Pakistan's 2018-19 cotton output surpasses last season

Cotton output in Pakistan during 2018-19 seasons has already surpassed the total amount produced in the previous season. Ginneries in Pakistan have received 10.707 million bales of cotton by March 1, 2019, compared to the total arrival of 10.366 million bales in the previous season, according to the Pakistan Cotton Ginners' Association (PCGA).

In the major cotton producing province of Punjab, total cotton arrivals increased by 16.08% year-on-year to 6.920 million bales, in joint cooperation with All Pakistan Textile Mills Association (APTMA) and the Karachi Cotton Association (KCA). While in Sindh province, cotton arrivals increased 0.55% to 3.786 million bales as on March 1 during the ongoing cotton season 2018-19.

Of the total arrival of 10.707 million bales at various ginneries in Pakistan, 10.669 million bales were pressed by ginners, of which 10.103 million bales were sold, leaving an unsold stock of 5.959 million bales with the ginners, as on March 1, according to the data.

Textile mills in Pakistan consumed 9.901 million bales, while another 202,356 bales of cotton were sold to exporters, according to the data. The Trading Corporation of Pakistan (TCP) has not procured any bale of cotton so far this season.

As of March 1, a total of 20 ginning factories were operational in Punjab compared to 41 ginneries that were operational during the same time last season. Similarly, 4 ginning units were operational in the Sindh region, compared to 6 operating units during the corresponding period last year.

Textile-apparel exports likely to hit US$15 billion

Pakistan's textile and apparel exports are likely to rise to US$ 15 billion during the remaining period of the current fiscal, according to the All Pakistan Textile Mills Association (APTMA), who's Chairman Syed Ali Ahsan recently appreciated the government for recognising the export sector and providing regionally competitive energy to five sectors.

Gohar Ejaz, Patron-in-Chief, APTMA.

APTMA Patron-in-Chief Gohar Ejaz said the availability of energy at competitive prices has increased textile exports by 8.5% in January, 2019 compared to the corresponding month of the previous fiscal. The annual exports of US$ 3.5 billion worth yarn and fabric may boost textile exports to US$ 14 billion.

He urged the government to constitute a task force on cotton production to achieve 15 million bales and ensure its enhancement, sustainability, acquisition of high yield cotton technology, and provision of agricultural extension services.

He said government should liquidate all textile Industry refunds of sale tax, income tax, and policy and package initiatives. Integrated textile and apparel parks should be established and a special task force on the revival of closed mills is critically needed.

Textile industry facing new threats

Islamabad Chamber of Small Traders said troubled Pakistani textile industry considered as the backbone of the export sector is facing new challenges which should be dealt with promptly. The textile industry crumbling under 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.

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.

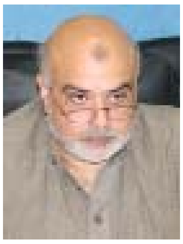
He said that heavy investment and subsidies are helping China complete this project with an amazing speed while the goods will be exported to other countries through CPEC.

Shahid Rasheed Butt, Patron Islamabad Chamber of Small Traders.

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.

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.

Competitive and viable domestic textile industry is in larger interest of textile value chain: Chairman APTMA



Syed Ali Ahsan, Chairman, APTMA.

The All Pakistan Textile Mills Association (APTMA) Chairman Syed Ali Ahsan has said that a competitive and viable domestic textile industry is in the larger interest of the textile sector across the value chain.

He said while realizing gravity of the situation, the present government very aptly announced and implemented initiatives to ensure regionally competitive energy, both electricity and gas, to the exporting industry five zero rated sectors. Consequently, viability as well confidence of the businessmen/industrialists and prospective investors has restored.

He said the industry, all across the value chain, has started preparing a policy framework, under the able guidance of Advisor to Prime Minister on Commerce Abdul Razzak Dawood and Chairman Task Force Dr Salman Shah to achieve an export target of $50 billion in five years, which will attract huge investments and create 15 million direct workforce in line with the manifesto of the present government.

Chairman APTMA dispelled the impression that export of yarn is impacting the value added industry and stated that export of yarn has declined by 24% percent in quantity terms in the month of March and the quantity per month exported is still 44 percent lower than the maximum export quantity of yarn at 60,000 per month. More than 80 percent lower count yarn (below 20) being exported are not in demand of the domestic industry. He said, the kind of yarns required by the domestic industry is available in abundance for their consumption. Any price increase in such yarns is linked with international cotton prices.

He has urged upon all the subsectors to learn coexistence for the betterment of their respective sectors. He said some mills are designed for export production and cannot be forced to sell locally amidst long unreliable credit sales and previous bad debts in the knitwear sector. He said these mills have explored new markets, made customers and established their brands with lot of efforts of many years of hard work and consistency of quality. Such mills should not be forced to close down their operations, he added. He has stressed the point that strengthening of all sectors is a must in the larger interest of the textile industry.

Textile refunds another circular debt?

