## Textile exports drop by 16% after rebate reduction

Pakistan's textile exports dropped by 16.1% to the US $1.002 billion in July 2018 compared to shipments recorded in June, which stood at US $1.194 billion.

On a year-on-year basis, textile exports in July did not show any improvement. In fact, they fell half a percent as export figures were slightly better at $1.007 billion in July 2017.

The market had been expecting better performance from textile exporters following 18% rupee depreciation in the past nine months, but exports dropped significantly on a month-on-month basis and nominally on a year-on-year basis. Textile exports roughly make up 60% of Pakistan's total exports.

## Textile exports drop 2% as production cost rises

All Pakistan Textile Mills Association (Aptma) Patron-in-Chief Gohar Ejaz said the government had recently halved tax rebates that stood at 4-7% and therefore things have turned unviable for textile producers.

*Gohar Ejaz, Patron-in-Chief, APTMA.*

Ejaz said Pakistan had only adjusted its exchange rate by letting the rupee weaken, but it won't impact national exports. The rupee had been artificially stabilised at Rs 105 per dollar for the past five years, he said.

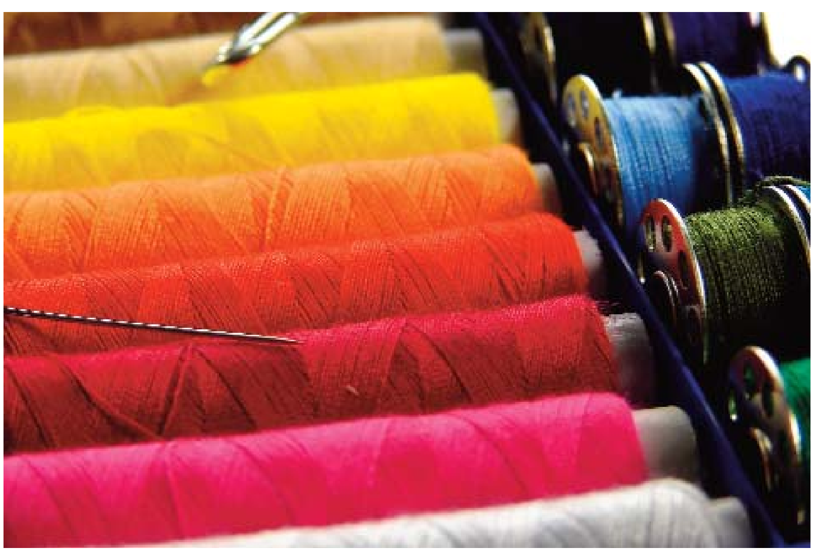
He pointed out that textile was a very competitive industry internationally and after 4-7% rebate the industry operated at 5% profitability and if the government reduces the rebate, then operating the industry will be unviable.

He added that many of the textile players had started closing operations as it had become difficult to run their businesses due to stiff competition in the international market.

However, according to Pak-Kuwait Investment Company AVP Research Adnan Sami Sheikh, textile exports tend to fall in July as exporters try to increase exports in the closing month of earlier fiscal year, which is June.

He added that Pakistan's textile production faced high input costs due to imports, which diluted the impact of rupee depreciation on the textile industry.

"High quality raw material is imported by brands. Chemicals are imported while energy requirement is also generally fulfilled by consuming diesel which is also imported. So the impact of rupee devaluation is not convincingly passed on to the industry as people generally think," he said.



## Textile sector seeks new package to compete in the world markets

Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) have said textile value added sector is facing serious economic hardships due to volatile exchange rate.

PRGMEA Chief has said that presently, Pakistan is facing multiple economic challenges, including Pak rupee devaluation, slow foreign inflows, depleting foreign exchange reserves, higher inflation. The new government will need a competent team to address the economic issues and economic problems due to lower exports and higher imports.

He said that despite massive efforts, Pakistan's total exports could hardly reach the US$ 23.22 billion mark as against the import of over US$ 60.8 billion by end of fiscal year 2018. He said among overall exports, textile share is US$ 14 billion.

