Government announces Rs. 180 billion package to boost exports

The government has announced the country's biggest export package worth Rs 180 billion to enhance foreign trade. The package envisages abolition of customs duty and sales tax on import of cotton. Similarly, customs duty on man-made fibre rather than polyester and sales tax on import of textile machinery has also been abolished.

The duty drawback rates under this package entail 7% for textile garments, 6% for the textile made ups, 5% for processed fabrics and 4% for yarn and greige fabrics. This package will continue for the period of 18 months from 1 January 2017 to 30 June 2018. Under the package, sales tax, customs duties on import of textile machinery and cotton have been abolished. The package would help achieve the objective of export-led growth.

Khurram Dastgir Trade Minister.

Khurram Dastgir Trade Minister said that only those exporters could avail this opportunity, who report an increase in exports of more than 10% in the fiscal year 2017-18 comparable to 2016-17. The Minister hopes for a $3 billion dollar increase in two years after implementation of this package.

Under this package, the exporters will be liable to increase exports by 5% from January to June 2017 and then by further 10% in the financial year 2017-18. This package would generate employment opportunities and revive closed factories of the country.

There will be no condition on getting duty drawback in first six months (January to June) of the scheme. However, exporters will have to record 10% growth in exports during the next fiscal year 2017-18 as compared to the on-going financial year.

The package would enhance the country's exports by $2.5 to $3 billion by the end of June 2018. Prior to the incentive package, the government had already reduced the power tariff for the industries from Rs 15-16 per unit to Rs 11 per unit. Similarly, the government is providing uninterrupted power supply to the industries in the country.

The minister said the government had already given zero-rated facility to five export sectors in the budget. The government would give the duty drawback facility through State Bank of Pakistan.

All export-oriented sectors to benefit from package

Commerce Minister Engineer Khurram Dastgir Khan stated that in addition to textiles, all the other export-oriented sectors would benefit from the trade package including non-traditional exports, another package is yet to be announced He said that the upcoming package has been finalised by the Prime Minister in consultation with the stakeholders.

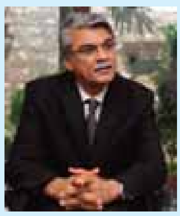
He maintained that Pakistani exporters' competitiveness has been affected due to different factors, including the cost of doing business, that has been negatively impacted by the relatively higher price of gas and electricity vis-a-vis their competitors in the global market as well as regional currency devaluation relative to the Pak rupee.

He further said that Pakistan has also not invested in new technology in machinery. On the other hand, India is now Pakistan's major competitor in the textile sector. The government has agreed to remove customs duty and sales tax on raw cotton and man-made fibres as well as removal of import duty and sales tax on industrial machinery.

Textile exporters have described the government's Rs180-billion incentive package for export-oriented industries as positive that will cushion the declining export of the country.

The cost of doing business including gas and power tariffs, gas infrastructure development cess (GIDC), sales tax and high value of the rupee against the dollar has put pressure on export sectors in general and textile in particular.

The package is very good for textiles, though its announcement had been due for over two and a half months, commented former APTMA Chairman Yassin Siddik.



Yassin Siddik, Former Chairman, APTMA.

According to Siddik, these measures announced in the package would bring the cost of production down and eventually increase the competitive edge of exporters in the international market. However, government's recent decision to withdraw the reduction in gas prices would not bode well for the textile industry.

Hyundai Motor Company to assemble cars in a joint venture with Nishat Mills

Hyundai Motor Company plans to set up a car assembly plant in Pakistan in a joint venture with local textile firm Nishat Mills.

"Today we have signed a memorandum of understanding between the two companies and we will set up a project for the assembly and sales of both passenger and commercial vehicles," stated Khalid Chauhan, Company Secretary, Nishat Mills.

Hyundai's return to Pakistan will boost the government's compete with the Japanese-dominated car market and

loosen the grip of Toyota, Honda and Suzuki, who assemble cars in Pakistan with local partners.