The textile sector in Pakistan is riddled with problems which include a high cost of production, unreliable supply of utilities and raw material procurement issues. But industry stakeholders put the pending refunds as priority number one.

In a recent interview with Shahzad Saleem, Chairman of the renowned Nishat Chunian Group highlighted the severity of the problem which has left textile companies in a liquidity crunch. Other industry stakeholders echo this sentiment and give the shut-down of over 100 textile companies as evidence of the liquidity issues due to a failure by successive governments to address these issues.

To give some background context, the previous government gave a host of incentives including duty drawbacks, mark-up support and custom rebates to increase textile exports. Yet, while they looked good on paper, the refunds were never processed in a timely manner and kept on piling- similar to the power sector circular debt.

According to figures obtained by industry resources the pending refunds range from Rs180 billion to Rs260 billion depending on who which industry association one asks. However, out of these Rs100 billion are ready for payment after getting the necessary approvals and these are without any controversy. This figure was also confirmed by the textile ministry officials to this column on condition of anonymity.

The majority are stuck as duty drawbacks which amount to over Rs. 30 billion, mark-up support of almost Rs10 billion and custom rebates amounting to roughly Rs10 billion. Some of this amount has been stuck for more than one and a half years now.

In some cases such as the technology up-gradation fund for the textile industry announced in the 2010-14 textile policy and continued in 2014-19, the government owes the industry at least Rs5 billion. These have been pending for several years now. The worrying thing is that these outstanding refunds are only set to increase with the rise in exports.

Pakistani textile exporters requested to participate at Milan Fashion Week this year

Italian designer Stella Jean along with her six-member Italian delegation recently visited Faisalabad's textile factories and showed their interest in working with Pakistani fabric.

Pakistan's textile industry has achieved another milestone. Designers from Milan have asked textile exporters to become a part of Milan Fashion Week 2019.

"Faisalabad is a manufacturing hub of popular international textile brands such as Zara, American Eagle and Walmart. Now, we are ready to take over European markets in collaboration with Italian experts," Faisalabad Chamber of Commerce & Industry President Syed Zia Alamdar Hussain said.

"With this collaboration, Pakistani fabric will be introduced in the international markets which will increase our exports and improve Pakistan's image," Syed Zia Alamdar Hussain said.

He advised the designer to use Pakistani fabric for her future designs too and open a studio in Pakistan. He remarked that the delegation was impressed by Pakistani lawn and cotton fabric.

"We are the fourth largest cotton producing country. This is why we have an edge in cotton export," Zia Alamdar Hussain said. "Cotton is like white gold for us," he added.

Hussain also revealed on the show that an FCCI delegation is also scheduled to visit Spain to participate in an international exhibition in Barcelona.

Pakistan's participation is set to attract a huge number of buyers from across the world. "It is a huge honour for Pakistan to be invited at Milan Fashion week to showcase and represent Pakistani fabric," Karachi-based fashion designer Nomi Ansari. He remarked that it's like a small step towards a greater future.

Textile exports decline 9.47% in March

Pakistan's textile and clothing exports recorded 9.47 percent year-on-year decline to $1.088 billion in March 2019, taking the nine-month (July-March FY19) exports to $9.99 billion, as higher cost of doing business and economic uncertainty kept the industry under pressure.

"This is the largest monthly decline in textile exports since May 2017, and it should also be noted that during that previous instance the drop in textile exports (-12 percent) was due to external factors i.e transporters' strike," Ahmed Lakhani at JS Global Capital said.

On month-on-month basis, textile sector exports recorded a decline of 0.12% in March compared with $1.09 billion recorded in February 2019, the Pakistan Bureau of Statistics (PBS) reported.

An industrialist said Pakistan's exports were largely dependent on imported inputs. "Fluctuation in rupee value and costlier utilities rendered Pakistan's products uncompetitive in the international markets."

In March, cotton yarn exports decreased 28.23 percent year-on-year to $91.919 million; knitwear exports declined 6.48 percent to $215.28 million; bed wear exports decreased 3.63 percent to $189.234 million; readymade garments exports slipped 3.42 percent to $214.915 million, while cotton cloth fetched $185.55 million in March, down 3.42 percent over the same month a year earlier.

"During March 2019, every major textile segment witnessed a decline in exports. The dismal performance during this month can mainly be attributed to declining textile imports by China, Pakistan's major yarn customer, whereas a fall in global demand and higher local sales were also likely causes of the decline during the month," Lakhani said.

However, recent statements by the country's policymakers suggest optimism that exports were expected to show a resurgence in the next 1-2 months, which also conveniently coincides with the ongoing China-Pakistan Free Trade Agreement-II and the upcoming Federal Budget in May 2019.

An office bearer of FPCCI said the policy of higher interest rates had backfired, as there was no respite in inflation, but industrial investment had slowed down. No industrialist could afford to expand at the prevailing interest rates, the official said.

Moreover, the currency devaluation also proved counterproductive, as the exports did not pick up despite 34% devaluation since January 2018.◆