Tn), reflecting a 9.1% increase. Real GDP grew by ~ 3.7% in 1QFY26 and is projected to grow by ~ 4.75% in FY26.
- Industrial activities in FY25 held ~18.1% share (SPLY ~21.3%) in the GDP, while the manufacturing activities made up a substantial portion of ~65.3% of the value addition. Leading the expansion, is the services sector, which now accounts for ~58.4% of the GDP and grew by ~2.9%, acting as the economy's primary stabilizer. In contrast, the agriculture sector contributed ~24.0%, primarily constrained by a decline in major crop production.



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

Source: PBS, SBP

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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 ~4.3% YoY decline in FY25 at PKR ~238,379mn due to imported polyester fiber priced significantly lower than local products, therefore straining the sector's margins.
- The industry remains concentrated and formal, dominated by 4 major listed players. The sector maintains a stable but small footprint, contributing to approximately ~0.01% to National GDP.
- In FY25, SF production inched up by ~1.45% YoY to ~524,164 MT. The increase in production was in tandem with yarn and cloth production, which improved by ~8.4% YoY to ~1,988mn tonnes and ~0.8% YoY to ~657,853 mln SqM, respectively during the period.
- Meanwhile, SF imports registered ~40.1% YoY volumetric increase due to low local production amid climate stress (from ~299,123 MT in FY24 to ~419,199 MT in FY25). In FY25, domestic production was not enough to fulfill market demand, necessitating reliance on imports. Although the government imposed anti-dumping duties, imported goods remained more affordable than domestically production even after the additional levies.
- On the other hand, local PSF production declined ~6.7% YoY to ~401,633MT, whereas imports drastically increased to ~190,713MT, up ~142.62% YoY.

Snapshot	FY23	FY24	FY25
Revenue (PKR mln)	245,809	249,031	238,379
Share in GDP (%)	~0.01%	~0.01%	~0.01%
Annual Production – SF (MT)*	517,014	516,663	524,164
Annual Imports – SF (MT)*	200,279	299,123	419,199
Market Structure	Organized & Listed		
Sector Players (Listed)	4	4	4
Installed Capacity (MTPA)	664,654	675,304	697,968
Annual Production – PSF (MT)**	526,423	431,257	401,633
Utilized Capacity (%)	69.0%	64.0%	58.0%
Annual Imports – PSF (MT)**	56,709	78,606	190,713
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

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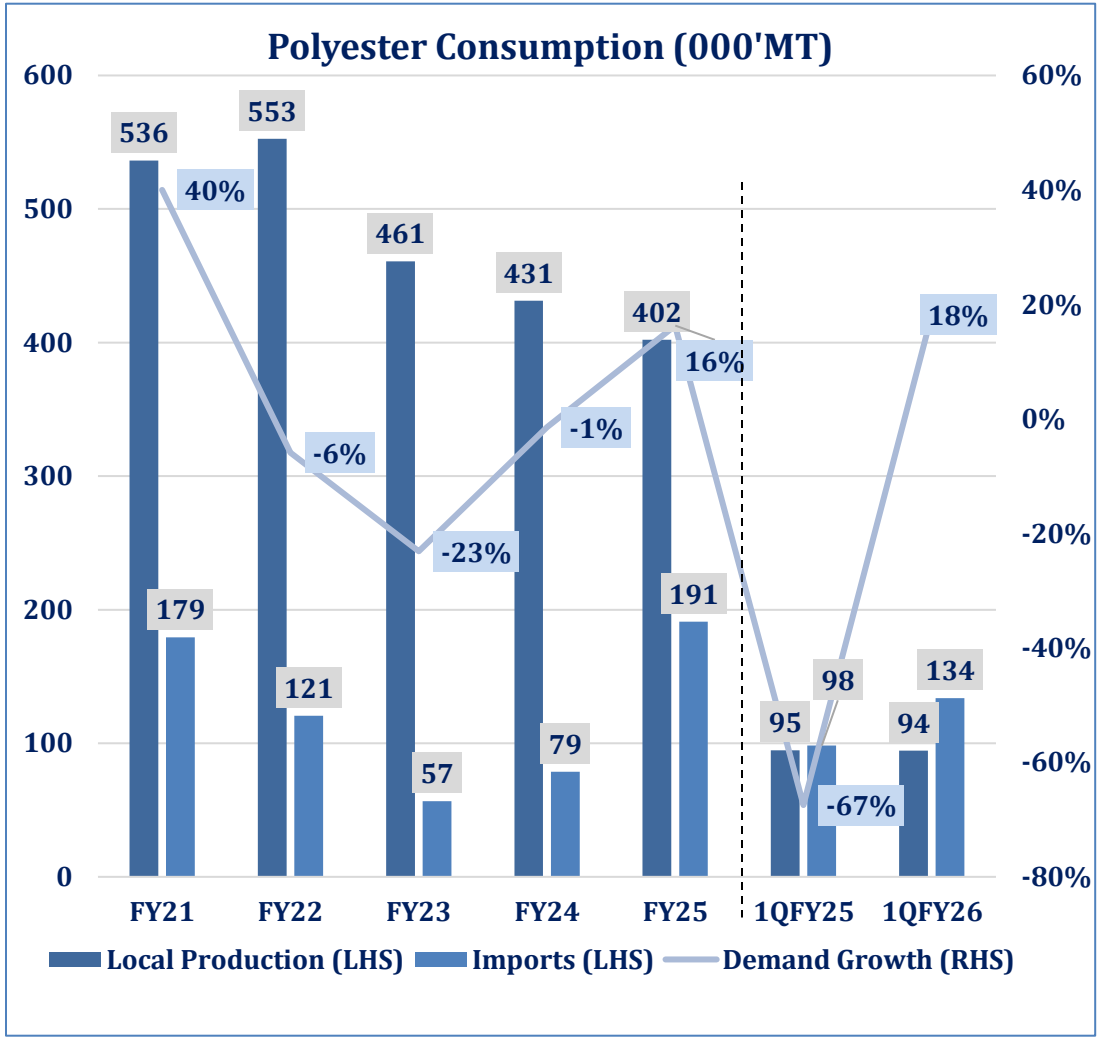
Local | Consumption

- Pakistan's average Polyester Staple Fiber (PSF) demand (as a function of local consumption and imports) witnessed a significant rebound of ~16.0% in FY25 after three consecutive years of negative growth. Local production, however, has hit a 5-year low at ~402 MT, dropping from its peak of ~553 MT in FY22 following a decline in the following years.
- The country's demand is met through local sales (~82.6% on average during FY21-24) however this has decreased significantly to ~67.8% as of FY25 showing a YoY decrease of ~ 6.7%.
- The share of imports in the overall demand for polyester staple fiber (PSF) stood at ~32.2% in FY25, which has significantly increased from FY24. Given that after the additional duties on imported polyester, it is still affordable compared to local products.
- In 1QFY26, local production remained stagnant at ~94 MT (SPLY ~95MT) compared to imports rising to ~134 MT in FY26. With imports at 98 MT in 1QFY25 and recorded at ~191 MT at the end of FY25.
- While PSF is a natural substitute, the domestic industry has not scaled enough to replace the massive shortfall in cotton. Consequently, the industry has turned to imports to maintain textile export commitments, as evidenced by the widening gap between local production and total consumption.



