FPCCI identifies problems being faced by textile sector

The research and development department of Federation of Pakistan Chambers of Commerce and Industry (FPCCI) has identified various problems being faced by textile sector including high cost of doing business, approximately 11% multiple taxes and surcharges. This has been pointed out in a detailed document prepared by the research department of FPCCI on the issues of Pakistan's exports.

The study was conducted with the consultation of Export Advisory Committee of FPCCI which was formed in compliance of Prime Minister Directives to submit proposals for enhancing export from Pakistan. In this context, low production of cotton bales, limited implementation of government announced support in STPF and textile package, higher utility and raw materials costs to the textile sector are also discussed by interested parties.

The report contains issues of the export oriented sectors including textile sector which has largest share in Pakistan's exports. The report in textile section highlighted the area of concern that is Pakistan's competitors have set targets for textile exports while Pakistan far behind them. Bangladesh set target to achieve textile exports worth US $60 billions, India set target to increase export by US $30 billions, while Pakistan's total exports has decreased from US $25 billion to US $20 billion in which textile sector share is more than 60 percent.

PTEA for continuing DDT incentive for three years

Pakistan Textile Exporters Association has stressed for continuation of Duty Drawback of Taxes incentive for further three years to boost the value added textile exports and uplift the economy. DDT incentive has positively impacted as textile exports recorded a 7.7% growth year-on-year to US$ 9.99 billion in the first nine months of 2017-18.

Mian Shaiq Jawed, Chairman PTEA.

Commenting over the prevailing situation, Chairman PTEA Mian Shaiq Jawed said that as a result of growth-led initiatives of the government country's exports surged by 13.1% to in July-March 2017-18 over the corresponding period of last year.

He termed the positive growth in exports as a welcome sign for an economy struggling to contain falling foreign exchange reserves; however he underlined the need of continuity of DDT scheme allowed under PM package. The production of exportable surplus is the need of the hour and for revival of US$ 4 billion closed production capacity is really a big a challenge. Only an enabling environment can attract prospective investors to undertake new investment initiatives by the textile industry.

He urged the government to continue DDT scheme for further three years. This will generate approx. 10% annual growth in value added textile exports and would add US$ 1.5 billion in each year.

APTMA rejects textile package extended by previous government

The All Pakistan Textile Mills Association (APTMA) has rejected the textile package extended by the previous government, saying that would reverse the 15% exports growth. Though the previous government had assured that rebate would be offered on indigenous materials, the extended package offers that benefit on Indian products as well.

The Association criticized reduction in rebate and exclusion of yarn and fabric from the list. It also rejected the imposition of 11% duty on import of cotton from July 15 as domestic cotton production in the coming season is expected to be less than 10 million bales and the industry has to import more than 5 million bales to make for the shortage.

Textile sector disappointed with recent budget

The textile stakeholders have been left disappointed with the recent budget unveiling, calling it insufficient and inadequate to address the sector's woes. The major demands of the All Pakistan Textile Mills Association (APTMA) have remained a wish-list as the expected relief in rising cost of production and pending sales tax issues still remains elusive.

It is may be highlighted that the major proposals by the APTMA included energy tariffs in particular. APTMA had called for decreasing the electricity tariffs from Rs 11/kWh to Rs 7/kWh, citing the Rs 3.63/kWh tariff equalization surcharge as unjustified.

Industry sources claim more than Rs. 200 billion is stuck in pending sales tax refunds with companies still waiting for over two years to have these cleared. The government has claimed to have these processed in phased manner over the next twelve months starting 1st July 2018.

The government has however announced moving towards zero rating of imported materials for the export sector in order to try to reduce creation of new refund claims. Zero-rating of the textile sector has extended while enhancing cotton production and quality has also been focused upon.

As far as allocations go, the government has skipped out on the tech up-gradation fund for the textile sector. Miftah Ismail mentioned that the government is working on a new package to improve exports, but it remains to be if the government even gets a mandate implement it. Besides, Rs 180 billion PM textile incentive package would have been good enough too had it been implemented in a proper manner.

