APTMA 'rejects' budget, questions credibility of PM's textile package

In a move that will further widen the gulf between businessmen and the government, the textile sector questioned the credibility of Prime Minister Nawaz Sharif's Rs180 billion textile package after the Finance ministry allocated a meagre sum of Rs 4 billion to fund it.

All the leading associations of the textile sector rejected the budget 2017-18 due to meagre allocations and increase in income tax and sales tax rates.

The government has allocated only Rs 4 billion against a total textile package of Rs 180 billion, said All Pakistan Textile Manufacturers Association Chairman Aamir Fayyaz. He said that it was also a matter of Prime Minister's credibility who announced the package.

Aamir Fayyaz, Chairman, APTMA.

In January this year, PM Sharif had announced the Rs 180-billion package for a period of one and a half years to support nose-diving exports by lowering duties on import of raw cotton and giving rebates on exports. However, just after four months, the finance ministry partially withdrew the package by again increasing duties and taxes on the import of cotton for the sake of Rs 10 billion revenues.

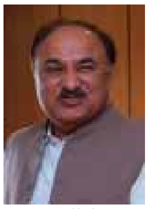
The PM's package envisaged Rs 7.3 billion per month rebate on export proceeds, which is expected to remain unfunded due to lack of budgetary allocations.

The textile ministry had sought Rs 40 billion for the next fiscal year 2017-18 but the finance ministry did not agree, apparently to artificially show budget deficit at the lower end.

During the National Economic Council meeting, Finance Minister Ishaq Dar had assured the Punjab Chief minister that the Federal Government would provide adequate financial resources in the budget to support the textile sector. However, those events never transpired. The partial funding of the package is called into question, as exports cannot be revived on mere official pronouncements. He said that when the PML-N government came into power the country's exports stood at $25 billion that have now slipped to $20 billion under PM Sharif's watch. The Aptma Chairman said that at a time when Pakistan's exports were on decline, Bangladesh, India and China had increased their exports.

The meagre allocation for the textile package is likely to further widen the trust deficit between the business community and the government. The industrialists have already shown their displeasure over the extension of super tax into a third year. APTMA Chairman claimed that the Federal Board of Revenue (FBR) has also blocked Rs 100 billion sales tax refunds to inflate its revenues. The sector also sought a cut in electricity tariffs.

TDAP focusing on non-traditional markets to enhance exports



Inam-Ullah Khan, Secretary, TDAP.

Secretary Trade Development Authority of Pakistan Inam-Ullah Khan has said that non-traditional markets are being focused on in order to enhance Pakistani exports. Addressing members of Pakistan Textile Exporters Association (PTEA), he said that efforts are under way to create strong links between businessmen of Pakistan and their counterparts in other countries.

Terming GSP plus status a turning point, he said that the authority was making serious efforts to give a quantum jump to Pakistan's exports by focusing particularly on non-traditional markets.

Earlier, PTEA Chairman Ajmal Farooq highlighted major deterrents in exports growth and said that textile exporters have traditionally been concentrating on European and American markets and had built a good reputation in home textiles and made-ups, especially in bed-linen.

Declaring B2B interaction key tool in trade promotion, he suggested frequent exchanges of trade delegations with the trading partner countries to explore the potential of trade. Pakistan's economy relies heavily on cotton and textile exports are the main source of generating revenue for the country.

Textile exports fall by 1.98% during FY 2016-17

Pakistan Bureau of Statistics (PBS) released data detailing a fall in textile and clothing exports from Pakistan in the first 11 months of financial year 2016-17. A decline of 1.98% was recorded in textile and clothing exports reached $11.234 billion.

PBS data revealed a growth in exports of value-added products in terms of both quantity and value during the first eleven months of the FY 2016-17. Exports in May declined 12.24% in comparison to April. Exports for knitwear fell 1.85%, ready-made garments increased 4.15%, towels decreased 4.77% and bed wear 3.22% during the July-May period of FY 2016-17.