***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

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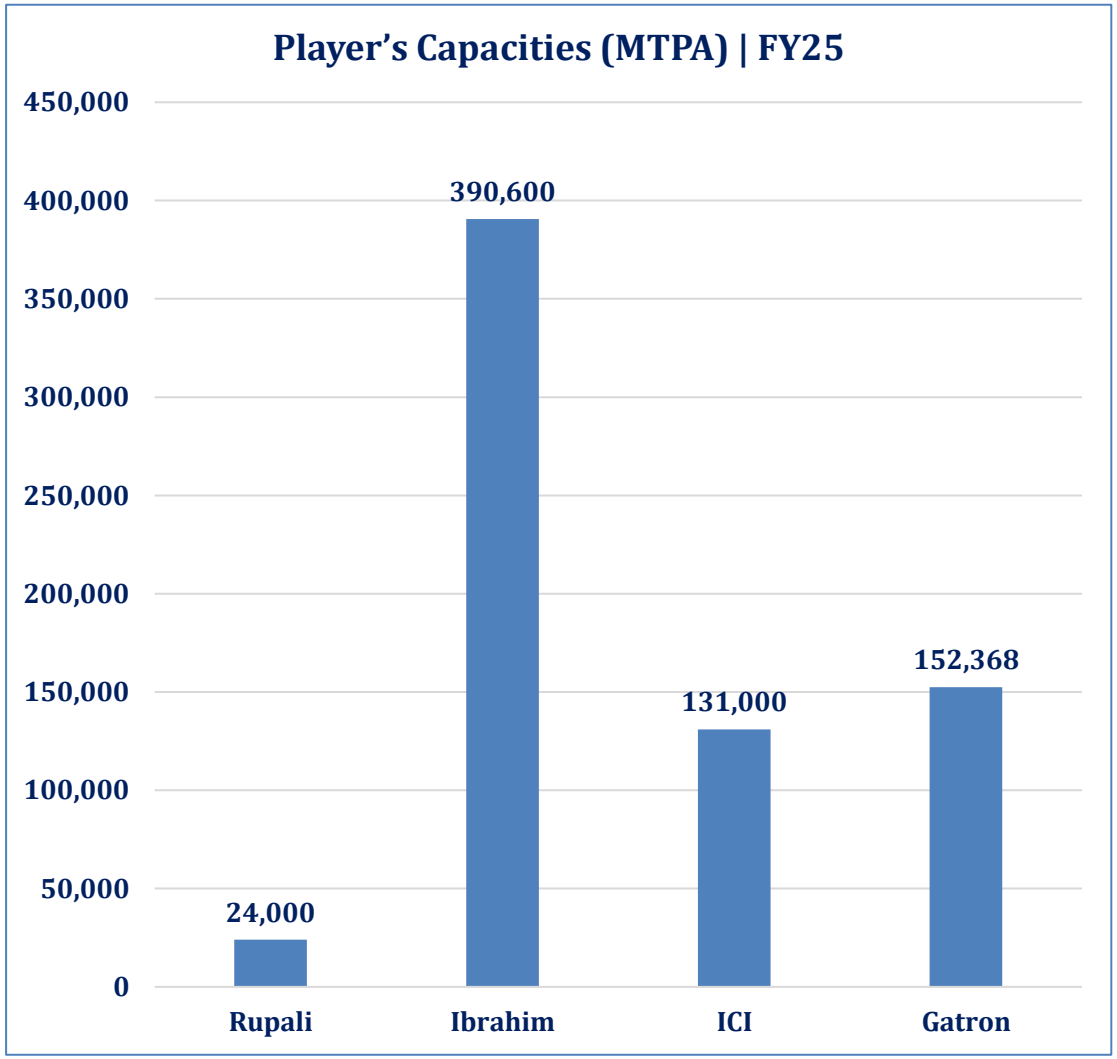
Local | Player's Production Capacities

- The domestic PSF industry is currently dominated by four primary manufacturers controlling a combined production capacity of ~697,968 MTPA. In FY25, overall industry growth of 3.4% is attributed to Gatron, which expanded its capacity from ~129,704 in FY24 to ~152,368 in FY25.
- With a capacity of 390,600 units, Ibrahim Fibres covers 56% of the total market capacity with a capacity utilization of 64%.
- Despite having a capacity of 24,000 units in FY25, Rupali Industries Limited faced a sharp downturn, with capacity utilization plummeting to ~23% (SPLY ~78%).
- With a capacity of 131,000 in FY25, Lucky Core's capacity utilization fell down to ~ 76.3% (SPLY ~88.6%).
- In FY25, total market utilization sits at 58% reducing from 64% in FY24, indicating a high level of idle capacity. This decline is largely attributed to the continuous influx of low-priced polyester staple fiber (PSF) imports from China, Indonesia, and Bangladesh, which have undercut domestic manufacturers and discouraged local players from producing higher quantity. Consequently, while local producers struggle to compete with these imports, the domestic demand remains so high that the industry would still rely on foreign supply even if local plants were running at full capacity.



Note: MTPA stands for MT per annum.

Source: PACRA Database

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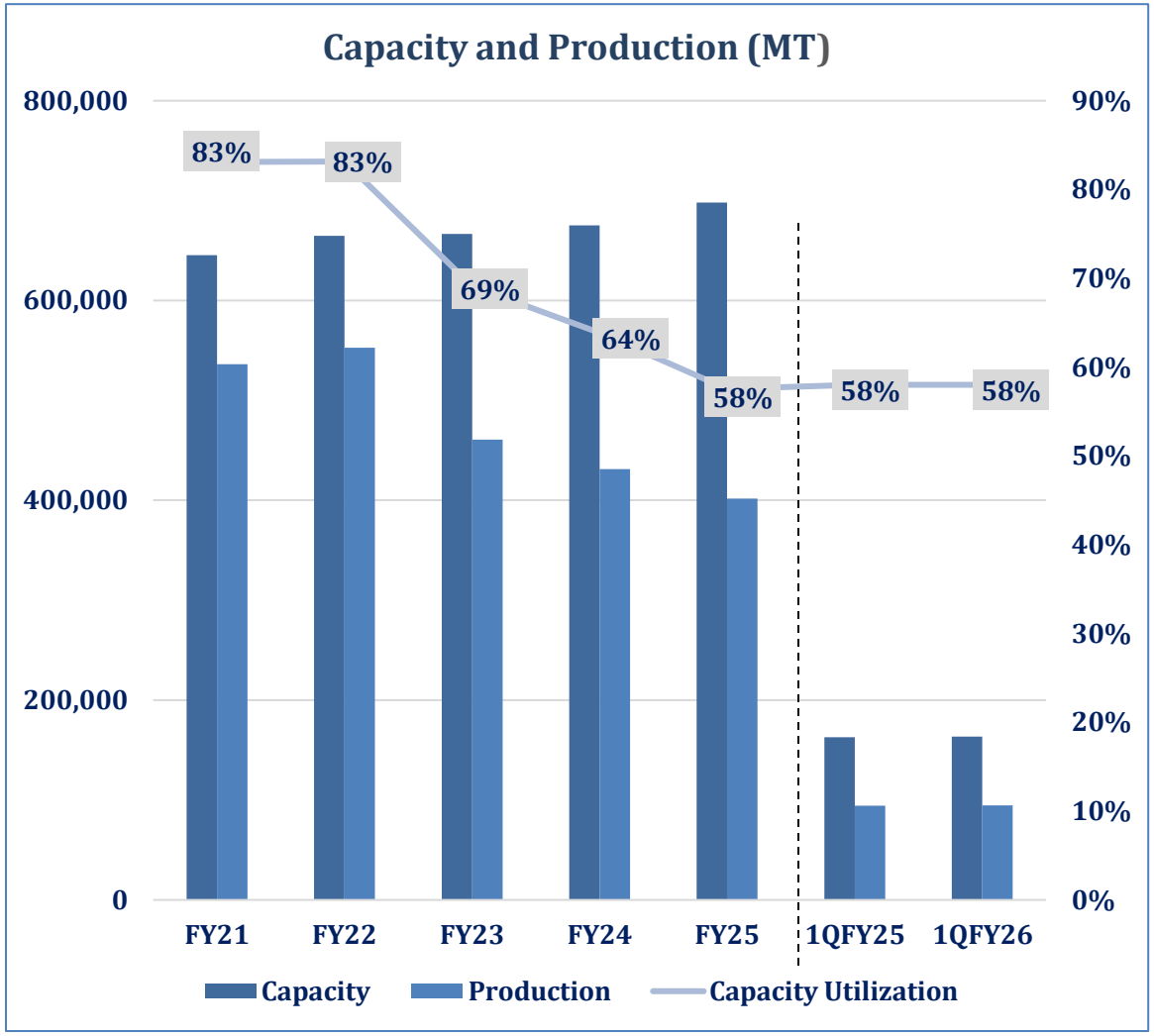
Local | Production Capacities

