About 100 closed textile mills to open as Government allows subsidy

About 100 closed mills are expected to reopen in Punjab due to the promised Rs.44 billion subsidy for exporters mentioned by Minister for Finance, Revenue and Economic Affairs, said Asad Umar during supplementary budget speech.

The subsidy itself will be derived from a massive regulatory hike in gas prices which has raised the price by 40% from Rs.600 per million British thermal unit (mmBtu) to Rs.780 mmBtu for commercial consumers. The plan to create a new category for those industrial consumers who are registered manufacturers or exporters of one of five zero-rated sectors is to charge them the unchanged rate of Rs.600 per unit.

Although the Economic Coordination Committee of the cabinet has been taking steps to reinvigorate the Rupee, a global surge in oil prices is posing significant challenges to a country industrially dependent on gas.

In a statement made at a ceremony for the Export Excellence Awards organized by the Pakistan Textile Exporters Association (PTEA), Finance Minister Asad Umar called the textile industry the ‘backbone of the economy’. and added that “The government has a strong belief that economic revolution can only be possible through trade promotion and all possible support is being extended to the export sector to achieve optimum growth.”

Textile industry of Pakistan seeks a 5 bn dollar credit line from China

The textile industry wants Prime Minister Imran Khan to convince China’s leadership in his upcoming tour to set up a special credit line of $5 billion for fresh investments and joint ventures between the manufacturers of the two countries.

In a recent paper by the All Pakistan Textile Mills Association (Aptma) to the textile ministry, the owners said the facility should be extended by China under the pay-as-you-earn scheme on the buying-back basis to encourage both investment in and exports from Pakistan.

Textile exports from Pakistan grow by 0.86 percent in the 1st quarter FY19 (July-September)

During the period under review, bedwear exports from the country increased by 2.89 percent, from $567.224 million to $583.62 million while the tents canvas and tarpaulin's exports also increased by 3.54 percent from $16.13 million to $16.7 million

Pakistan’s exports in textile and clothing group recorded an increase of 0.86 percent during the first quarter of the current fiscal year (July-September) 2018-19 as compared to the same period of last year.

The textile group’s exports from the country increased to 3.285 billion during July-September (2018-19) against export’s worth of $3.257 billion during July-September (2017-18), according to data issued by Pakistan Bureau of Statistics (PBS).

The products that contributed in positive growth in external trade included knitwear, the exports of which grew by 9.8 percent by going up from $646.8 million last year to $710.2 million during the corresponding period of the current fiscal year.

Similarly, knitwear increased from yarn other than cotton yarn also increased from $7.588 million to $7.9 million, showing growth of 4.35 percent while the exports of cotton cloth witnessed a nominal increase of 0.09 percent as it rose from $528.6 million to $529.1 million.

During the period under review, bedwear exports from the country increased by 2.89 percent, from $567.224 million to $583.62 million, while the tents canvas and tarpaulin’s exports also increased by 3.54 percent from $16.13 million to $16.7 million.

The export of made up articles (excluding towels and bed wears) also increased by 0.34 percent by growing from $162 million to $162.55 million.

Meanwhile, the textile products that witnessed negative growth in trade included raw cotton the exports of which declined by 76.21 percent, from $29.6 million to $7.04 million, while the exports of cotton yarn decreased by 2.25 percent from $320.9 million to $313.7 million, as per the PBS data.

The towels’ export also went down to $184.23 million in the first quarter of the current fiscal year from $185.23 million, showing a decline of 0.55 percent, whereas export of ready-made garments decreased by 1.55 percent to $599.26 million in July-September (2018-19) from $608.69 million in the same period of last year.

On yearly and monthly basis textile exports in September, however, recorded a decrease of 4.91 percent and 18.53 percent when compared to the exports during September 2017 and August 2018 respectively. The exports fell to $1.024 billion in September 2018 from $1.07 billion in September 2017 and $1.258 billion in August 2018. ◆

When addressing the media, APTMA-Punjab official Anisul Haq said that the recommendation was made for the promotion of industrial and investment cooperation with China as CPEC enters its next phase.

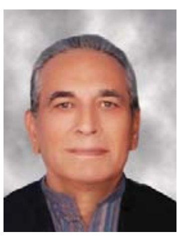
The paper says the special credit line will help early relocation of the Chinese textile industry to Pakistan and increase our exports there. "There is a big market for Pakistani textile products in China where wet textile processing is being shut down and relocated to other countries," the official said.

