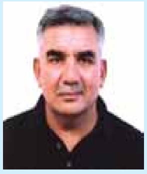
PHMA calls for maintaining zero rating in budget

The Pakistan Hosiery Manufacturers Association (PHMA) has urged the government to continue the sales tax zero-rating facility to five export-oriented sectors in the upcoming federal budget 2017-18, besides speeding up the disbursement of drawbacks under Prime Minister Rs.180 billion export package.

According to PHMA Chairman, Adil Butt, the government had issued revised sales tax zero-rating regime for five export oriented sectors, i.e., textile, leather, carpets, surgical and sports goods from July 1, 2016. The National Assembly Standing Committee on Textile Industry had also supported the value-added textile sector's demand for declaring all five export-oriented sectors as zero rated. He observed that zero rating of tax had reduced the work load of the Federal Board of Revenue, sparing the export sector from wasting time in getting refunds. This regime was allowed after proper diligence and comprehensive research.



Mr. Adil Butt, Chairman, PHMA.

Adil Butt urged the government that instead of ending zero rated regime it should implement this system in true spirit in budget 2017-18 as billions of rupees of exporters are still stuck up in refund regime.

Textile millers demand investment-friendly budget

The All Pakistan Textile Mills Association (Aptma) has urged the government to present an investment-friendly Federal Budget, 2017-18 which should aim at supporting the export-oriented industries, including textiles.

Zahid Mazhar, Senior Vice Chairman of Aptma, in the budget proposals said that the budget can prove to be a game changer for the country's economy if it encourages exports, industry and employment.

During the first 10 months of the current financial year, textile exports have reduced to $10.296 billion, i.e., around 1% lesser than the corresponding period of the last year. The textile industry is running below capacity although it has a potential to increase exports of the country to $30 billion.

He demanded the government to provide system gas at a regionally competitive rate of Rs 400/MMBTU across the country and remove the levy of Gas Infrastructure Development Cess. The electricity tariff for independent feeders should be Rs 7/kwh without levy of surcharges.

Mazhar also demanded the government to ensure availability of raw materials to the industry by allowing duty / tax-free imports of cotton and polyester staple fibre.

The country had already suffered huge losses due to the failure of cotton crop for the last two consecutive years. It is imperative to continue with the policy of import of cotton without duty and sales tax rather it will be suicidal to re-impose customs duty and sales tax on cotton imports.

The Aptma official also demanded proper allocation of funds against the Prime Minister's export-led growth package announced in January this year, which envisaged payments of Rs 10 billion/month, whereas only Rs 2 billion has been released so far during the last four months.

Japan wants Pakistan to open CPEC for other countries

Japan as Pakistan's decades old business partner, believes that Pakistan should open China-Pakistan Economic Corridor (CPEC) for countries willing to be the part of the mega plan.

At the moment, only Chinese and Pakistani companies can undertake projects in CPEC, if these restrictions are removed many private businesses in Japan may be interested in investing, said Toshikazu Isomura, Consul General of Japan in Karachi. He said Japan is Pakistan's partner since long and 82 Japanese companies were already operating in Pakistan. He further said Japanese companies have invested over $500 million in the country in last three years.

Toshikazu Isomura, Consul General of Japan in Karachi.

The Japanese Consul General said their State Minister had meetings with Prime Minister and other functionaries and discussed issues of bilateral interest. Furthermore, easing of tariff barriers on import of Pakistan's textile and leather products in Japan was also discussed during this meeting.

Nominal decline seen in textile, clothing exports

The textile and clothing recorded a nominal decline in exports mainly due to lower proceeds from raw material and low value-added products, such as cotton yarn and fabrics.

According to data released by the Pakistan Bureau of Statistics, the decline in export is around 0.92% year-on-year to $10.29 billion in July-April. The exports of value-added products grew during the 10 months in terms of both value and quantity.

Product-wise details show exports of readymade garments rose 5.34% while those of knitwear dropped 0.17% in July-April. Exports of bed-wear edged up 5.01%, while those of towels dropped by 4.38%.