Nishat Mills is a subsidiary of Nishat Group, a giant in the Pakistani banking, textiles, energy and cement sectors. Its share price rose 1.4 percent after the announcement.

Nishat Mills filed a statement with the Pakistan Stock Exchange saying the deal was "subject to applicable statutory and regulatory approvals".

Last year, French carmaker Renault agreed to invest in a new factory in Pakistan and South Korean carmaker Kia Motor Co said it would start assembling cars in a joint venture with Karachi-listed Lucky Cement, part of the vast conglomerate Yunus Brothers Group.

TMA team and SBP governor to discuss textile related issues

The Towel Manufacturers Association of Pakistan has hailed the efforts of the Senate Standing Committee on Textile Industry specially of Senator Mohsin Aziz and Senator Nihal Hashmi for initiating a meeting of textile exporters with Governor State Bank of Pakistan and other heads of financial institutions and DFI's to discuss the issues related to textile industry and their redressal.

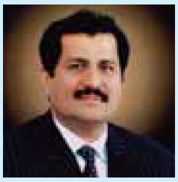
The meeting focussed on the steadily deteriorating exports of textiles. Textile stakeholders highlighted the issues of the industry before the Governor State Bank of Pakistan with special reference to non-performing loans and revival of sick industry.

Those exporters who are facing NPL issue for some time have been the leading exporters of textiles earning foreign exchange for the country. If such exporters are provided with a chance they will certainly help in increasing country forex reserves.

The delegation from towel Manufacturers Association of Pakistan presented a working paper to the governor based on nine points for revival of the textile industry and assured the Governor that, "if our proposals are given due weight age, we can assure that our country's exports will increase manifold which will ultimately help the exporters to come handle the crises and also increase the badly needed foreign exchange reserves.

Briefing by Dr. Ikhtiar Baig to Senate Committee on textile

Chairman FPCCI Standing Committee on Banking, Credit and Finance Dr Mirza Ikhtiar Baig representing the Federation, the apex trade body of Pakistan apprised the Senate Committee on the reasons for the decline of textile exports of the country and the immediate actions to be taken to address the challenges being faced by the textile industry.



Dr Mirza Ikhtiar Baig, Chairman FPCCI Standing Committee on Banking, Credit and Finance.

Dr Baig informed the house that due to the increasing cost of production, the textile industry is becoming uncompetitive, as witnessed by the decline in exports and closure of textile mills. Due to an increase in the defaults of loans, banks have withdrawn their credit facilities further aggravating the situation and increasing number of nonperforming loans (NPLs) pertaining to the textile sector.

According to the Deputy Governor State Bank of Pakistan Saeed Ahmad, out of total advances of Rs728 billion, NPLs are more than Rs198 billion (including the textile sector) which is 27% of the total portfolio.

Dr Baig informed the Senate Committee and Bankers that the textile sector is catering 55% of the total exports of Pakistan, generating 40% jobs in the manufacturing sector and contributing 9% to 10% to the GDP. He requested governor SBP and presidents of the banks for rescheduling of loans and allowing their working capital facilities on priority basis. The governor SBP on behalf of the banking sector assured to help the textile sector and appointed SBP focal person to assist the defaulters for rescheduling of their loans on an urgent basis.

Textile exports fell by $600 million during 2016

The overall textile exports continued to present a dismal look during the year 2016. The industry has been rendered nonviable by the high cost of doing business as a consequence of which textile exports fell further by $600 million, said All Pakistan Textile Mills Association (APTMA) Chairman Aamir Fayyaz. He expressed fear that the exports could fall further by $1.2 billion in the current year if the present trend continues.

Aamir Fayyaz, Chairman, APTMA.

He said that it vital to reviving faltering foreign exchange receipts on trade account to control the country's trade deficit that has swelled to an alarming and unmanageable level of $28.3 billion. This gap cannot be bridged without an implementation of export-led growth policy initiatives.

He said the textile industry continued to face the handicap of being at least 10% expensive against international competitors owing to unrealistically high-energy costs. Since 2013, the price of energy has been higher than that of competing countries by 4 cents per kWh.