China's domestic textiles and clothing market are estimated to be at $500bn. Pakistani textile exports form only three percent of their textile and clothing imports of $268bn, showing we have a huge potential there. Besides, the industry also wants China's assistance in the establishment of technical training institutes for producing skilled labor chain .

Pakistani Textile Industry facing new threats

Islamabad Chamber of Small Traders said troubled Pakistani textile industry, despite being considered the backbone of the export sector, is facing new challenges which should be dealt with promptly.

The textile industry is confronted by high energy prices, struck up refunds and tight monetary policy is facing tough competition from India, Bangladesh, Vietnam, Thailand and other countries in the international market.


Shahid Rasheed Butt, Islamabad Chamber of Small Traders.

Now, China is completing a mega textile processing and export zone near Pakistani border in the Xinjiang province, which will put the local industry on disadvantage, said Patron Islamabad Chamber of Small Traders Shahid Rasheed Butt.

By the end of 2018, the number of workers in the Chinese textile park will jump to four hundred thousand, the number of companies has been estimated to be three thousand, while production of cotton bales will be nine million bales.

Shahid Rasheed Butt said that heavy investment and subsidies are helping China complete this project with an amazing speed while the goods will be exported to other countries through CPEC.

He said that the Pakistani textile industry fears that Chinese companies will also dump their textile products in Pakistan, which will be very damaging to the local industry. Therefore, the government should take steps to safeguard local industry which is the highest foreign exchange earner and largest urban employment provider, he demanded.

Today China is the second largest supplier of home textiles with 25.22% market share; China's penetration of the US home textiles market has already reduced Pakistan's share.

Chinese investors desire for JVs with Pakistan in the textile sector

A Chinese delegation from China National Textile & Apparel Council (CNTAC) led by CEO Masood Textile Mills, Mr. Shahid Nazir and CEO of Shanghai Challenge Textile, Mr. Robert, visited Punjab Board of Investment and Trade. The objective of the visit was their keen interest in developing business in Pakistan specifically in the textile sector for changing the economic landscape of the country.

Realizing Pakistan's potential as a 4th largest cotton producer, the Chinese investors expressed their deep desire to enter into joint ventures with Pakistan for importing high-quality fabric to China that would help in improving bilateral trade and economic relations between the two countries.

CEO PBIT Mr Jahanzeb Burana briefed them about the core functions of PBIT as an Investment Promotion Agency. He stressed on two types of investments, one that is immediate by the acquisition of potential points of existing textile industry and the other one of Greenfield Investments.

He highlighted that the new government is highly interested in strengthening the economic bond between the two countries in the light of CPEC and One Belt One Road (OBOR). He told the delegation that a team will be designated from PBIT that will work with them in order to identify potential opportunities in the specific sector. He further said that the Investment Advisory Team of PBIT will facilitate them regarding the entire procedures for establishing or expanding the businesses in Punjab through its Special Economic Zones such as Quaid-e-Azam Apparel Park.

CEO PBIT told them that Minister for Industries, Commerce and Investment, Punjab is interested in visiting China with delegates from our textile sector for further economic cooperation. He proposed that a joint working group should be constituted between PBIT and CNTAC to explore possibilities of promotion and cooperation between Punjab and China specifically in textiles. He also proposed a meeting with the said Minister and signing of a memorandum of understanding as a concrete step towards making mutual efforts for augmenting industrial relations.

Reduction regulatory duty on the import of raw material

Chief Gohar Ejaz

All Pakistan Textile Mills Association (Aptma) Patron-in-Chief Gohar Ejaz said textile exports could be improved by improving localization and quality of raw material as better brands import better quality cotton to meet their requirement. Pakistan's annual requirement stands at 15 million bales of cotton, but it has recently been producing just 10 to 11 million bales.

The textile industry, which earns 60% of total export proceeds, was jubilant on acceptance of a long pending demand of a massive cut in input costs and vowed that it would double the exports in the next five years.

Recently, the Pakistan Tehreek-e-Insaf (PTI) government, which is in the phase of reshaping economic policies, announced a reduction in regulatory duty on the import of raw material by the export industry, especially for the five zero-rated sectors.