- Currently, the domestic Polyester Staple Fiber (PSF) market is concentrated among four major players, whose collective capacity accounts for nearly the entire demand. PSF serves as a strategic cornerstone for the textile value chain, acting as an alternative to volatile cotton crops.
- The sector's total installed capacity grew by ~3.4% in FY25, reaching ~697,968 MT. The actual production, however, plummeted to 5-year low of ~401,633 MT in FY25. This has resulted in a serious dilution of capacity utilization, falling from ~83.0% in FY22 to ~58.0% in FY25.
- Actual production has been stifled by a combination of prohibitive operational costs and policy-driven market shifts. Compared to the production of 1QFY25 (~94,390 MT), 1QFY26 remained stable at ~94,731 MT.
- A critical factor was the global demand trend in FY25, which incentivized a shift towards better quality and cost-friendly imported PSF, crowding out domestic manufacturing of PSF.
- The sector faced intense competition from "dumped" imports, particularly from China. This led to local manufacturers (like Gatron Industries) operating at reduced capacities (40.5% in FY24) because they couldn't compete on price.



***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

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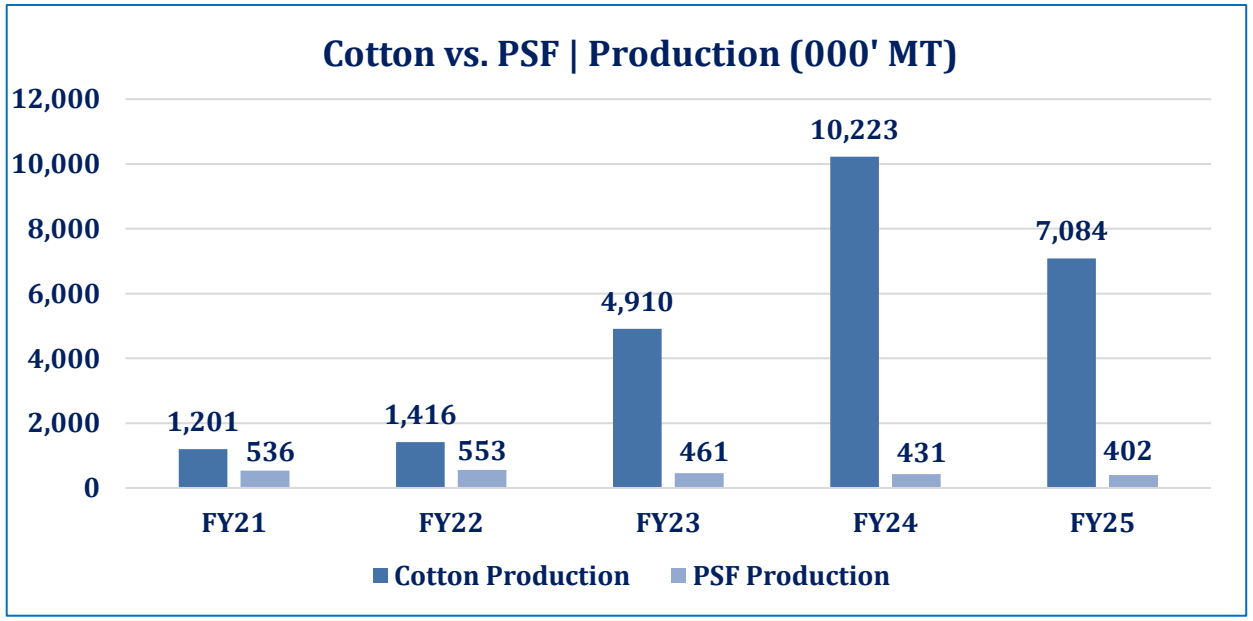
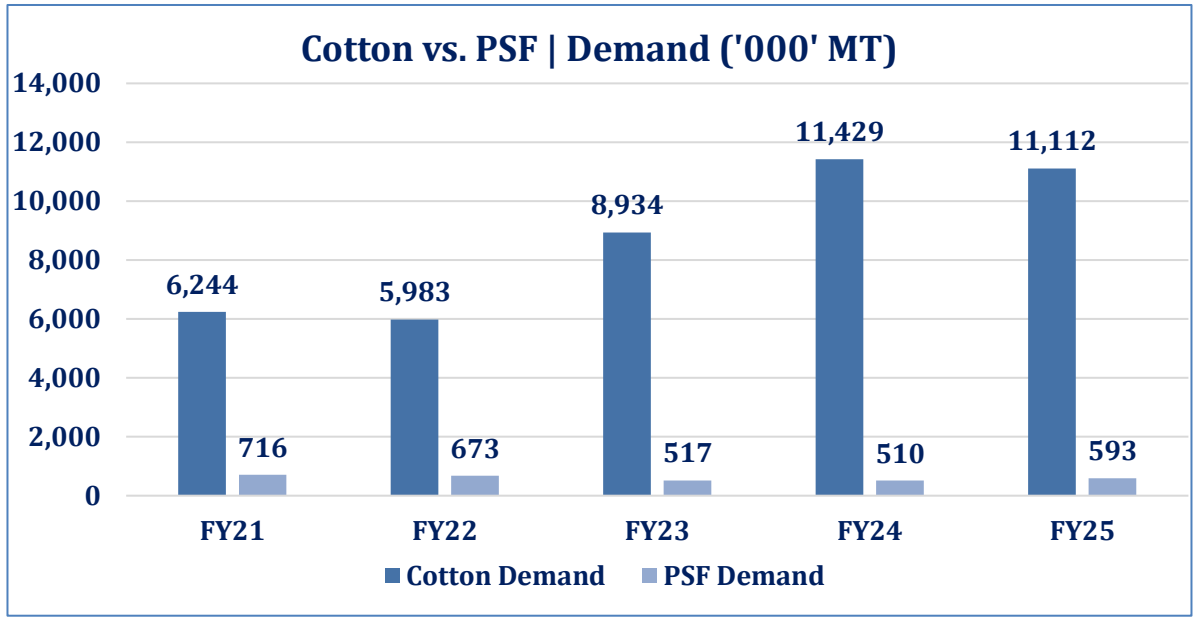
Demand | Comparison with Cotton

- Pakistan's textile industry relies heavily on cotton as its main feedstock, despite the crop's history of inconsistent production cycles. The major blow to cotton production was from FY21 to FY23. The cotton production was significantly down in FY25 to ~7,084,000 MT (SPLY ~10,223,000 MT), due to the compounding effects of monsoon-induced crop damage, delayed sowing cycles, and a ~ 15.7% contraction in cultivation area (down to ~2.04m hectares).
- Consequently, the textile value chain faces increased reliance on imported cotton, further straining the liquidity and margins of downstream spinning units. Under the EFS scheme, local PSF manufacturers face a heightened liquidity crunch in FY25, as the 18% refundable sales tax creates a persistent working capital crunch amidst high financing costs.
- While cotton demand has surged from ~6,244,000 MT in FY21 to ~11,112,000 MT in FY25, domestic production has failed to keep pace, dropping to ~7,084,000 MT in the same period. The demand for Polyester Staple Fiber (PSF) remains marginal and stagnant, hovering consistently below 1,000,000 MT across the five-year horizon.