Pakistan's textile exports jump 8%

The exports of textile and clothing products recorded an 8% growth year-on-year to US$ 11.2 billion in the 10 months of 2017-18, According to Pakistan Bureau of Statistics (PBS).

The partial revival in the export proceeds is the outcome of the cash subsidy offered under prime minister's exports enhancement package. The growth is recorded despite non-clearance of refunds/rebate of exporters. A hefty amount of refund/rebate has already been released in 9 months FY18.

The recent data show the main driver of growth was the value-added textile sector as exports of ready-made garments went up 11.96% in value and 13.44% in quantity, while those of knitwear edged up 14.65% in value and 3.7% in quantity during these 10 months. The exports of bed wear went up 4.77% in value and 3.17% in quantity.

The exports of towels posted a paltry growth of 0.52% in value and 6.7% in quantity, while those of cotton cloth increased by 1.12% in value and 4.2% in quantity during the period under review.

Productivity in the textile industry

The textile industry has been a major source of foreign exchange earnings for Pakistan. The industry was appeased by successive governments through various concessions such as grants and tax-breaks with the presumption that this would help sustain and boost exports in a sustained manner. However, this did not happen to be the case since concessions were not correlated with any technological parameters, such as improving productivity through the latest machinery and manufacturing techniques.

The competitiveness of Pakistan's textile industry has generally been based on local availability of high-quality cotton and experienced, cost-competitive labour. Thus, there was a notion that the textile industry would remain competitive. However, with time, old machinery and processes created inefficiencies in the industry affecting its competitiveness.

Pakistan's textile industry has also generally been targeting low value-added markets in Europe and North America, failing to move into better-value added products, which could have meant more revenues for the country.

To make the textile industry competitive again, certain steps need to be taken. First, general inefficiencies in operations need to be identified and rooted out. Second, productivity needs to be improved through modernisation.

In sum, a concerted effort is required to make our textile industry competitive again. A roadmap may be drawn against performance parameters.

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Textile sector facing hydrogen peroxide shortage

Pakistani textile sector is facing a shortage of hydrogen peroxide, a chemical used as a bleaching agent for textiles, as local manufacturers reduced it supply in the country. The price of the chemical has also shot up, following which, the All Pakistan Textile Processing Mill Association (APTPMA) has asked the government to allow its zero-rated import.

Saleem Parekh, Central Chairman, APTPMA.

Textile processing units are the major consumers of hydrogen peroxide and its manufacturers' abrupt move of reducing its supply has created panic, said Saleem Parekh, Central Chairman, APTPMA. He has urged the Commerce Ministry to allow imports of the chemical exclusively for textile processing on a zero-rated basis until the local supply is restored to acceptable levels.

Parekh further said that this decision of the local manufacturers of hydrogen peroxide will result in shortage and escalate the prices further. The shortage will in turn affect textile and garment exports and may force hundreds of processing units to shut down.

Pakistan requires 4500 million tons of hydrogen peroxide per month and 99% of the share is consumed by the textile industry. Sitara Peroxide plant produces 2,550 million ton/month, while Descon Oxychem produces 2400 million ton/month. The problem started after Sitara Peroxide cut down its production and Descon reduced its supply. The shortage is causing high price fluctuations and may affect SMEs the most. Large scale manufacturers are importing hydrogen peroxide through the Duty and Tax Remission (DTRE) scheme.

PTEA stresses DDT continuation to boost textile exports

The Pakistan Textile Exporters Association (PTEA) has stressed for the continuation of Duty Drawback of Taxes (DDT) incentive for further three years to boost the value-added textile exports and uplift the economy.

In a statement PTEA Chairman Mian Shaiq Jawed said that as a result of growth-led initiatives of the government, country's exports surged by 13.1% to in July-March 2017-18 over the corresponding period of last year.

