



PUNJAB BOARD OF INVESTMENT & TRADE

(A Company registered under Section 42 of Company Ordinance 1984)

23-Aikman Road, GOR-I, Lahore, 042-99205174 Fax No.99205171,

[Carpet Industry - Pakistan]

[Pakistan Analysis]

Document Created on: 10 January 2011

History

The carpet is the one of finest and most exquisite form of expression and has more than 2,500 years old history. The Iranians were amongst the first carpet weaver of the ancient civilizations and, through centuries of creativity and ingenuity building upon the talents of the past, achieved a unique degree of excellence.

The carpet industry plays a vital role in the economy of Pakistan. It is not only a major earner of foreign exchange for the economy as a whole but it also contributes to the relief of poverty in rural areas. It is basically a cottage industry spread all over Pakistan, especially in remote rural areas. It is a major source of income for families who have few other sources of livelihood, apart from marginal agriculture. Families can easily enter carpet making as an occupation as it requires few infrastructural facilities. Unlike other industries it does not require electricity, water, etc. A wooden loom, yarn and knotting skill are needed to make carpets. Another advantage for the rural families is that they can do the work inside their homes. Because the work takes place inside homes, female members of the family can also participate in this economic activity. The carpet industry is totally indigenous as even the machines used are manufactured locally.

Ornamental (rugs) carpets have from the been a part of the Islamic culture as it achieved unprecedented heights in Baghdad, Damascus, Cordova, Delhi and in the fabled cities of Central Asia. References to carpets in Arabic and Persian literature are numerous. Where Muslim culture has flourished, carpet weaving has been a part of the scene. This is especially true of the Arab Middle East and Central Asian areas which have seen the flowering of Muslim culture at its best.

Historians believe that carpet making was introduced to the region now constituting Pakistan as far back as the 11th century with the coming of the first Muslim conquerors the Ghaznavids and the Ghauris. During the Mughal period the carpets made in the IndoPak SubContinent became so famous that there was mounting demand for them abroad. These carpets have distinctive designs and boasted a rich knotting density. The tradition has remained strong over the last 400 years, although it has had ups and down during this period. After the partition of the SubContinent in 1947 to establish the new Muslim State of Pakistan, most of the Muslims migrated to Pakistan, settled down either in Lahore or in Karachi. It is these people who formed the backbone of the carpet industry in Pakistan. The type of carpet used is not mass market domestic floor covering but is more appropriately characterized as part of the exotic 'rug' trade. The rugs are individually made from a process of knotting with a unique pattern rather than massproduced. In the world market such rugs are best known as 'Persian' rugs and Turkish rugs although Iran and Turkey are not the sole supplier. According to the Pakistan Carpet Manufacturers and Exporters Association (PCMEA, 2003) there are 150000200000 looms in the country. The number of weavers is estimated around 200000250000. Carpet making takes place in all the four provinces of Pakistan.

Types of Carpets

Today's carpet market is dominated by three main varieties:

Rugs

Rugs are an ancient craft that combines unique design, vibrant colors and plush fabrics to bring warmth and pizzazz to any space.

- Machine or handwoven.
- Natural or synthetic dyes.
- Natural dye
- Natural or synthetic fibers

Loop Pile

Which individual strands of yarn are pulled through the carpet backing twice to create a small loop.

- Berber
- Cable
- Sisal

Cut Pile

Is type of carpet in which the loop is cut at the top, leaving tufts of yarn that stand straight up. The look and feel of a carpet will depend on the type of fiber used, the density of the tufts, and the degree of twist in each strand. Cut pile carpet is typically more durable than loop pile and can be sheared in different ways to create a variety of textures and looks.