***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

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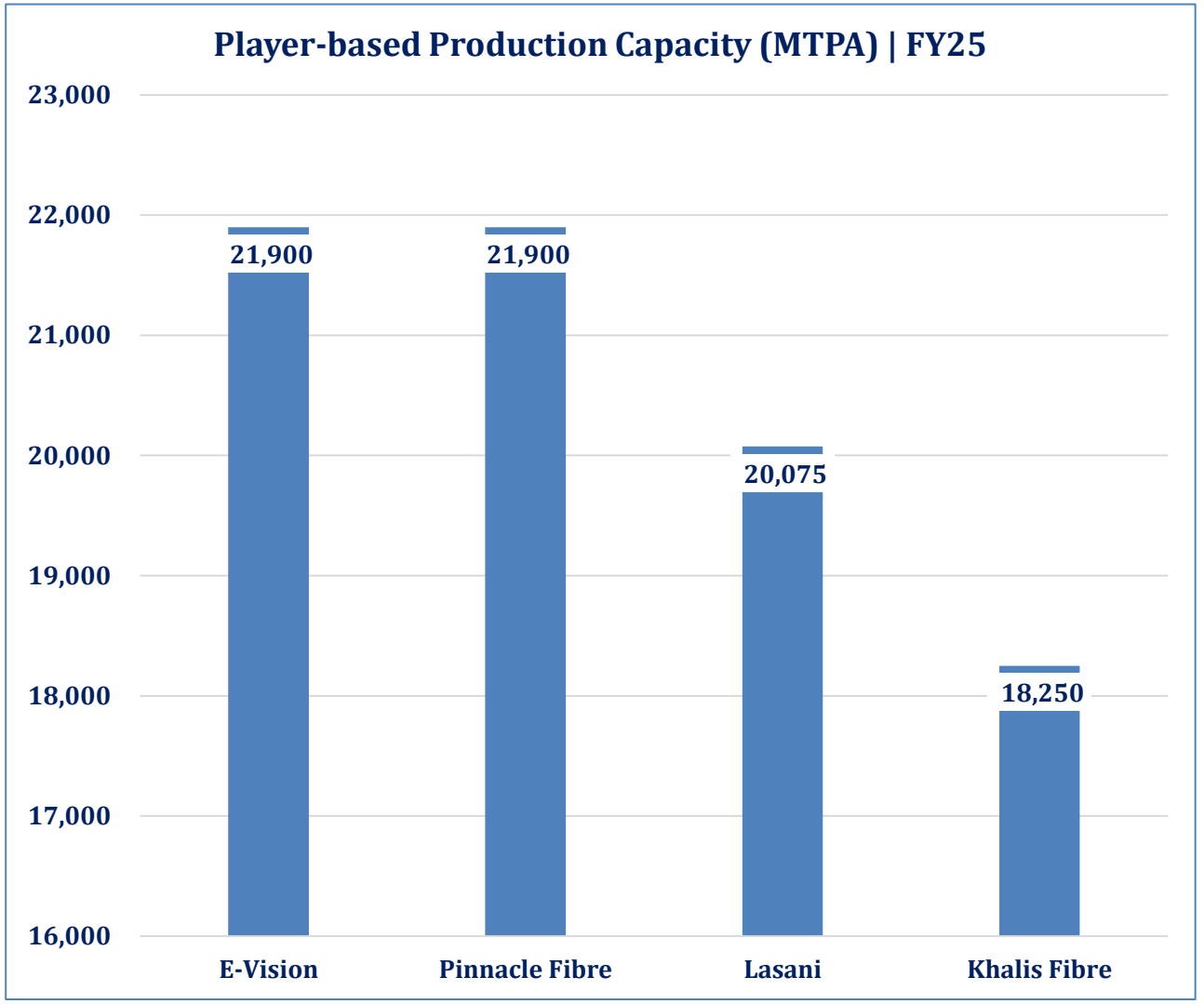
Recycled PSF (rPSF) | Overview

- Pakistan's Recycled Polyester Staple Fiber (rPSF) industry has emerged as a notable force in the textile sector's modernization. While still in its early stages of development, the industry is viewed as a high-growth frontier due to its ability to repurpose PET bottles and plastic waste into valuable raw materials.

- In FY25, a combined installed capacity of approximately ~ 82,125 MTPA across its four major players was recorded. E-Vision and Pinnacle Fibre led the sector with ~21,900 MTPA each, followed by Lasani at ~20,075 MTPA and Khalis Fibre at ~18,250 MTPA.

- While rPSF saves on raw material costs compared to PSF, the washing and crushing phase of PET recycling is energy-intensive. High electricity tariffs in Pakistan remain a significant hurdle for sector players.

- As rPSF is mostly made from PET bottles, the informal collection system relies on people picking through waste by hand instead of separating it properly at the source. This leads to contamination, which means costly cleaning steps are needed to keep the rPSF high quality.



**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

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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 to determine the sector's output price and margins.
- PTA is majorly procured locally through its sole supplier, Lotte Chemicals Pakistan Limited, while some portion of it is also imported. Oil is a major resource for PTA production; therefore, the PSF price is also subject to fluctuations 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.

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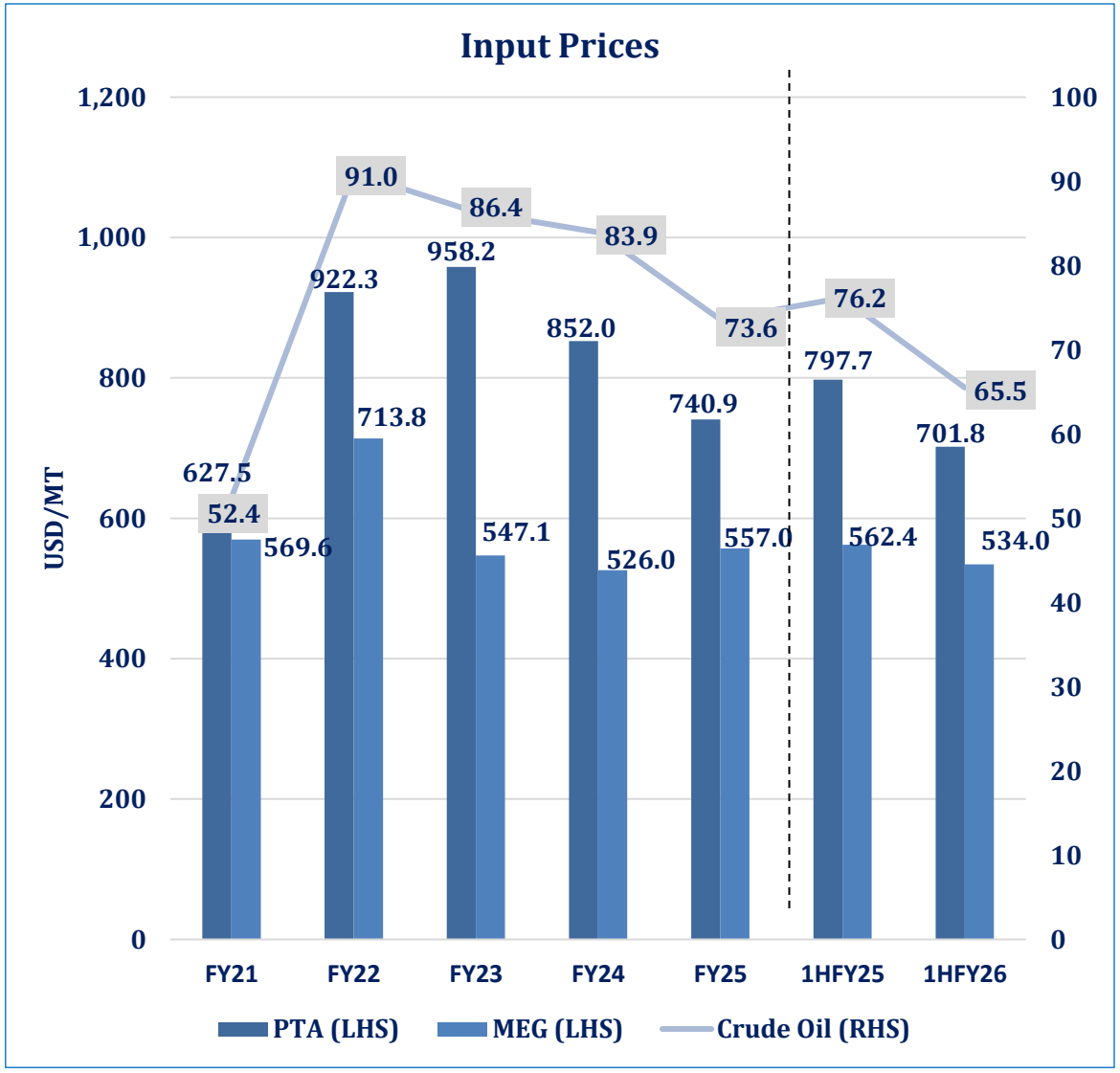
Local | Input Prices

