

PRGMEA PRESS RELEASE:

No Incentive for Garment Exporters to avail EFS

(Karachi March 19, 2012) The Central Chairman Pakistan Readymade Garments Manufacturers & Exporters Association (PRGMEA), Mr. Shehzad Salim, in his statement to the press has said that Export Finance Scheme (EFS), which was very useful to exporters has become ineffective because the difference between EFS rate and key interest rate is now only marginal, therefore there is no incentive for the industry to avail EFS.

He said, when the interest rates go up, the EFS rate is adjusted upwards accordingly. But now since the interest rates are gradually coming down but EFS rate is not being lowered. Because of this, the gap which used to be around 3.5%-3% which has now reduced to 1%.

Moreover, SBP has devised a performance based EFS for high performing companies whereby a further incentive of 1%-1.5% is allowed to exporters against their performance growth of 2 to 5 times and above. PRGMEA is of the opinion that even 100% growth in today's intensely competitive business environment is simply not possible. SBP is, therefore, requested to determine how many companies (especially SME's) have met this criteria. I am positive very few, if any have. In view of the above these performance targets need to be revised down wards and made realistic.

Mr. Salim stated that an overwhelming majority of garment exporters are SME's which are operating through their own capital and are slowly being driven out of business. Garment manufacturers have the single largest share in total textile exports of Pakistan by performing a vital function of adding value to raw materials. The annual report of SBP for the year 2010-11 acknowledges the fact that private loans of the whole textile sector were only 20.2% of the total.

In view of the grim economic scenario, any genuine support from SBP would be appreciated and help revive sagging exports, he said.