Devaluation to hit value-added textile sector adversely

Value-added textile exporters said the rupee depreciation will increase the cost of doing business and affect the sector adversely.

The rupee has devalued approximately 20.16% against the US dollar from Rs123.6 to Rs149.07 in just 9 months of the current government. Talking to media Central Chairman Pakistan Hosiery Manufacturers & Exporters Association (PHMA), Jawed Bilwani said the cotton yarn is available at the international price.

"Devaluation increases cotton and yarn price in rupees. Following the US dollar appreciation, we have been facing problems in importing machinery for which orders had been placed earlier on," he said. "If we are not in a position to import machinery, how can we increase exports and GDP," questioned the PHMA chief. He added that foreign buyers are demanding discounts due to the devaluation of the Pakistani currency.

Mr. Bilwani said the price of cotton yarn is cheaper in Bangladesh as compared to Pakistan due to the lower cost of utilities. "Most of the inputs – dyes, parts, chemicals, petroleum products, accessories, packing materials – used by us are also imported. As such, due to devaluation, their costs will also increase, resultantly increasing the cost of exportable goods," he summed up.

An exporter Haji Salamat Ali said Pakistani exports need a level playing field to compete with rival countries which are rapidly increasing their market share. "Fluctuating rupee rates have become a source of tension for the value-added sector as the cotton yarn is the main raw product," he noted. We were already facing the issue of chemical rates and availability due to an explosion at a Chinese chemical factory which was catering to the needs of 70% of the world, he added.

Raza Hussain, a garments exporter, said spinning mills are earning money by increasing the prices of yarn since the government is not focused on speculative buying and prices of the yarn.

Chairman Council of All Pakistan Textile Associations (CAPTA) Zubair Motiwala said rupee devaluation would hit the manufacturing sector hard. "Under the current situation, the industry will have only two options – either close down or increase price of manufactured goods further and become more uncompetitive in the international market," he said.

He said the profit margin of value-added textile exporters is hardly 3% to 4%. Only exporters of raw materials – cotton and cotton yarn – benefit from devaluation, he added.

Buyers and exporters are reluctant for new orders as there is uncertainty about the cost of the products

Chairman Pakistan Knitwear and Sweater Exporters Association Rafiq Godil said that during FY2017-18, exports of the value-added textile sector were $12.06 billion while exports of textile raw materials were $1.46bn. Due to uncertainty and recurring fluctuations rupee-dollar parity, both buyers and exporters are reluctant for new orders as there is uncertainty about the cost of the products, said Chairman Towel Manufacturers Association, Farrukh Maqbool. "If the devaluation of the currency is indeed necessary then why are the stakeholders not kept in the loop," he questioned.

Mr. Rafiq Habib Godil, Chairman Pakistan Knitwear and Sweater Exporters Association.

According to exporters, on one hand, the government wants to enhance exports while on the other hand concrete measures have not been taken to control rupee depreciation. The exporters demanded that the government immediately call the stakeholders to devise a joint strategy to control the current situation in the currency market.

Government decides to end subsidy for zero-rated industry

In a major setback to the flagship initiative to increase exports of the country, the government has decided to take back the energy package (RLNG at $6.5 per MMBTU, and electricity at 7.5 cents per unit) earlier extended to zero-rated sector till June 30, 2019. The government has also extended assurance to the International Monetary Fund (IMF) that it will do away with zero rate status to five industrial sectors (textile, leather, carpet, sports, surgical).

"From the next budgetary year, there will be no energy package that earlier the government had extended to zero-rated industry, and the decision has been reversed under IMF pressure," a senior official close to a government adviser confirmed this to media, but in the next instance he added that the final decision is yet to be taken by the cabinet after due process.

This will certainly trigger, the official said, a massive decrease in exports which may touch $24 billion this year. The government had earlier carved out the plan under which export industry was provided the RLNG at $6.5 per MMBTU and electricity at 7.5 cents per unit at par with the provision of the two inputs of regional economies of India, Bangladesh and Vietnam to ensure the products of Pakistan competitive in the international market but withdrawal of the energy package from the export industry and doing away with the zero-rated sector will make the export industry non-competitive in the global market.