- While PTA prices typically fluctuate in tandem with crude oil, MEG prices follow international pricing pattern due to their total reliance on imports. The global price trends for both PTA and MEG move in close correlation, consistently mirroring the shifts in international crude oil benchmarks.
- In FY25, Average Brent crude prices softened significantly, averaging approximately USD ~74/bbl (down from USD ~84/bbl in FY24). This decline was fueled by record-high non-OPEC+ production and the cooling demand of crude oil in major economies. On the international front, crude oil prices fluctuated throughout the year, largely driven by geopolitical struggles, with a further decline in 1HFY26 to USD ~65.5/bbl.
- Consequently, PTA prices followed suit, declining from an average of USD ~797.7/MT in 1HFY25 to approximately USD ~701.8/MT by 1HFY26 reflecting a contraction of 12.0%. While PTA prices are inherently tethered to the fluctuations of crude oil prices, which saw a notable decline in FY25, the market was further suppressed by a significant supply-side surplus led by China.
- MEG prices, while increased briefly in late 2025, averaged near USD ~557/MT for FY25 (FY24: USD ~526/MT). Moreover, the industry remains highly vulnerable to currency exchange rate volatility. Any depreciation of PKR offsets price gains like crude oil or international price softening. The exchange rate has remined stable in FY25, limiting cost side increases..



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

Source: PACRA Database

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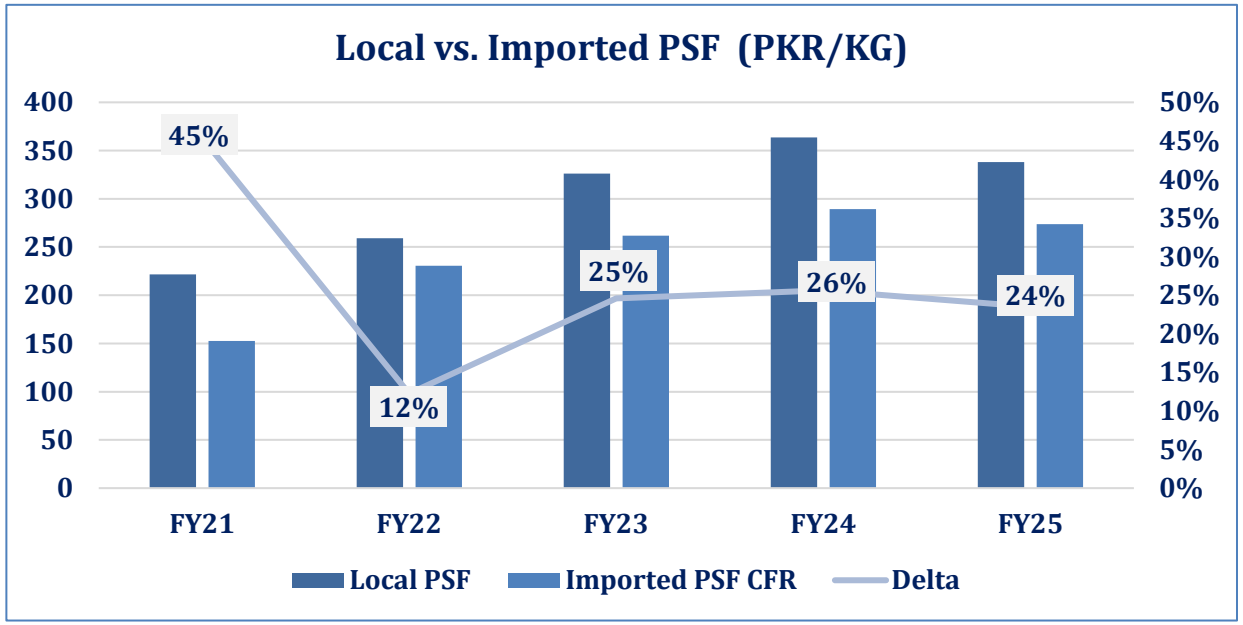
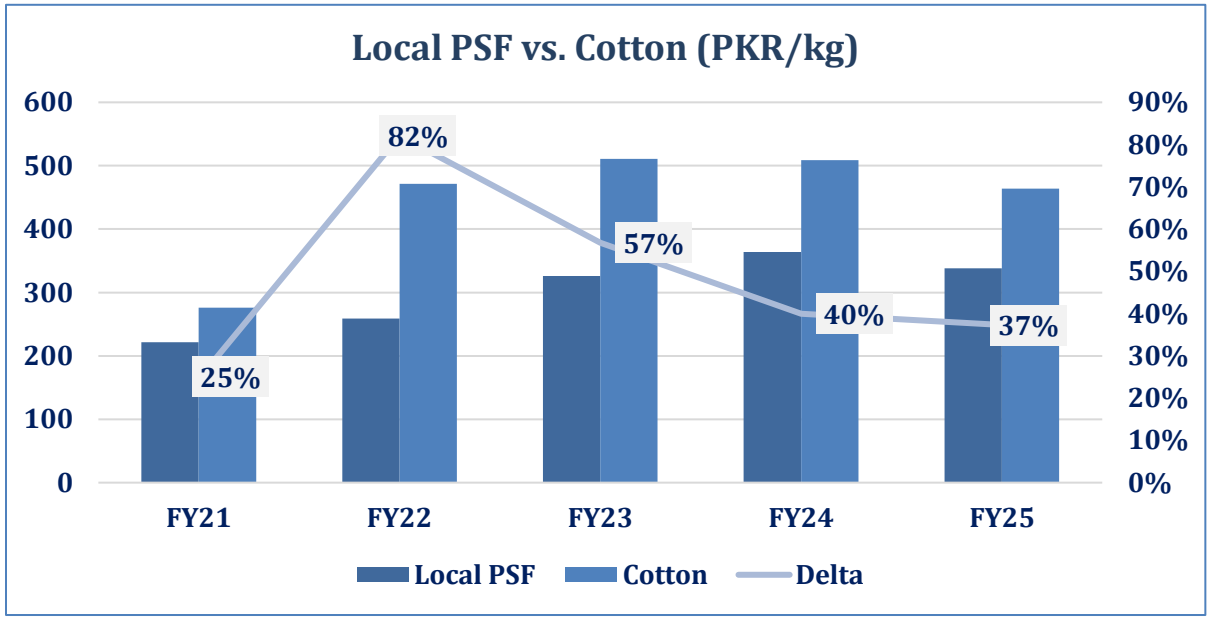
Local | Output Prices





- The imported CFR price of PSF is relatively lower than that of locally available PSF, owing to lower global prices. After a sharp peak in FY24(~364 PKR/KG), local prices have seen a slight correction in FY25, settling at ~338 PKR/KG. This delta in price makes imported PSF more attractive. The local industry is shielded by anti-dumping duties on imported PSF, which artificially inflate the cost of imports to benefit the local manufacturers. However, imported PSF still remains more affordable than local PSF after the additional duties.
- Local cotton prices plummeted to ~464 PKR/KG (SPLY ~509 PKR/KG) after ~4,028,000 bales (SPLY ~1,206,000 bales) of cotton were imported due to multiple factors, including sales tax-free imports of cotton and yarn, high taxation on the domestic ginning industry, and unfavorable climatic conditions that severely hampered local output.
- Globally, 63.0% of the textile trade has shifted to Man-Made Fibers (MMF), which includes PSF as the main raw material. PSF acts as a complementary fiber for Pakistan's textile industry, which is now globally a technical requirement for modern apparel that cotton alone cannot provide.