Made-up articles exports excluding towels fell 0.45%, for tarpaulin, canvas and tents increased 52.85%. Revenues from silk, synthetic and art exports fell 33% alongside a decline in raw material exports of 47.14% was recorded on a year on year basis. Primary commodities which include cotton yarn also registered an annual decline of 3.64% and for cotton cloth and yarn fell 5.81% and 27.32% respectively. Yearly export revenues also registered a drop of 3.13% reaching $18.540 billion.

GSP Plus status boosted Pak exports to EU 38% from 2013 to 2016

Engr. Khurram Dastgir Khan, Federal Minister for Commerce.

Federal Minister for Commerce, Engr. Khurram Dastgir Khan, said that that the trade incentives extended to Pakistan under the GSP Plus by the EU had played a positive role in boosting Pakistan's exports and in stabilizing the elected government of Pakistan. Pakistan's exports to EU had increased by 38% from 4.25 billion Euros in 2013 to 6.28 Euros billion in 2016. Garments exports to European Union (EU) increased by 75%.

According to the Federal Minister, the EU is the largest market for Pakistani goods in the world and under GSP Plus; Pakistani goods have duty free access in 28 EU member states. The textile sector has been a major beneficiary of EU's GSP Plus Scheme. Pakistan's exports of textiles have increased by 55% in value in 2016 over 2013 and Pakistan's exports also registered an increase of 33% in terms of quantity during the same period.

In textile, garments and hosiery sectors Pakistani exports to Europe are significant and have registered 75.7% increase. Likewise, in home textile sector exports to EU have increased by 60%.

Direct shipping link could enhance Pak-Bangladesh trade manifold

The trade between Pakistan and Bangladesh could become more cost effective if is a direct liner service for transportation of goods between the two countries.

Various institutions and members of Karachi Chamber of Commerce and Industry (KCCI) on this subject matter opined that the present trade volume of Bangladesh and Pakistan stands around $635 million, which includes $180 million of Bangladesh export of jute and tea and $450 million of export from Pakistan to Bangladesh in textile/fabrics and other material.

High Commissioner of Bangladesh is also hopes that trade people of both the countries would press their respective governments for building direct sea linkage service. It would be cost effective and would save time.

Business and exporter communities of both countries are engaged in a sizeable trade and also willing to establish joint ventures. Garments orders from European Union nations and United States are moving from China to Bangladesh so a robust growth of textile exports from Pakistan to Bangladesh opens more avenues for both the countries.

RLNG price hike hits industrial sectors

Key industrial sectors have been exposed to losses of billions of rupees as Ogra has increased Regassified Liquid Natural Gas RLNG with effect from July 1, 2016, by 67 cents to $9.11 per-mmbtu for consumers on transmission lines and $9.94 per-mmbtu for consumers that fall on distribution gas lines.

As per the latest decision taken by Ogra on June 2, 2017, the RLNG prices have increased by 67 cents per-mmbtu putting textile, fertilizer, general industry, power and CNG sectors in the danger zone, as with the decision textile sector will alone has to pay additional Rs 5.50 billion whereas CNG sector will have to pay Rs 750 million more.

Since the cost of the fuel is passed on to consumers in electricity tariff, end consumers of electricity generated by LNG based power plants will end up absorbing the hit of Rs 0.44 per unit. The textile and CNG sectors are upset over the development.

Right now, the textile sector is paying Rs 11 per unit for electricity which is much higher than the regional competitive countries as in Bangladesh textile sector is being provided electricity at Rs 7 per unit. And the gas is being provided to the textile sector in Pakistan at Rs1,001 per-mmbtu, whereas in Bangladesh the industries sector is being provided at Rs 400 per-mmbtu. Now in the latest scenario, Ogra has further increased the LNG cost that will further aggravate the situation of textile sector.

Textile association wants competitive environment

The Chairman of the All Pakistan Textile Mills Association (APTMA) called for a more competitive business environment in the country to boost the country's exports. Now we want to compete with regional competitors such as India, Bangladesh, Sri Lanka and Vietnam, adding enhancing the country's exports would help achieve economic stability and growth.

According to the International Trade Centre's Trademap.org, the global trade increased to a peak of $19 trillion in 2014 and plummeted to $15.9 trillion in 2016. Exports of Pakistan peaked at $25.3 billion in 2011, but decreased to $22 billion in 2015. The SBP reported a decrease of 1% in exports for July to April FY17 compared to the corresponding period of FY16.