The Chairman termed the positive growth in exports as a welcome sign for the economy which is struggling to contain falling foreign exchange reserves; however, he underlined the need for continuity of DDT scheme allowed under the Prime Minister Export package. Therefore, the production of exportable surplus is the need of the hour.

He urged the government to continue the DDT scheme for further three years. This will generate approximately 10 per cent annual growth in value-added textile exports and would add $1.5 billion each year to the economy.

Mian Shaiq Jawed urged the government for immediate payment of stuck up liquidity in refund regime to get maximum industrial growth and a significant increase in exports as cash flow crunch is negatively impacting the export-oriented textile industry.

PTEA Vice Chairman Ammar Saeed terming value-added textile sector as the backbone of the economy with great potential for earning foreign exchange, urged the government for immediate release of blocked refunds to enable the textile exporters to retain their hard-earned export markets at this time of tough competition.

Spun yarn and fibre: Senate panel recommends 10% increase in regulatory duty

The Senate Standing Committee on Finance upon the proposal of All Pakistan Textile Mills Association (APMTA), recommended an increase in regulatory duty on the import of spun yarn and man-made fibre under chapter 55 of HS code from 5% to 10%.

The issue came under discussion during the Senate Standing Committee on Finance presided over by Farooq H Naek after Chairman All Pakistan Textile Mills Association KP Zone complained that import of raw material for yarn has become exorbitant due to higher duties as opposed to import of finish product. The committee on the request of the industry proposed 10% regulatory duty (RD) on import of yarn. The FBR officials were of the view that cascading duties have been affected by FTAs signed with SAARC countries.

Former Secretary Finance Dr. Waqar Masood reminded the Committee that cascading policy should be adhered to in policy formulation process. The FBR high-ups told the committee that under South Asian Free Trade Agreement (SAFTA), the import duty on yarn was reduced to 5%.

The APMTA's representative Affan Aziz told the committee there is 11% to 20% duty on raw material for textile sector and duty on finished products stands at 5%.

There are 50 operational units, while 25 have been closed down because of negative impact of tax and duty structure as the incentives of duty is available on import of yarn. They proposed to enhance RD on spun yarn up to 10% and the Senate panel recommended increasing the RD from 5% to 10%.

Country to start importing cotton from Afghanistan

Pakistan has signed an agreement to facilitate bilateral trade with Afghanistan and has also decided to import Afghan cotton. At a ceremony held in Islamabad, both the countries signed the agreed minutes of the meeting. The two nations desire to enhance bilateral trade ties and address and overcome challenges faced by them.

The ministers from both countries also spoke about removing regulatory duties levied on import of Afghan products. Ministry of Commerce assured the Afghan delegation to accommodate Afghanistan's request to remove these duties on a number of products. Afghanistan said it will work towards removing impediments in transit and trade with Pakistan.

Textile industry struggles to bounce back

As country slowly emerges from a long-term power crisis, its once booming textile sector is scrambling to find its feet but high energy costs and a decade lost to competitors mean recovery is far from assured.

Energy production was severely depressed for more than 10 years due to chronic under-investment, inefficiencies in the power network and an inability to collect sufficient revenue to cover costs. The result was crippling for manufacturers and in particular the textile sector.

Pakistan is the world's fourth largest cotton producing country but interminable power and gas cuts have stopped exporters from producing their orders on time. Many have watched helplessly as their clients have instead turned to Vietnam or Bangladesh.

A third of the production capacity of the sector has disappeared, thousands of factories have closed, and most of the others are running below full capacity, said Rehan Bharara, a former loom owner who now runs a public infrastructure project for the textile industry. Only those manufacturers which invested heavily in their own energy production survived.

The government has promised to end power cuts by 2018, and said industry would be prioritised. Despite these important advancements, textiles are not yet out of danger.

As the country's electricity supply has improved, natural gas imports bills have gone up with the increased cost passed down to consumers. Bharara estimates the cost of electricity has doubled over eight years, from Rs. 6 to Rs 11 per kilowatt/hour.◆