***Note**: Cotton production and import figures for the recent quarters were not available.*

Source: PACRA Database, PBS, SBP, NTC

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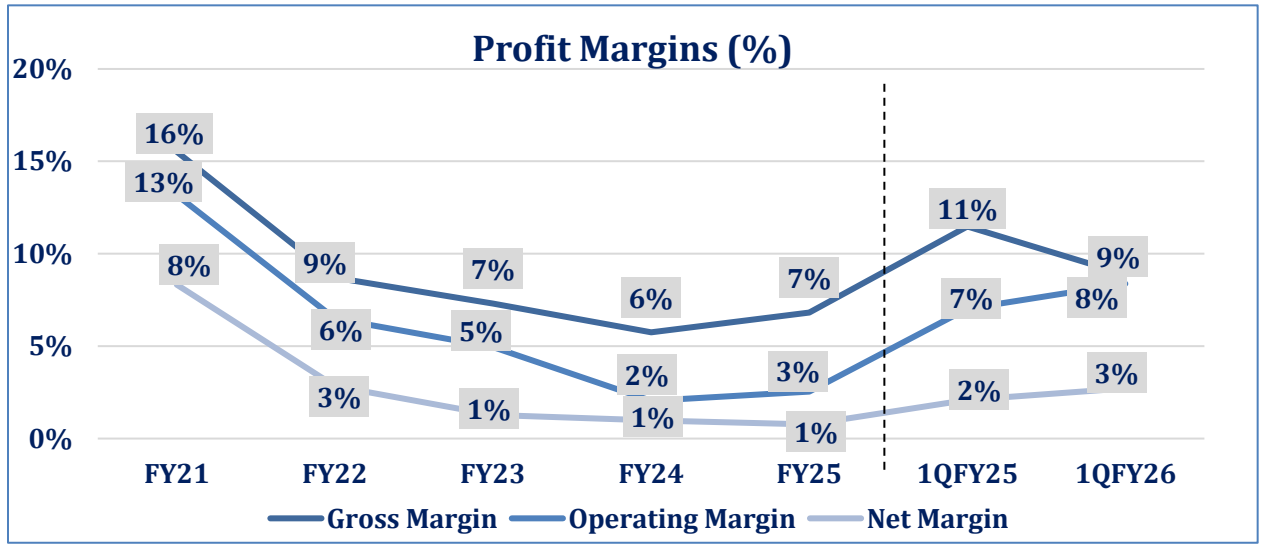
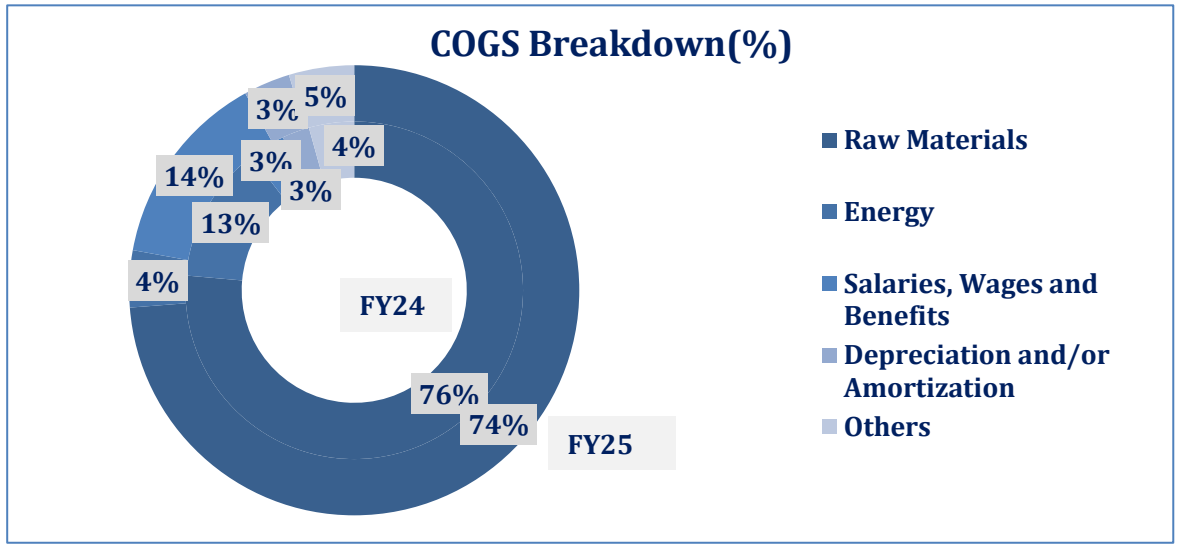
Business Risk | Margins

- In FY25 Gross Margins witnessed a modest recovery to ~7.0% after going down to ~6.0% in FY24, supported by relative stability in global raw material prices (MEG is entirely imported while PTA is both imported and procured locally). Following a period of low sales volume, in 1QFY26 gross margins contracted to ~9.0%, falling below ~11.0% maintained in 1QFY25.
- In 1QFY26, Operating margins have slightly recovered to ~8.0% (SPLY ~ 7.0%), indicating that operating costs have decreased compared to the previous years. The net margin also improved slightly due to lower finance expenses to ~3.0% in FY25 (SPLY ~2.0%).
- Historically, the sector's costs have been highly dominated by raw material procurement such as PTA and MEG, which accounted for ~74.0% in FY25 (SPLY: ~ 76.0%) of the total COGS. This is mainly due to heavy reliance on key inputs, PTA, Crude Oil, and MEG, which are either imported or sourced at global prices.
- Energy expenses constituted ~4.0% of total COGS in FY25 (FY24: ~13.0%). The reduction in proportionate share is primarily attributable to lower production volumes and absorption effects, rather than a structural decline in tariff rates. The sector continues to face elevated electricity and gas tariffs relative to regional competitors, constraining cost competitiveness and export margins. Operating expenses, mainly salaries and wages, have increased significantly in FY25, making up around ~14.0% of total COGS compared to ~3.0% in FY24.