- Velvet or Plush
- Saxony
- Textured
- Shag
- Frieze

How carpet is made

- ✓ Carpet manufacturing today is a mix of old world craftsmanship and 21st century innovation.
- ✓ Carpet is manufactured in one of two ways weaving or tufting.
- ✓ Woven carpets are made primarily with wool and are exceptionally durable (and frequently expensive).
- ✓ Woven carpets can be produced by hand much in the same way that has been used for centuries or by machine. Both methods follow the same procedures.
- ✓ Yarn is woven through or around vertical fibers called warps, then locked into place with horizontal strands called wefts.
- ✓ Woven carpets can utilize a wide variety of colors to create intricate patterns in the highest quality carpets.
- ✓ More than 90 % of carpets sold today are created using the tufting method.
- ✓ Tufting machines use computers to determine patterns, styles, construction and density.
- ✓ Once the fibers are in place, the carpet is dyed using a variety of methods to create patterns or effects.
- ✓ For cutpile carpeting, the final stage is stretched, or cutting the pile loops. This stage will help determine the carpet's feel and softness.
- ✓ The carpet also receives a secondary stretched backing to give it stability and allow it to be stretched during installation.
- ✓ Most carpets today also receive stain protection during the manufacturing phase.
- ✓ The quality of a carpet will also depend on the type of yarn used, and how that yarn is treated during manufacturing.
- ✓ Continuous fibers are heatset and twisted at the mill to produce a tightly twisted product most commonly found in frieze carpets. This kind of yarn is less bulky but holds its shape for a long time.
- ✓ The other common type of yarn is spun or staple yarn, which is made from short lengths of fiber that are spun together, creating a yarn that is much less likely to unravel. Staple yarns will go through a complex series of treatments, including blending, spinning, twisting and heat setting.

Economic Review

Salient Features

- It provides jobs to 1.5 million people in the country.
- It earns approximately \$250300 million in foreign exchange annually.
- More than 99 % of carpets made in the country are exported. Local consumption is negligible.
- Average share in total exports is approximately 2.48 %.
- There are six leading carpet suppliers in the world market i.e.; Iran, Pakistan, India, China, Nepal and Turkey.
- Carpetmaking tends to be dependent on child labor in Nepal, Iran, Turkey, Pakistan and India Iranian and Pakistani handmade carpets dominate the USA market. The German market for silk carpet is dominated by India and China. The southEast Asian market is dominated by China and Pakistan (Export Promotion Bureau 2003).

The importance of the carpet sector is well understood by the government, NGOs and international actors, particularly since it is an important source of income for the rural population, particularly for women, and has a large potential for employment creation and poverty alleviation. Government's policy and international support are increasingly directed to the benefit of the industry.

Carpets have been one of Pakistan's significant export products, but currently their export growth is not satisfactory. In order to strengthen the export sector and boost exports of the country, the Trade Development Authority (formerly Export Promotion Bureau) has extended assistance for establishment of a number of institutions for training and development of human resources for exportoriented industries.

Assistance has also been provided for strengthening of infrastructure for the exporting industries. Institutions under the scheme have been established in the private sector on the principle of publicprivate collaboration to ensure that the institutions are managed on professional lines while remaining responsive to the needs of the trade and industry, specially the export sector.

There are 400 carpet exporters across Pakistan, most of them in the Punjab. But 100 or so are active and the rest make overseas sales only occasionally. Almost the entire carpet manufacturing takes place in cottage industries with women and children weaving the pieces of art manually. Machinemade carpets are becoming common these days but they fetch little foreign exchange compared to the traditional handmade carpets.

[Carpet Industry - Pakistan]

