Budget 2019-20 and its implications for the textile industry

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Pakistan's textile industry stands at a critical junction. The budget for 2019-20 has just been announced. The Pakistani Rupee continues to depreciate in value and stands at a parity of 152 against the US$ having lost a staggering 44% value since November 2017. According to the Economic Survey, after witnessing considerable growth in 2017 at 4%, the global economic activity slowed during the second half of 2018 to 3.6%, and is expected to reduce further to 3.3% in 2019.

The value-added textiles, however, have benefitted from the depreciation of the Rupee primarily in terms of quantities exported, while imports of textile machinery declined as a consequence of devaluation. The budget unveiled by the PTI government has two major implications for the textile industry. Firstly, the zero-rated tax regime in vogue since 2012 of five export-oriented sectors i.e. textile, leather, carpets, sports goods and surgical goods is proposed to be revoked, and 17% Sales Tax restored with a promise of prompt and immediate repayments. Secondly, the duty-free imports of textile machinery have been allowed in this budget.

There has been a sharp reaction from the textile sector again revocation of the zero-rated status and imposition of 17% Sales Tax. The rationale behind the decision is the misuse of the facility by manufacturers in the local market and the benefit being availed by non exporters. The reduced rates accordingly are harming revenues and therefore these measures are strongly contested by the value added sectors of the textile industry.

According to Rafiq Godil, Chairman PAKSEA, the industry will suffer from severe liquidity issues as a result of the reimposition of 17% Sales Tax. The cost of inputs has increased dramatically due to the devaluation of the Rupee and now this new financial crunch can severely damage the already lagging exports.

Pakistan Readymade Garments Manufacturers and Exporters Association Patron-in-Chief Ijaz Khokhar said the withdrawal of zero-rated regime would make their exports unviable and result in the closure of many small and medium sized companies.

According to Khurram Mukhtar, Pakistan Textile Exporters Association chairman, the export industry will make the entire supply chain run into a cashflow problem. He said the government should have taxed the unregistered sector instead of burdening the documented industry. There is, however, a realisation that these fiscal measures are mandated by the IMF and that there may not be a respite from the imposition.

Onward to ITMA 2019

ITMA 2019 is taking place in Barcelona from June 20-26, is the biggest textile machinery exhibition held every four years since 1951. With more than 1600 exhibitors and more than 200,000 visitors expected in 7 days, the event shall highlight the best of textile technology the world has to offer. All sectors of the textile industry shall benefit from the event. The event this year is of particular importance from the perspective of the issues faced by Pakistan's textile industry. There is an urgent need to invest in the sustainable technologies that allow the industry to fiercely compete in the global scenario. Pakistan is one of the key players in the global textile scene and excels in the niche sectors such as digital printing, denim, knits, garments and home textiles. These value-added sectors contributed largely for keeping the exports to a steady level.

A large number of visitors from are expected to attend ITMA 2019 with a keen interest in the spinning, weaving, finishing and energy saving technologies. The duty-free imports of machinery shall be an added incentive for the leaders of Pakistan's textile industry leaders visiting the exhibition. The leading global players in the textile machinery technology sectors are ready to greet their customers from Pakistan and all over the world. Pakistan Textile Journal welcomes all our readers to our stand at ITMA 2019.◆