Sectoral Analysis from Economy Report 2019-20

Textile sector has the highest weight of 20.91 in Quantum Index Manufacturing (QIM) thus having a significant impact on overall performance of LSM. Textile production declined by -2.57 percent during Jul-Mar FY2020 against -0.17 percent in the same period last year. Major slump came from -2.96 percent decline in cotton yarn and -2.81 percent decline in cotton cloth, both having a combined weight of 20.15 in textile sector. However, exports of textile grew by 4.24 percent during the period under review. The mismatch between the LSM and export data sets is a welcome boost for the industry as it shows industry is regaining competitiveness after exchange rate adjustment. Further, the textile export data is relatively encouraging on account of its wide-ranging coverage than the LSM data as in addition to cotton yarn and fabrics, it also includes the higher value-added items like hosiery, knitwear, towels and readymade garments.

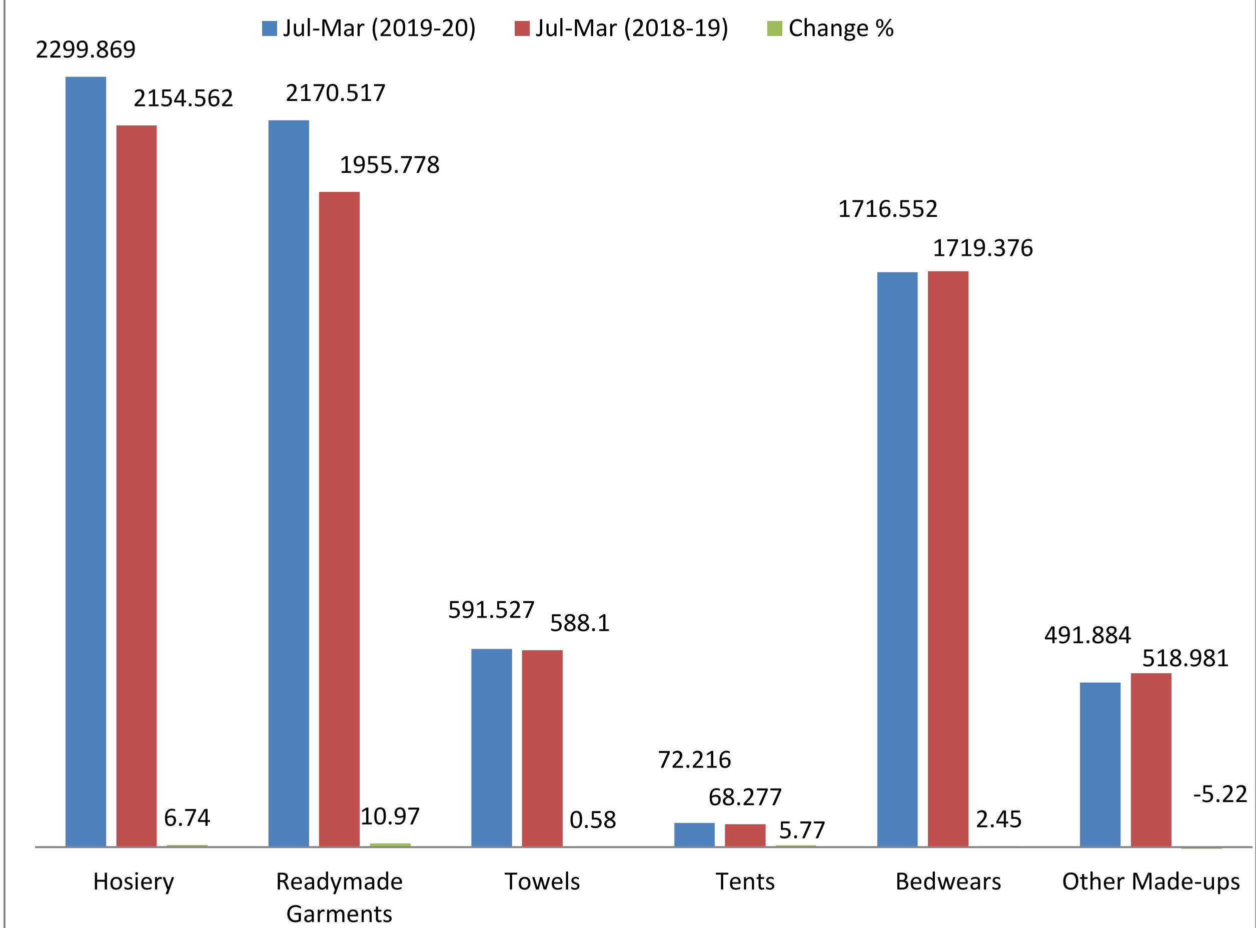
According to the economic report 2019-20 the Pakistan textile industry contributes more than 59% to the country total exports.