Under prevailing circumstances, new economic managers would be required to adopt remedial measures for smooth and long-term economic growth. The country needs long term economic policies for sustainable growth.

The PRGMEA Chief said that new government would also have to face the challenge of lower export growth. Increase in exports, particularly textile, will be one of major economic challenges for the new government and we need concrete steps to boost exports to earn sufficient foreign exchange to reduce pressure on external account.

He further said that textile value added sector is facing serious economic hardships due to volatile exchange rate and devaluation of Pak rupee versus US dollar, as the prices of raw material have increased manifold. The previous government announced Rs 180 billion relief packages for the export sector, but it could not be delivered completely due to bureaucratic hurdles. He called for a fresh bailout package for the textile sector to compete in the international market.

## Increase in polyester prices irks textile exporters

A meeting of textile mills that use polyester fibre as basic raw material was held in All Pakistan Textile Mills Association (APTMA) on Friday to discuss the market situation. Great dismay was shown over the unsustainable hike in prices of polyester staple fibre.

The participants of the meeting expressed concerns over a crisis like situation under which a sizeable exporting capacity has already closed down.

They further apprehended that an unprecedented increase in PSF prices would not only lead to further closing of the capacities of yarn manufacturers but is likely to affect the entire textile export value chain adversely.

They pointed out that Pakistan is already lagging behind the global market players in the area of man-made textile products. Pakistan has not yet been able to make inroads into synthetic market globally, they added.

They said fact of the matter is that basic textile raw materials cotton and PSF are both short for industry consumption because of the protection and incidentals on the import of PSF (20 percent) and cotton (11 percent). Textile exporters are being forced to cross subsidise PTA and PSF plants in Pakistan whereas exporters are given rebates and draw backs in other countries

Recently the domestic polyester manufacturers have increased prices by over 20%, which has wreaked havoc with the situation. Many of the exporters being non-viable due to the prevailing circumstances have decided to close down their operations for up to ten days.

Another conclusion reached was that one of the main causes of the non viability of domestic polyester fiber chain is the protection extended to the obsolete PTA plant over the last 25 years.

The import duties on its raw materials are zero yet the finished product PTA is being given protection of 6 percent despite making huge profits which is a big reason for the predicament and non viability in the export market of Pakistani produced manmade textiles.

The yarn producers have urged the government to reduce import duties on the import of PSF from existing 7% to 2% as polyester prices have almost doubled in the last year.

## APTMA decries duties on cotton imports in Pakistan

The All Pakistan Textile Mills Association (APTMA) has termed the re-imposition of 3% custom duty and 2% additional customs duty on the import of cotton ‘the last nail in the coffin’

for the ailing textile industry. Cotton crop has been below target for three consecutive seasons, contradicting production claims by the Cotton Commissioner.

The duties were effective starting from July 15. APTMA Senior Vice Chairman Zahid Mazhar urged the country's caretaker government to immediately withdraw the duties on the import of cotton. The Cotton Commissioner had claimed that Pakistan annually produces 13 million bales of cotton and therefore, the government has re-imposed the duties.

According to Mazhar, the area under cotton cultivation has declined over the last few years as many cotton farmers have shifted to sugarcane. Low yield is another problem and Pakistan Central Cotton Committee's reported this year that about 48% of the area where cotton was to be cultivated in Sindh was missed due to scarcity and poor management of water.

Due to high operating costs and inadequate supply of raw cotton, around 140 textile mills have shut down, rendering a million unemployed. Around 80 more mills are on the verge of closure, which will add another 0.5 million to the unemployment.

## Hundreds of textile machinery containers stuck up at port

Hundreds of containers of state of the art textile machinery worth hundreds of millions of rupees have been stuck up at Karachi Port, as the Federal Board of Revenue is using delaying tactics to issue the Sales Tax Exemption Notification though it has already been approved by the federal cabinet as well as Economic Coordination Committee of the last government.