In primary commodities, exports of cotton yarn witnessed a year-on-year decline of 3.68% while those of cotton cloth and yarn (other than cotton) dropped 5.73% and 29.48%, respectively.

In April, the value of textile and clothing exports declined by 0.41% year-on-year to $1.025 bn. Overall export proceeds in July-April were down 2.29% to $16.91 billion.

Last year, the government announced a textile policy that gave a 40% rebate on the exports of readymade garments on a 10% incremental increase over the preceding year, 2% on home-textiles and 1% on fabric. No support was announced on raw material or yarn exports.

From Jan 15 onwards, the government has not only increased the rebate to 7% for readymade garments but also allowed cash support of 4% on yarn and grey cloth under a Rs180 billion package announced by the Prime Minister.

Government responsible for decline in textile exports

Pakistan Apparel Forum Chairman Muhammad Jawed Bilwani said that the government is responsible for the current decline in textile exports because of its delay in refunds to exporters.

Muhammad Jawed Bilwani, Chairman, Pakistan Apparel Forum.

He said the government still hasn't released Rs 250 million to exporters which have hurt the textile industry.

The country's exports, especially from the textile industry, are not among the government's priorities. The textile ministry is still being run without a minister and the delaying tactics in payment of refunds have brought disastrous effects.

The textile exports have reduced by 2.53% in February 2017 compared to the same month in the previous year, according to a recent report compiled by the Pakistan Bureau of Statistics. Meanwhile, exports in February 2017 decreased by 6.48% compared with the previous month.

When the PML-N-led government took over in 2013, Pakistan's exports in the fiscal year 2012-13 were $24.5 billion, where textile exports stood at $12.8 billion. However, exports saw a drastic decline in the fiscal year 2015-16, after coming down to $20.8 billion, while the share of the textile industry was still stagnant in 2012-13.

Bilwani added that if the government fails to control the situation, then it would further deteriorate in the coming months. To provide breathing space to the industry, it is important that refunds to exporters be released on a priority basis; otherwise, the country's export targets cannot be achieved in the near future.

Government to ensure certified seeds to cotton farmers

Government plans to supply 100% certified cotton seeds to farmers during the current Kharif season in order to get maximum output. In this connection, a campaign will be launched so that only certified seeds are sown across the country. Arrangements have been made to make available about 38,000 tonnes of certified and approved seeds. The move is aimed at increasing per acre crop output in the country.

The total requirement of cotton seeds was recorded at 40,000 tonnes for the sowing season 2017-18, an official in the Ministry of Textile Industry said.

In order to ensure availability of certified seeds, seed dealers have been directed to market cotton seeds as per standard germination of 75%. They have also been asked to ensure the quality and quantity of the seeds.

During the current Kharif season, cotton would be cultivated over 3.118 million hectares of land across the country to fulfil domestic requirements as well as exports. Cotton crop production targets for the current season have been fixed at 14.40 million bales against 14.1 million bales last year.

Pakistan set to miss 14.1 million bales cotton output target

The country is going to miss the cotton production target this year as well and that too by a huge margin, which would further push the agriculture growth of the country into the negative zone.

According to Ministry of Textiles, a target of 14.1 million bales was set for the year 2016-17. However, cotton sowing fell short by 20.82% in Punjab, leading to overall 15.78% less sowing at the national level.

Since 2009, cotton production is on the decline while other competing crops outputs are increasing. In 2009-10, the cotton production was 12.91 million bales, in 2010-11 it reduced to 11.460 million bales, next year it was 13.59 million bales, and after gradually decreasing every year the cotton production decreased to 10.07 million bales in the year 2015-16.

In the meanwhile, the farmers started shifting to other crops from cotton to the production of competitive crops like sugarcane, rice and maize increased during last five years.

The major reason for the lower cotton sowing area was low cotton prices during the previous year (2015-16), said Dr Khalid Abdullah, Cotton Commissioner, Ministry of Textiles. Highlighting efforts of the government to support farmers in improving cotton production, and measures have been taken for ample supply of quality cotton seed and loans.