Readymade garments were the only products within the textile group to consistently report positive export growth between FY10 and FY16. On the other hand, exports of raw cotton fell by 47%, cotton yarn by 14% and cotton cloth by 8% for July to April FY17.

Pakistan exported $13.7 billion of textile product in FY15 and $12.76 billion in FY16. Export receipts from cotton, which topped at $479 million in FY12, were only $39 million for July to April FY17. On the other hand, more than $1 billion worth of raw cotton was imported in FY16, which was twice more than the reported amount in FY15. According to the Pakistan Central Cotton Committee, the lowest domestic production of cotton crop since 1999 was reported in 2015. The fall in cotton production was accompanied by an increase in imports of raw cotton suggests lack of production linkages between domestic farmers and textile producers.

Furthermore, it also suggests that the Pakistani variety of raw cotton is likely becoming redundant in the production of textile products as domestic producers are increasingly becoming dependent upon imported varieties.

Pakistan loses market share in Turkey

With a view to gaining its lost market in the very important country of Turkey and increasing its share in exports, Pakistan is sending its high level seven-member experts team headed by Secretary Commerce Younas Dagha for crucial and result oriented talks on Free Trade Agreement. The new situation in Turkey that could lead to more stable economic policies has encouraged the new Commerce Secretary to take initiative for result oriented talks. Pakistan's exports to Turkey that once shot up to close to $1 billion in 2010-11 have alarmingly gone down to just $280 million.

Egypt is reported to have taken Pakistan's share of textile exports as Cairo had managed to ink and operationalize its bilateral trade agreement with Istanbul. Pakistan's exports to Turkey started declining when tax authorities in Turkey imposed additional duty by 8%-18% on 60% tariff lines for all countries which is allowable in WTO laws. Under WTO, Turkey is bound to reduce tariffs on 34% tariff line and is not bound on remaining 60% items. So Turkey increased the import duty on 60% tariff lines to primarily safe guard its local industry from the influx of Chinese products, but with this action Pakistan's exports also sustained a set back as textile, leather, surgical and sports goods which are considered Pakistan's backbone

of the exports were badly affected. However, due to the FTA, Egyptian products were not affected by the additional duty imposed on the items such as textile, leather, surgical and sports goods. This was the main reason why Pakistan has had to relinquish its share in the Turkish market to Egypt.

Textile ministry opposes duty on cotton import

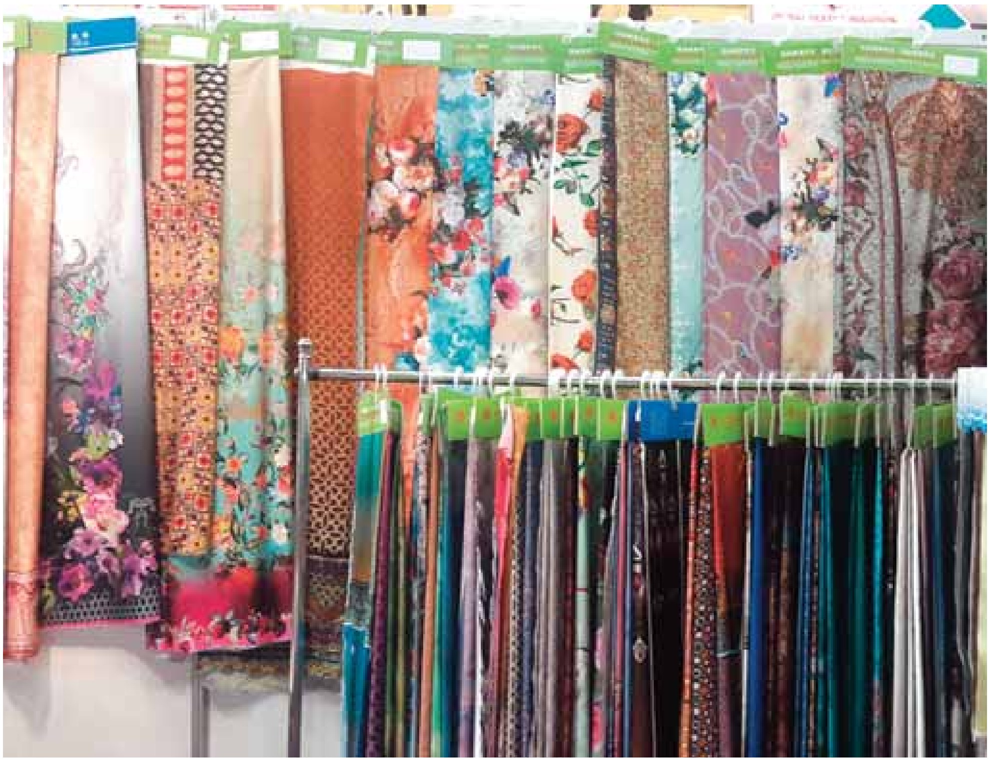
The Ministry of Textile Industry has opposed the restoration of duty on cotton imports in an attempt to safeguard the interest of textile manufacturers, but the move will affect farmers who have already been suffering for the past few years adversely.