Financial Review

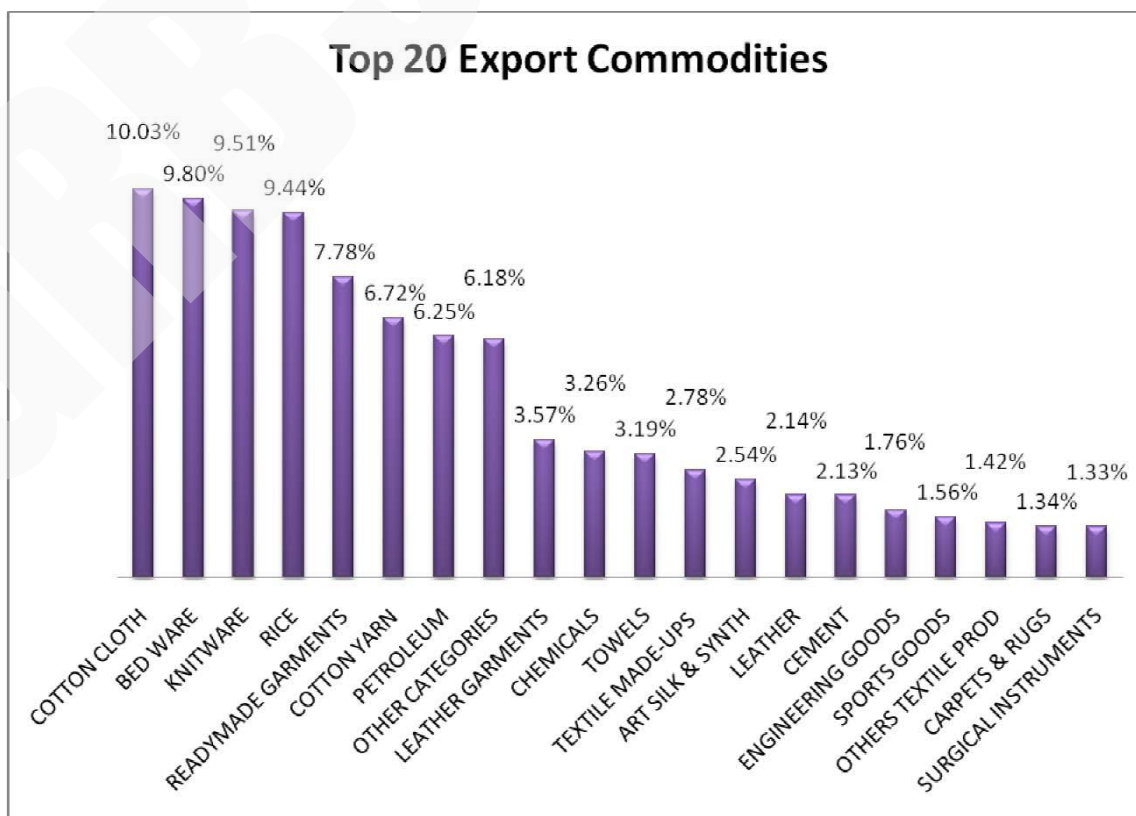
Following is financial review of carpet industry in Pakistan in last couple of years

Exports From Pakistan

Carpets & Rugs Industry

VALUE IN '000' DOLLARS

S.No	Commodities	2001-02	2002-03	2003-04	2004-05	2005-06
1	Woolen Carpets(incl.Rugs of Hand Made)	247,068	217,122	228,828	273,093	254,750
2	Tapestries Cloth	6	46	6	0	12
3	Woolen Carpets Machine-made	198	116	282	932	270
4	Other Floor Covering	2,302	3,615	2,333	3,817	2,231
		249,574	220,899	231,449	277,842	257,263



[Carpet Industry - Pakistan]

Exports during 2006-07 were \$ 233.3 Million as compared to \$ 257.2 Million of the previous year, showing a decrease of 9.3%. Major Buyers of the product were USA, Italy, Germany, France and UK.

Pakistani carpets are generally superior to Indian and Chinese carpets but their cheap labor, low cost raw material and low utility/financing charges give them a price edge over Pakistani products.

More important, Pakistan lacks facilities to produce carpets as per requirements of foreign buyers. A single chain store in America or Europe needs hundreds of pieces of carpets made in a certain color scheme and in a specific design. The problem is that Pakistani weavers, mostly illiterate or semi literate women and children working at home based looms cannot produce tailor made carpets of high quality.

There is a need to develop carpet clusters in the places where carpets are made. TDAP wants the exporters to develop such clusters hosting a few hundreds of looms at a certain place and then ensure quality control through periodic visits there by the experts.

As for marketing our carpets abroad, we need to develop a global marketing strategy with the help of the professionals. TDAP would hire a world class consultant for this purpose within a month or two. Official said the world handmade carpet organization in collaboration with the Oriental Rug Association of USA would make a 47minute documentary on carpet making in Pakistan, India and China.

There is no point for undertaking promotional activities if we cannot produce quality carpets at competitive rates. That is the crux of the matter

Problem Areas

Decrease in rebates and incentives, high markup rate and continuous harassment by the salestax officials have shrunken the target of carpet exports. Its exports are in a deficit of about \$100 million or short of the fixed target of \$240 million. The official target per month was fixed at \$40 million whereas during the last two months (February and March), only 7.5 and \$6.8 million worth of carpets were exported. If necessary measures are not taken the carpet industry will die out slowly.

The carpet industry of the country is likely to face another crisis in coming days, as 80 percent of the workforce comprises Afghan refugees, who are being repatriated to their homeland.

According to official figures, the export of carpets and rugs has already begun showing a declining trend. In July Feb 200607, carpets, rugs and mats worth \$145.54 million were exported as compared with July Feb 200506, when their export stood at \$171.23 m. These figures show a fall in exports by 15 percent.

