

PRGMEA Press Release

PRGMEA opposes restriction on EFS by SBP

(KARACHI February 16, 2012.) Mr. Shehzad Salim, Central Chairman Pakistan Readymade Garments Manufacturers & Exporters Association (PRGMEA) in his statement to the press has stated that the government is taking away all the incentives from the textile sector thus making it impossible for our industry to compete with regional competitors.

First it was duty drawback of local levies and taxes (DLTL) which was discontinued and billions of rupees worth of exporters claims are still pending and now Export Finance Scheme (EFS) rates are being squeezed. EFS rates of the State Bank of Pakistan are not being lowered since January 2011 despite the interest rates going down. Currently EFS rate is 10% (with max. 1% commercial banks' spread), while the key interest rate is 12%, therefore there is no incentive for exporters to avail this facility. The State Bank has now linked EFS rates with weighted average yields of last three auctions of 6 months T-Bills. Historically there was a difference of approx. 3-5% between EFS and T-bills yield but presently it has now narrowed down to 1.8%.

We also raised this issue with the Finance Ministry back in December that EFS rates would also be revised down but so far nothing has been done about it by the government.

Export Refinance & T-Bill Correlation