Many farmers have switched focus to other crops, particularly sugarcane, as incentives for cotton import have made their produce less appealing. In the last fiscal year, the agriculture sector performed below par because of lack of interest on the part of government, which is considered pro-industry.

However, as the elections draw closer, the PML-N government has made efforts to win the support of the farmers by restoring the import duty and general sales tax on cotton import despite fierce resistance from the textile secretary. At present, the Ministry of Textile Industry runs the Cotton Commissioner office and the Pakistan Central Cotton Committee, which could ignore the challenges faced by the farming community.

The textile ministry, which mainly looks after the interest of industrial sector, has a natural clash of interest with the agriculturists. It has forged few links with the agricultural community and all issues related to research on seeds and other inputs are being dealt with by the Ministry of National Food Security and Research.

Making the case for duty-free cotton import, the Textile Secretary pointed out that Pakistan's cotton demand was estimated at 14 million bales whereas it produced only 10.6 million bales last season, reflecting a shortage of 3.4 million bales. He said millers had so far imported 1.7 million bales, but still 2 million bales more were needed. Hence, an abrupt reversal of incentives would send negative signals to the market.



Value-added textile associations announce strike after Eid

As many as 10 value-added textile associations have unanimously decided to observe a Black Day and observe a strike for an indefinite period along with their workers immediately after Eid in support of their five demands.

They said that their demands included immediate release of Rs 180 billion funds for textile package as announced by the PM in January 2017, immediate payment of Exporters Refund Claims, withdrawal from Gas Infra-Structure Development Cess (GIDC), bringing parity in level of gas and electricity prices with our regional competitors and zero-rating policy for textile industry.

The value-added textile associations' leaders fully endorsed the demands of value-added textile sector and said that they would come out on the roads along with their workers if their demands were not met. They criticised the present budget, and asserted that due to unwise policies of the government, exports had declined from US $22 billion to US $19 billion and textile exports had declined to US $10.5 billion as compared to US $12.5 billion last year.

Exports, investment remain dismal

Exports performance remained disappointing, but the Economic Survey 2016-17 pointed out that in some product categories, lower unit value marred the quantitative increase; failing to mention that in many items exports declined both in value and quantity.

During global recession, the government justified the decline in exports to similar declines faced by China and India. It is true that the exports have started rising in Pakistan in April and May but the growth has been well below double digit figures.

Pakistan's textile exports have hardly inched up by an average of 3% in past four months. The export package announced by the government has not yet been delivered.

Thereafter, these rebates would be subjected to an increase of 10% over past year for each exporter. The exporters failed to boost exports even by 5% in past six months on blank rebates. Another interesting analysis in the Economic Survey relates to imports, which state that the rise in overall import payments was mainly driven by higher purchases of fuel and capital equipment.

The survey failed to mention the total amount of investment made in these sectors. As far as textiles are concerned, the import of textile machinery has been almost negligible in the past four years, so an increase of 20% in import of textile machinery should be seen in that context. It would not be more than $200 million at best.

The textile sector need upgrades that requires investment of over $1.5 billion for the next four years, or else the industry will suffer considerably in the future.◆