He said that the IMF which is not allowing any kind of subsidy has stepped up pressure on the government and to end the zero-rate industry and withdraw energy package. The IMF also pinpointed saying that Karachi-based textile industry has been provided subsidized gas and electricity tariff for an increase in exports, but the major chunk of its production is sold out within the country to meet domestic needs.

Patron-in-chief of All Pakistan Textile Mills Association (APTMA) Gohar Ejaz responded to the development, saying that this decision will bring down the exports from $24 billion to $21 billion and it will put the exports of Pakistan in jeopardy.

He mentioned that industry in Sindh is getting gas at $4 per MMBTU and 70% of the textile industry of the country, which is in Punjab, will be getting the gas at $12 per MMBTU.

Ejaz said high-level delegation of APTMA will soon meet with the adviser to PM on Commerce, Textile, Industries, and Investment to this effect and will raise concerns on the decision to take back energy package and zero-rated status to export industry. In addition, APTMA will also meet Adviser to PM on Finance and Revenue and Economic Affairs Dr. Hafeez Shaikh and FBR Chairman Shabbar Zaidi.

Make value-added Pak textile sector competitive: PRGMEA

Chief coordinator of Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) Ijaz A Khokhar recently urged the government to take steps to make the value-added textile industry competitive and vibrant in the international market. Special attention should be paid to establish sector-wise central, provincial and regional task forces, he said.


Mr. Ijaz Khokhar.

The government should explore non-traditional markets and the task forces will help it formulate policies to bring in a visible change in the export sector, he said.

The government should promote entrepreneurship and constitute a special committee on the China-Pakistan Economic Corridor (CPEC) with concerned trade associations to take care of interests of the domestic industry and investors, Pakistani media reports quoted Khokhar as saying.

Cotton farmers suffer Rs 52b loss as mills pay lower prices

Textile barons, being sole buyers of cotton produced in the country, have caused an annual loss of Rs52 billion to farmers by offering lower prices for the commodity and monopolizing the market, reveal documents prepared by the Ministry of National Food Security and Research.

Owing to that reason, the farmers were compelled to grow other crops like sugarcane instead of cotton. Resultantly, the area planted with cotton had been continuously shrinking, the ministry said.

Besides this, according to the ministry, the quality of cotton has dropped considerably because of a lack of compliance with the Cotton Control Act 1996, non-implementation of the quality-based seed pricing system and no capacity-building of cotton pickers.

The ministry, in a report submitted to high-ups of the government, said the farmers were not getting proper prices for their crop, adding that no assurance was given by the government in that regard at the time of cotton harvest.

Policy Under Revision for Optimum Cotton Produce: Industry and Production, and Investment

Advisor to Prime Minister on Commerce, Textile, Industry, and Production, and Investment Abdul Razak Dawood said that all possible resources would be utilized for the revival of the cotton sector.

Abdul Razak Dawood.

He said that efforts were underway to enhance cotton production and achieve 15 million cotton bales' target set for next year. He chaired a meeting and interacted with media during his visit to cotton research institute government of Punjab. He urged the growers to produce contamination free cotton in order to fetch better prices from the international market.

Razak Dawood highlighted that many agreements were signed with China in the second phase of free trade during the recent visit of Prime minister Imran Khan. He added that the government was revising policies in this regard so that maximum cotton sowing could be ensured in the country and growers do not to shift to other crops. To a question, he said that the government was well aware of the problems of the growers and assured that all the issues would be resolved soon.

Director cotton research institute government of Punjab, Dr. Saghir said that the provincial government was taking steps for getting better cotton produce adding that high temperature and shortage of water were two main factors which reduced cotton produce. He said that Punjab government was focused on the availability of certified cotton seeds, pesticides, training of growers as well as clean cotton picking.