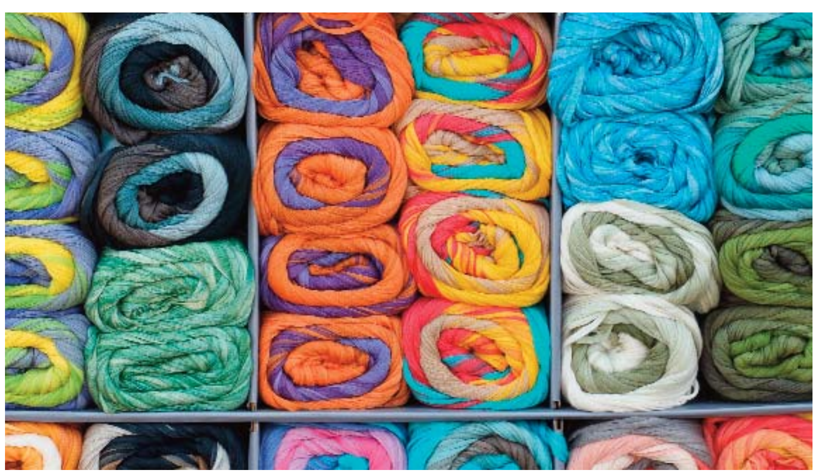
The cut in duty on 82 items would give a benefit of Rs 5 billion to the textile industry in the remaining months of the current fiscal year 2018-19.

This is in addition to the Rs 44-billion benefit the industry, especially areas in Punjab, are being provided through gas subsidy to make the utility price uniform across all four provinces in the country.

The industry earned US$ 13.53 billion in export proceeds in the previous fiscal year ended in June 2018 that came to around 58% of total exports of US$ 23.22 billion in the year.

Implementing the Cotton Control Act can raise production: PGCA

Cotton production can be raised up to 15 million bales if the Cotton Control Act is properly implemented, according to Haji Muhammad Akram, Chairman of Pakistan Cotton Ginners Association (PCGA). He further said that cotton production would be around 11.5-12 million bales this year with



production in Punjab expected to rise and that in Sindh likely to fall.

The higher power tariff for tube wells, water shortage, no support price and substandard and fake seeds as some of the factors behind the lower production.

He urged the government to extend support to each ginning factory and introduce upgraded ginning technology for production of clean cotton. He also mentioned that in most of the cotton-producing zones, the water table is either down or water has turned saline. Each of the 1300 ginning factories needs an investment of at least Rs 5 million for up gradation.

FPCCI lauds Pak withdrawal of sales tax on cotton import

The Federation of Pakistan Chambers of Commerce and Industry (FPCCI) has appreciated the government decision to consider withdrawal of 5% sales tax on the import of cotton, terming it in line with the demand of the textile sector. Its president Mazhar Ali Nasir said cotton production is far behind the consumption requirement for the third consecutive year.

The industry is, therefore, compelled to import cotton. Due to high business costs and inadequate supply of raw cotton, almost 140 textile mills closed operations and a million jobs were lost and around 75-80 mills are on the verge of closure, he added.

Indonesia grants free market access to Pak textiles

Indonesian Parliament has passed free market access to 20 tariff lines, originating in Pakistan, under the preferential trade agreement (PTA) between the two nations. The tariff lines that will entail zero-duty with immediate effect include some types of yarn, woven fabric, t-shirts, vests, singlets, trousers, shorts, bed linen, terry towels, etc.

Tariff lines with 8-digit HS code 52051200 (single yarn of uncombed fibre/combed fibres), HS code 52052300 (single yarn of combed fibres), HS code 52094200 (woven fabric of cotton containing more than 85% by weight of cotton-denim), and HS code 52114200 (woven fabric of cotton containing less than 85% by weight cotton-denim) are included among the 20 tariff lines, Pakistan media reports quoted adviser to Prime Minister on commerce, textile, industry and investment Abdul Razak Dawood.

Apparel that will get free market access to the Indonesian market includes t-shirts women, singlets & other vests, knitted (HS code 61091020); t-shirts men/boys, singlets & others vests knitted/croc (HS code 61099020); t-shirt, singlet & other vest, knitted/crochet, of other (HS code 61099030); jerseys, pullovers, cardigans, waistcoat of cotton (HS code 61102000); men/boys trousers of cotton (HS code 62034290); and women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding.....) (HS code 62046200).

Bed linen, printed of cotton (HS code 63022100), and toilet, kitchen linen, of terry towelling (HS code 63026000) would also enjoy duty-free access once a formal announcement is made by the Indonesian government. ◆