Pakistan Hosiery Manufacturers & Exporters Association (PHMA) Central Chairman Dr. Khurram Anwar Khawaja said that the previous government had extended zero-rating facility on sales tax on machinery not manufactured locally and imported by the textile industry registered with Ministry of Textile, as specified in part IV of 5th schedule to the Customs Act 1959, effective from Jan 16, 2017 until June 30, 2018. The federal cabinet as well as the Economic Coordination Committee had also given approval in this regard, he added. But this facility had now expired on June 30 which needs extension through notification, as issuance of the SRO has already been approved.

He urged the caretaker government to take serious notice of unnecessary delays and direct the FBR to issue notification. He also urged the Ministry of Textile Industry to push up the matter with FBR.

He said that non-issuance of the notification by the FBR has created uncertainty for the textile industry as a large number of machinery are lying dumped at the seaports.

Chairman PHMA, on this occasion, also congratulated the upcoming government and hoped that it would design a comprehensive strategy with the consultation of business community to boost exports. He said that after a serious decline in exports in the past few years, it had now picked up with the help of DDT under Export Package, which was extended for another three years but its notification regarding duty free import of textile machinery was pending with the caretaker government.

## PTEA appreciates release of funds

Pakistan Textile Exporters Association (PTEA) has lauded the release of Rs. 5 billion for disbursement to clear claims of Duty Drawback of Taxes allowed under Prime Minister's Trade Enhancement Initiatives. This is a positive move of the government which will definitely give necessary flip to textile exports, said Chairman Pakistan Textile Exporters Association Shaiq Jawed.

*Shaiq Jawed, Chairman, PTEA.*

He appreciated the government on release of funds for payment of outstanding claims of textile policy incentives, terming it a positive step for sustainable growth. Payment of outstanding claims of duty drawback of taxes and Levies and Technology up-gradation fund schemes would help to mitigate the financial stress of textile exporters.

## Need to upgrade textile industry stressed upon

There is a dire need to make sincere efforts to upgrade textile industry on modern lines, promote value-addition in textile sector, besides providing a level playing field to the businessmen engaged with textile sector.

This was stated by Caretaker Provincial Minister for Industry and Commerce Punjab Mian Anjum Nisar while addressing the participants of an interaction session held at PRGMEA House. The session was organised under the supervision of Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA).

Addressing the participants, Mian Anjum Nisar highly hailed the pivotal role of Sialkot exporters in strengthening the national exports by earning precious foreign exchange to the tune of US$ 2 billion annually. He said the government was actively considering several proposals to give maximum relief to textile sector in the country for its upgradation on modern lines by motivating the textile exporters towards the promotion of value addition. The government was well aware of the perturbing problems of the country's textile sector and was making efforts to help the textile sector as well.

## Action plan to boost cotton output

At a meeting of the Federal Cabinet, an action plan was presented for increasing the cotton production and its cultivation areas by 45% by 2025 in the country, with recommendation to rationalize existing incentives for sugarcane.

According to minutes of the meeting, the cabinet was informed that due to different factors cotton production had faced virtual stagnation since 2013-14, which had been fluctuating between 10 million bales and 12 million bales, with a disastrous fall to 9.9 million bales in 2015-16. However the cotton consumption was 15 million bales, making Pakistan a net importer of cotton, the action plan stated.

The reason for stagnation includes use of inappropriate 1st generation, rather than 4th Generation BT technology; absence of quality seeds; lack of solution to CLCV problem; low quality of ginning; and Pakistan's cotton being considerably contaminated.

These reasons had led to declining cotton profitability and 20% decrease in the cotton area between 2004 and 2017.

The action plan recommended that the cotton production target may be fixed at 25 million bales by 2025 by increasing area from 2.4 million hectares (a 45% increase) and yield up to 1,200 kg/hectare. Research funding may be provided with a restructured PCCC to revive the textile industry financial contributions. Cotton research may be revitalized from PSDP at Rs 2.5 billion for 5 years through competitive FRANTS managed by PARC under IPC.◆