On the occasion Vice Chancellor Muhammad Nawaz Sharif, University of Agriculture, Dr. Asif Ali, agriculture officials, growers, and others were also present.

Knitwear export grows despite textile dull performance

The country's knitwear apparel textile has shown significant growth as knitted garments' export during first 10 months of the financial year from July 2018 to April 2019 have registered an increase of 8.76% to $2.39 billion against $ 2.20 billion of the same period of last year. According to the latest data of Federal Bureau of Statistics, during the period under review, the export of woven garments was $ 2.18 billion showing an increase of 3.21% over the corresponding period last year. On the other hand, the whole textile group was on the decline with exports of $11.13 billion, 0.02% less than the exports of last year's corresponding period. Similarly, Pakistan's total exports have reported a downfall of 0.11% against the export of the same period last year.

Pakistan Hosiery Manufacturers Association (PHMA) chairman Adil Butt observed that by showing comparatively well performance the value-added textile category has proved that it has been the main driver of growth in the country's overall exports.

Adil Butt, Chairman, PHMA.

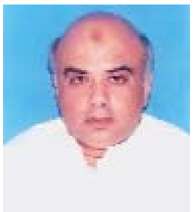
He said the value-added sector achieved growth because of preferential access to the 28-nation European Union under the GSP+ scheme which can further be enhanced with the government's support.

He further said that Pakistan needed to establish an Aggressive Marketing Plan for garment export to get maximum benefits of GSP-Plus status. He said that the apparel sector can play a leading role in earning foreign exchange and boosting exports. He suggested the government to establish a task force, especially at a time when the Chinese garment industry, which has more than 30% share of the world apparel market, is relocating.

He added that a regional task force needed to be established to determine issues being confronted by the industry and then to suggest measures to ensure its viability and competitiveness in the international market. Adil Butt observed that the garment industry is less capital intensive, provides 4 times as many jobs for the same investment, uses less energy and adds more value. Bangladesh's knitwear share stands at $15.18 billion, which is 50% of their total textile exports of $30.61 billion.

Pakistan's textile industry preparing an export policy framework

Pakistan's textile industry has started preparing a policy framework to achieve an export target of $50 billion in five years, according to All Pakistan Textile Mills Association (APTMA) chairman Syed Ali Ahsan. This will attract huge investments and generate direct employment for 15 million in line with the manifesto of the present government, he said in Lahore.



Syed Ali Ahsan, Chairman, APTMA.

Dispelling the impression that export of yarn was affecting the value-added industry, Ali Ahsan said that it declined by 24% in quantity terms in March. More than 80% of lower count yarn (below 20) being exported was not in demand by the domestic industry, Pakistani media reports quoted him as saying.

The variety of yarns required by the domestic industry was available in abundance and any price rise of such yarns was linked to global cotton prices.

Saudi companies keen to import handmade carpets, apparel products from Pakistan

The Saudi investors and businessmen have shown their keen interest of importing traditional and world-class handmade carpets, apparel, and chemical products from Pakistan, underlining the need for further enhancing collaboration with the Pakistan industry to promote business between both the Islamic countries.

A delegation of Saudi companies, led by Saud Abdullah during a meeting with Friends of Economic and Business Reforms (FEBR) President Kashif Anwar, discussed investment and trade partnership in details with Pakistani companies. The head of the delegation observed that Pakistan traditional handmade carpets and value-added textile industry offer a huge potential for exports, as a large segment of its industry is well-organized and has achieved international efficiency levels.

He said Saudi Arabia has shown a keen interest in CPEC, besides carpets and textile sectors in accordance with their Vision 2030, which aims to diversify the Saudi economy with energy mega projects to reduce oil dependency. Saud Abdullah said their interaction was aimed to attract public and private investments in Pakistan from the Kingdom and vice versa. The delegation said that the objective of their visit is to study Pakistan's market for partnerships and investment and to strengthen the bilateral trade relations with Pakistan. Their prime interest was the handmade rugs in which they are interested to develop JVs.◆