***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

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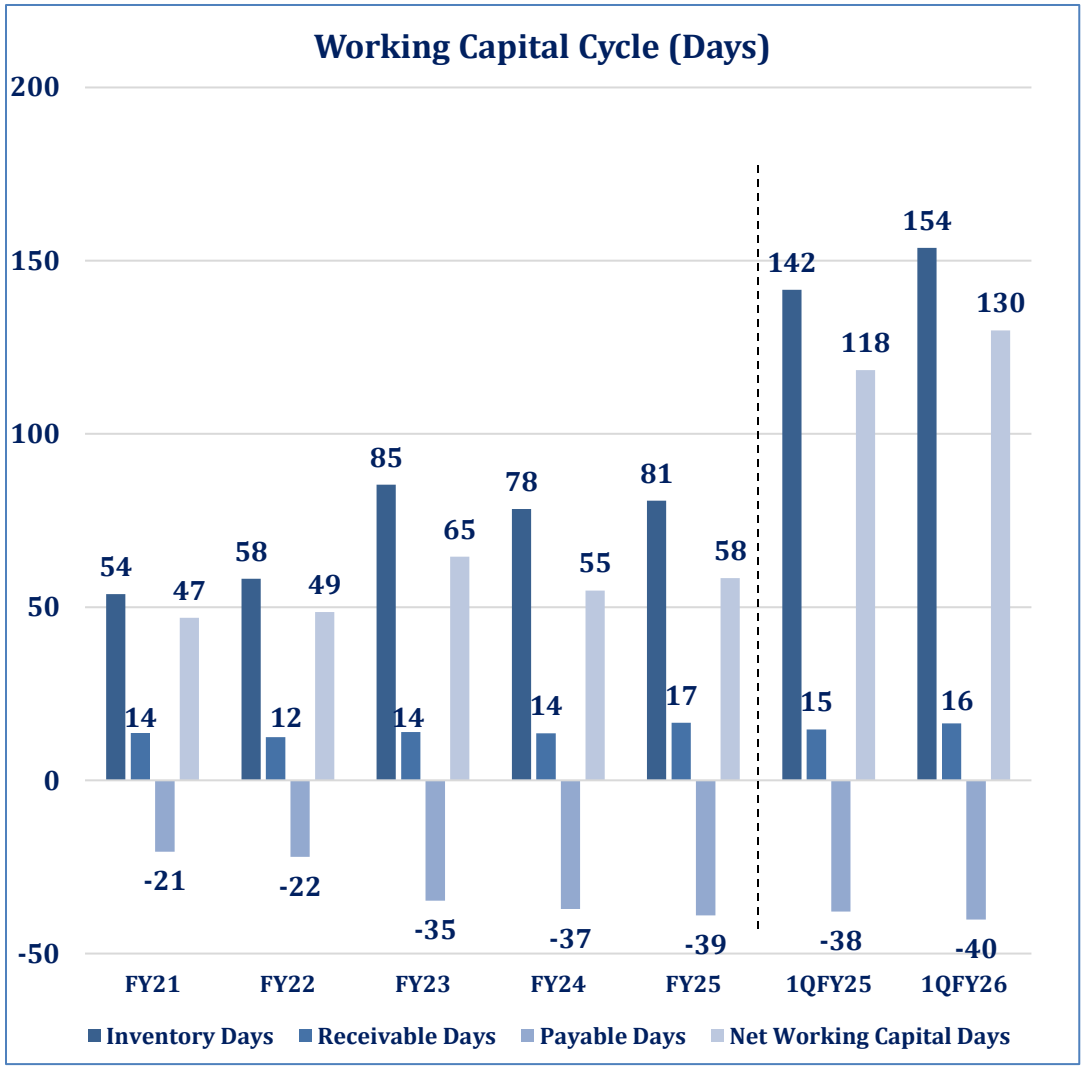
Financial Risk | Working Capital Management

- The sector's working capital cycle continues to be largely influenced by inventory holding levels, given the operational nature of the business and its exposure to demand trends within the textile value chain. From FY23, inventory days remained elevated at ~85 days, dropping to ~78 days in FY24. In FY25, the inventory days increased to ~81 days.

- Receivable days, which stood at ~14 days during FY23 and FY24, increased to ~17 days in FY25. The increase indicates relatively slower collections and extended credit terms offered to customers to maintain sales momentum in a challenging environment.

- On the other hand, extended Payable days increased to ~39 days in FY25 (SPLY ~37 days). The extension of supplier credit provided partial liquidity support and mitigated the impact of rising inventory and receivable cycles.

- In 1QFY26, inventory days were recorded at ~154 days (SPLY ~142days), due to lower sales volume during the quarter, there is a seasonal hold which resulted in a slower inventory turnover rate. This led to net working capital days being recorded at ~ 130 days in 1QFY26 (SPLY ~118 days).



***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

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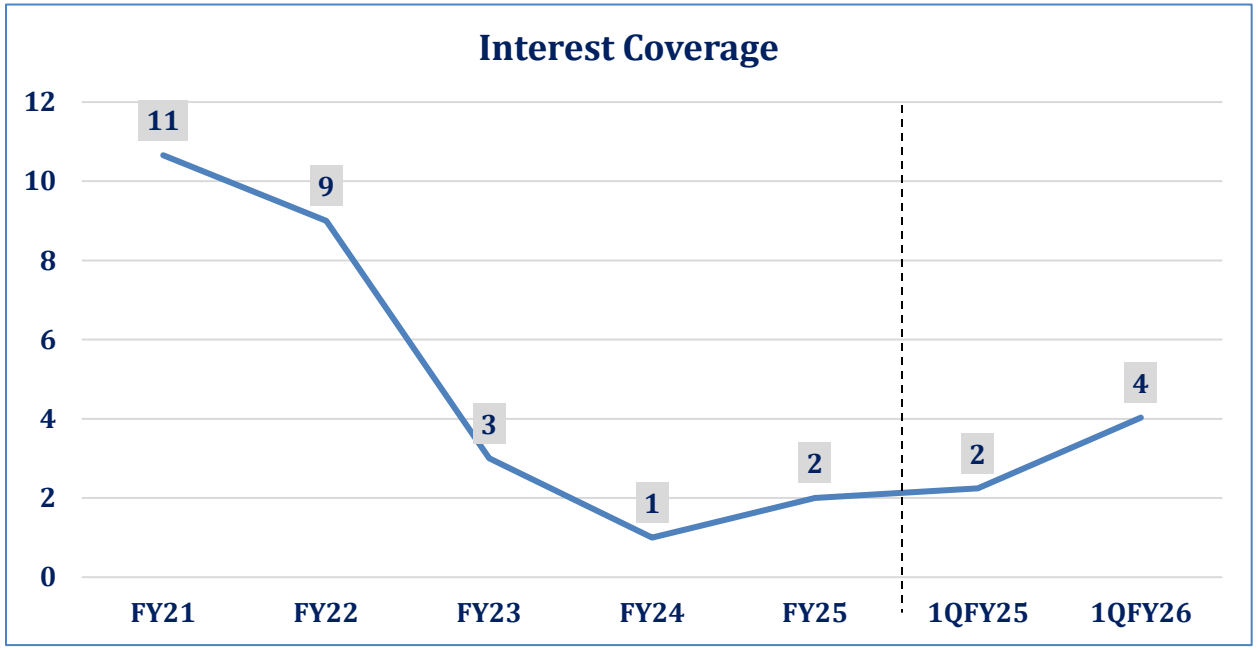
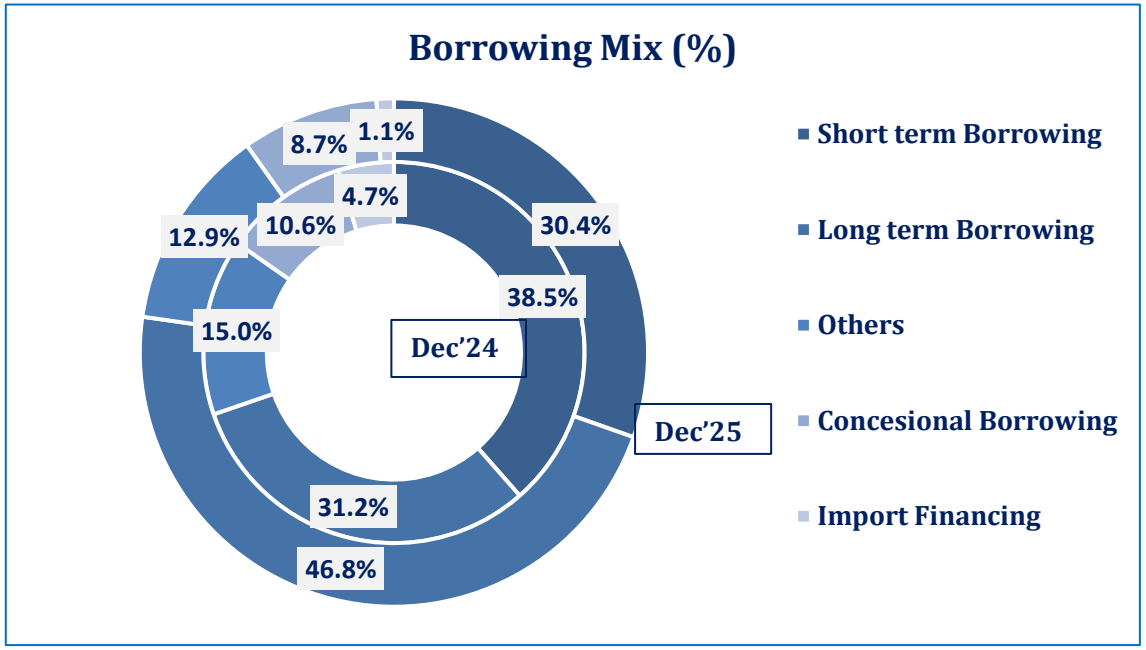
Financial Risk | Borrowings