In terms of quantity, Pakistan exported 2.29 million square meters of carpets, rugs and mats in July Feb 200607, against 2.83 million square meters exported in July Feb 200506, which shows an 18.83 percent decline. Pakistan exports carpets to countries such as the USA, Germany, Italy, the UK, France, and UAE.

Industry sources fear that in coming days carpets' exports are likely to dip dramatically and the industry would face a crisis like situation because of labor shortage, caused by the repatriation of Afghan refugees.

“Since the Nineties, most of the local workforce had left this industry and it was mostly Afghan refugees, who were working in this industry,” said director of Afghan Carpets Iftikhar Hussain. Carpet business will be very challenging in the future as we face a tough competition from India in the global arena and the cost of production in this business is constantly going up.

Carpet manufacturing takes place in many parts of the country, which are inhabited by Afghan refugees such as Quetta, parts of the NWFP, Karachi, Attock, etc. A few years ago in Attock, there were around 15 million carpet weaving looms, where most workers were Afghan. The number of looms has rapidly declined since the repatriation of Afghans and carpet manufacturing in this region is now almost nonexistent.

Afghans working in the carpet weaving setups in Attock earned on an average 2,500 rupees (\$41) for weaving a piece measuring one square foot.

In Karachi, there were 1,000 carpet weaving looms at the Afghan refugee camp near Toll Plaza on Super Highway. Now the number has declined drastically. Since 2002, more than 2.8 million Afghan refugees have returned home under the UNHCR's voluntary return assistance program. Exporters are now bringing carpets from Kabul.

Interior Sind comes second in carpet weaving after the Afghan workforce. Carpet industry is now prominent in places such as Thar.

Experts say “the political crisis in Iran” could help boost Pakistani carpet exports as Iran has the major market share in the world carpet industry.

But exporters don't agree, saying the quality of Pakistani carpets doesn't match the Iranian quality. Things don't look bright for Pakistan's carpet industry in coming days because of labor shortage, they say.

Government Steps

Pakistani carpet industry is primarily plagued with the problems of supply chain, production capacity, quality control and skill development for fashion designing. Iranian carpets are more expensive yet they sell in larger quantities because the Iranian and Chinese manufacturers can produce buyerspecific carpets of superb quality.

Once tailor made carpets are thus produced, exporters might bring them in carpet cities being developed in Karachi and Lahore for washing, dyeing and finishing. In Lahore, a piece of land was acquired for setting up a carpet city with the help of TDAP but the plan is yet to be executed.

In Karachi, TDAP and Sind government are looking for 100 acres of land that can be given to carpet exporters on rental or lease basis for developing it as a carpet city. Exporters say once Lahore and Karachi have carpet cities they can also set up exhibition centers right at these places and foreign buyers may frequent there.

In Lahore PCMA has acquired a building to set up a world class training centre for imparting skills in carpet weaving but it is yet to hire trainers and develop a syllabus for weavers.

Unlike India, China and Iran that use modern technologies in developing graphic and computer generated designing, most of Pakistani manufacturers still rely on traditional manual designs that are least in demand in the world.

It has therefore been decided to give specific attention to this sector and develop an appropriate strategy to remedy this situation. Consequently the Ministry of Commerce has been tasked to undertake planning for setting up of carpet cities in Lahore and Karachi. These cities will help to make our carpets more competitive in terms of price as well as quality and other standards.

Establishment of the World Handmade Carpet Organization (WHCO) by the three major carpet manufacturing countries China, India and Pakistan which is being registered in Hong Kong. Besides, Pakistan, China and India are planning to hold joint exhibitions in the USA under the aegis of WHCO with a view to increasing carpet export share in one of the world biggest markets.

Conclusion

According to TDAP (Trade development authority of Pakistan) the domestic carpet industry is confronted with the surging competition from other low cost countries in Asia namely Iran, India, China & Nepal.

According to the recommendations the carpet industry needs to improve quality, move up in the value chain, lay technological foundations, and strength global business operations to generate more employment opportunities and become global player.

References

1. The News Week
<http://www.newsweek.com/>
2. Trade & Development Authority of Pakistan (TDAP)
www.tdap.gov.pk
3. Federal Bureau of Statistics, Government of Pakistan
www.statspak.gov.pk
4. Rug&Carpets
www.rugandcarpets.com
5. Daily times
www.dailytimes.com
6. Pakistan Carpet Manufacturers & Exporters Association
<http://www.pcmea.com.pk/>