Due to unrealistically high energy price in the province - where 70% of the country's textile industry is located, the Punjab-based textile industry was exposed to a severe disparity in energy prices. Resultantly, a bulk of the textile manufacturing capacity lies under-utilised, and over 70 textile mills have shut down in the last six months.

He said that the two basic raw materials of textile industry - cotton and manmade fibres - to which the textile industry adds value for export, had to be imported, as their domestic availability fell far short of the industry's requirement. The acute domestic shortfall of cotton being procured at higher than import parity is having a crippling effect on the entire textile value chain.

He added that the government's apathy to increased import duty, besides other levies such as sales tax and withholding tax was indeed regrettable.

Furthermore, he said domestic commerce in textile and clothing had been swamped by dumped subsidised imports and smuggled goods, a vital factor in the closure of as many as 70 mills in Punjab.

APTMA for withdrawal of 4% import duty on raw cotton

All Pakistan Textile Mills Association (APTMA) Sindh-Balochistan Zone has appealed to the government for the removal of 4% import duty on raw cotton as the local crop is estimated to be not more than 11.25 million bales this year; whereas, the requirement of Pakistan's industry is not less than 14.5 million bales at the moment.

APTMA-SB Zone also mentioned that a removal of import duty was also demanded two months ago against which demand the relevant Ministry had said that it was too early to remove this

duty and the government wanted to wait till the major portion of the local crop was sold and of the hands of the farmers.

The situation as it stands today is that 80% to 82% of the crop has been absorbed by the textile industry; therefore, the objective as stated by the Ministry has been achieved. APTMA Sind Baluchistan also said that it is misleading to state that the Ginners and TCP have sufficient stock of cotton lint to fulfil the needs of the industry.

Rise in cotton output likely

The country is expected to get 10.6 million bales of the cotton crop during this season (2016-17) which is higher as compared to the previous season (2015-16) mainly due to favourable weather conditions. While the country's cotton crop is expected to remain on the lower side during 2016-17, the situation is likely to be better than the last season.

The actual target for cotton production was 14.1 million bales that have been revised for the third time during this season. Traders said cotton prices were also expected to rebound in the coming month due to higher demand of quality cotton and ginners were also likely to offload improved quality cotton in the market in January 2017.

USDA's recent report on "Cotton and Wool Outlook" said that Pakistan's crop is projected at nearly 8.3 million bales (1 bale = 480 pounds) in 2016-17, an 18% rebound from a 2015-16 crop that was the country's lowest since 1998-99. Although 2016-17 area was forecast at a three-decade low, crop conditions appeared to have been favourable that season as the yield was projected at 748 kg per hectare, one of the top yields on record for Pakistan.

Traders said that shortfall in cotton crop would result in higher import of raw cotton to meet the domestic demand. Although Pakistan is among the leading cotton producing countries, its cotton production declined drastically to 9.7 million bales in 2015-16.

Successful participation of Pakistani value-added textiles at Texworld Paris

Pakistan's high quality and value added textile products were showcased at the three-day exhibition Texworld show held from 6th to 9th of this month in Paris.

Twenty-six companies from Pakistan participated in the exhibition and displayed a variety of high-end fabrics, accessories and sophisticated cotton wears including knit Embroidery Lace and trims suited to the taste and preferences of European customers.

The Ambassador of Pakistan to France Moin un Haque who visited Pakistani pavilion and met Pakistan exhibitors. He also appreciated their participation at this premier European Textile exhibition.

He said the Pakistani Textile products are known internationally for their high quality and innovative designs. Participation in the Texworld Paris would not only help in introducing Pakistan prowess in the textile fashion industry but will provide much need boost to the Pakistan's textile exports to the lucrative European market.

The Texworld held every year at the advent of spring in Europe is a popular trade fair exclusively for professionals from the textile and fashion industry. It is a valuable and efficient gateway to the European market for international textile manufacturers.◆