- The interest ratio plummeted to ~3 in FY23 and then to a critical ~1 in FY24. This was due to high interest rates that coincided with increased raw material costs (specifically PTA), due to which companies relied more on short-term borrowings in FY24. The ratio stabilized to ~2 in FY25 while still far below the FY21 all-time high, where operating profits were at an all-time high. The recovery to ~4 in 1QFY26 (SPLY ~2) shows that the sector's growth is stable with better operating profits and decreased finance costs.
- The sector relied more on short-term borrowing in Dec'24, with short-term loans making up about ~38.5% of total debt. Import financing also increased to ~4.7%, showing greater use of trade-related funding for raw material purchases. By Dec'25, the borrowing mix changed. Short-term borrowing declined to ~30.4% in FY25, while long-term borrowing increased significantly to ~46.8% (SPLY ~ 31.2%). This suggests that companies shifted towards longer-term loans to improve financial stability. Other borrowings remained relatively stable. Overall, the stable interest rates during the period helped improve debt management.





***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

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SWOT Analysis

- Organized & listed sector.
- Sound equity and sponsor backing.
- Self sufficiency in power and hybrid energy models

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

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

- Increase efficiency and improve quality through technological upgrades.
- Growing recycled PSF market opening new avenues for the sector through cost minimization and competitive market prices.

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Duty Structure

- The sector's vulnerability was established in 2005-06 when a surge in dumped imports caused a ~ 9.2% decline in domestic production, leading to the first major five-year protective tariff. Following successful interventions against China and Malaysia in 2017, the NTC extended these measures in 2022 with revised duties (2.5%–10.4%) to stabilize the local market.
- In July 2025, the NTC initiated a Second Sunset Review for PSF imports from China following an application by domestic players Lucky Core Industries and Ibrahim Fibres. While existing duties were set to expire in October 2025. This regulatory protection is critical for local producers who currently face revenue declines and significant pricing pressure from international undercutting.
- In FY26, Additional Customs Duty been removed entirely for goods falling under the 0%, 5%, and 10% CD slabs. Custom Duties for PTA fell to ~ 5% (SPLY 16%) with MEG at 0%. Custom duty on imported PSF has been reduced to ~5% (SPLY ~11%).

PCT Code	Raw Material	Custom Duty		Additional Custom Duty	
		FY25	FY26	FY25	FY26
2917.3610	PTA	16%	5%	4%	0%
2905.3100	MEG	0%	0%	2%	0%
	Finished Goods	**FY25**	**FY26**	**FY25**	**FY26**
5503.2010	PSF	11%	5%	2%	0%

PCT Code	Description	Anti-dumping Duty	Exporting Country	Date	Period
5402.3300 5402.6200	Polyester Filament Yarn- DTY	2.1%-20.8%	All foreign producers except Chinese at ~20.8%.	18-June-2025	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

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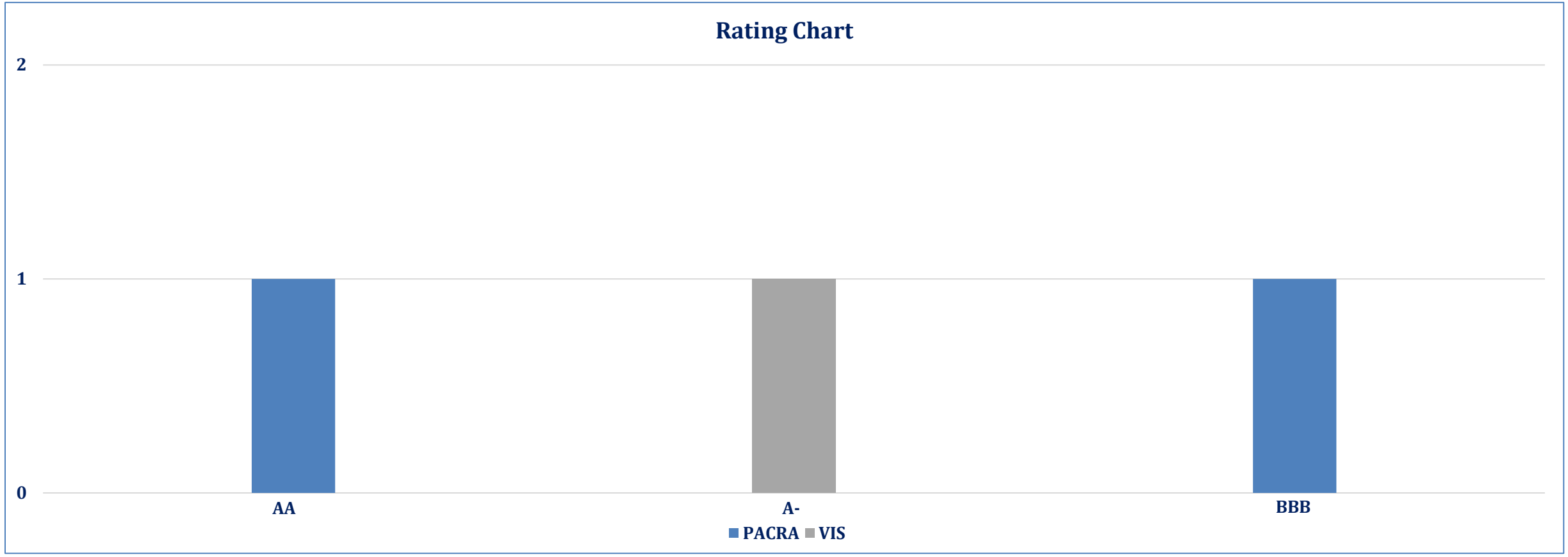
Rating Curve

- 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

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Outlook: Stable

- Pakistan's economy posted a real GDP growth of ~2.7% in FY25 (FY24: ~2.4%), and the average CPI Inflation for July–April 2025 was 4.7%, marking a significant decrease from 26.0% in the same period last year.
- LSM accounts for ~68.0% of the manufacturing sector, which in turn contributes nearly ~13.0% to Pakistan's GDP, making it one of the most critical engines of economic growth. During the first ten months of FY2024-25 (July–May), LSM's growth remained negative, contracting by 1.21% year-on-year.
- The Sector experienced a slowdown in production by ~6.7% during FY25 as a result of the government's withdrawal of Regionally Competitive Energy Tariffs and also due to the surge in dumped imports by China, harming the local market. As a result, financial strain on these industries has intensified, complicating their efforts to maintain profitability.
- Meanwhile, in FY25, PSF imports registered ~142.0% YoY increase as compensation for lower local production. Going forward, PSF imports are likely to increase further owing to a stable PKR and low international prices of raw materials.
- Cotton production registered a significant dip of ~31.0% in FY25, compared to a 108% increase in the last year. For FY25, local cotton production has declined to ~7.08mn bales, on account of lower yield, reduced area under cultivation, and floods. In 2025, imported PSF prices (~274PKR/KG) remain lower than local PSF prices (338 PKR/KG) due to the high cost of manufacturing and the lack of modern technology and machinery required.
- Greater reliance on imported raw material (particularly MEG) increases currency risk exposure due to exchange rate volatility. PTA prices are inherently tethered to the fluctuations of crude oil prices which declined in FY25. As of 2026, custom duty on imported PSF has been reduced to ~ 5.0% (SPLY ~11.0%) following a 0% additional custom duty.
- As of November 2025, the Ministry of Commerce finalized a draft of the 5-year Textile and Apparel Policy (2025-30) that aims to achieve a target of USD ~29bn in exports. However, due to continued volatility in cotton prices, textile mills are increasingly shifting towards synthetic blends. The demand for polyester-cotton blends is projected to grow at a CAGR of over ~13.0% through 2026 as a cost-mitigation strategy.

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