Dr. Khalid Abdullah, Cotton Commissioner.

Quoting State Bank, he said an amount of Rs 700 billion has been allocated for agricultural loans to be disbursed by commercial banks and micro finance institutions. Out of this target, Rs 10 billion has so far been disbursed among 35,000 cotton farmers of Punjab and Sindh.

The SBP has also launched mandatory crop insurance policy for five major crops, including wheat, rice, sugarcane, cotton and maize, he said. He said Zarai Taraqiati Bank's target for cotton crop-specific loans has been a target at 60% of total loans.

Money borrowed by textile sector may be going to real estate

The textile industry has been in the headlines for several good and bad reasons. The absolute figures show that the volume of investment in the industry has surged significantly in recent months, but exports of the sector are showing an opposite trend.

This has also caught the attention of the State Bank of Pakistan (SBP) Governor, who has suggested that the money borrowed by the textile industry might be going to other profitable sectors like real estate or the stock market.

It is interesting to note that the borrowings of the textile industry are continuously growing, but textile exports are on the decline. I wonder where this cheap borrowing is going; maybe it is going to the real estate sector? SBP Governor Ashraf Mahmood Wathra commented during his recent visit to the Karachi Chamber of Commerce and Industry.

Tough times in textile sector hurting exports

The export package was a non-starter from day one as all the stakeholders, particularly the value-added sector, had reservations, but agreed nevertheless due to the planners take it or leave it to approach.

Interaction with different textile stakeholders revealed that the package was a maneuverer by the lowest value-added basic textile sector. The garment and bed wear exporters said they were entitled to more facilitation and refunds then the spinners and fabric exporters. They said when the five exporting sectors were exempted from sales tax, the sales tax on packaging material supplied to the exporters remained imposed, and it was clarified that this sales tax would not be refunded to the exporters.

The value-added textile exporters further pointed out that packing material is a major cost for the value added exporters. They have to buy costly and strong packing to ensure that their garments and bed wear are not damaged during transportation.

They said this one exemption from zero-rating has eaten away Rs 18 billions of sales tax refunds of the value-added exporters. Khurram Mukhtar, a leading home textiles exporter from Faisalabad, said the value-added sector does not want any package.

An amount of Rs 10.30 billion export finance markup support announced in 2011-14 textile policy has still not been released'

Similarly, Rs1.5 billion relating to markup rate support against long-term finance were pending and added that the technology up-gradation fund amounting to Rs19.405 million for September 2009-June 2014 was also pending.

He said refunds amounting to Rs 11 billion announced by the government under different heads were also awaited. The exporter said zero rating of energy fuels was announced in 2016-17 budget but refunds were allowed on domestic coal.

He called this eye wash as domestic coal was sparingly available and 80% of the coal was imported. He said if these issues were resolved, Faisalabad alone would add $2 billion in textile exports.

Mian Muhammad Lateef, Chairman of Chenab Group.

Mian Muhammad Lateef, the Chairman of Chenab Group, said the GSP Plus granted by EU has saved our exports to some extent. He said the exports to EU after the grant of GSP Plus status increased by 38% for all items exported to EU.

He said the textile exports increased during 2008-2013 from $8 billion to $13.8 billion but have since declined to $12 billion. He urged the government to evaluate the reasons for this decline. Currently, we are exporting low value-added garments because the fabric produced in Pakistan is not of the quality that is globally in demand and added that as a first step, the government should allow duty-free import of blended fabric so that high-value garments could be produced and exported.

BoI to hold FDI road shows

The Board of Investment (BoI) said the government will hold road shows in China, Singapore and Gulf countries in the coming months with the aim to increase Pakistan's foreign direct investment (FDI).

BoI will hold the shows in collaboration with chambers of industries and All Pakistan Textile Mills Association (Aptma) to focus on textile and steel industries, said BoI spokesman Shah Jahan. He said that through a proactive approach, we have been focusing mainly on achieving the FDI target of $15 billion by 2025. Special economic zone cells have been approved for helping investors through a one window operation to provide them all the facilities in one place. ◆