The export performance during the period under review is given below table:

Export of Pakistan Textiles						(US$ millions)
	2014-15	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20 Jul-Mar**
Cotton & Cotton Textiles	13139	12168	12205	13220	13031	10151
Synthetic Textiles	330.584	287.894	187.587	309.563	297.809	261.172
Sub-Total Textiles	**13469.584**	**12455.89**	**12392.587**	**13529.563**	**13328.809**	**10412.172**
Wool & Woolen Textiles	119.448	97.68	78.506	75.852	67.265	48.685
Total Textiles	**13589.032**	**12553.57**	**12471.09**	**13605.415**	**13396.074**	**10460.8**
Pakistan`s Total Exports	23667.3	20786.5	20422.236	23212	22979.325	17450.735
Textile as %age of Export	57.41	60.39	61.06	58.57	58.30	59.94

Source:- MOT

Exports of Value Added Segment of Pakistan Textiles:-



Source:- MOT

Govt's Steps to Boost Industrialization in FY2020:

The government has announced a special package for construction sector. Package includes amnesty scheme, tax exemptions and Rs 30 billion subsidy for Naya Pakistan. This will jack up the construction industries, specially cement, and shall also generate employment. A stimulus package has also been introduced to support businesses and stimulate the economy. According to the package, export-oriented industries would be given Rs 100 billion worth of tax refunds as well as deferment of interest payments. Government is providing a series of subsidies and incentives to industrial sector. These include subsidies to industry for electricity and gas, export development package. Under an agreement, the zero-rated industries, including textiles, would be provided electricity at an all-inclusive rate of 7.5 cents per unit (kWh) and gas at $6.5 per unit (mmBtu) until June 30 this year. PSDP release process is simplified to fund various uplift projects including Industries and Production Division. Under CPEC, project of Allama Iqbal Industrial Zone Faisalabad has been inaugurated. It is expected to attract investment in automobiles, value-added textiles, engineering, pharmaceuticals, food processing, chemicals, construction materials and packaging sectors.

Moreover, ECC has approved Rs 50.7 billion package to provide indirect cash flow support to the Small and Medium Enterprises (SMEs) through pre-paid electricity bills for May-July FY2020. This package named "Chota Karobar-o-Sannat Imadadi Package" will benefit around 3.5 million small businesses.

Measures taken by State Bank of Pakistan (SBP) to boost Manufacturing amid COVID-19 Pandemic

Supporting businesses to retain their workers and employees and prevent layoffs

- With a view to facilitate businesses to retain their employees and prevent layoffs, State Bank has introduced a temporary Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns.

- The financing under the Scheme is available for existing and new borrowers of banks and DFIs for payment of wages and salaries of all types of workers and employees (like the permanent, contractual, daily wagers as well as outsourced workers) for the months April-June, 2020.

- The financing rate under the Scheme is 5 percent p.a for borrowers who are not tax payers and 3 percent for borrowers who are on active tax payers list. The repayment of financing will be in equal quarterly installments with first repayment falling due in April 2021.

Facilitating New Investment

- SBP has announced a 'Temporary Economic Refinance Facility (TERF)' and its Shariah compliant version to stimulate new investment in manufacturing. This scheme will help counter any possible delays in the setting up of new projects that investors were planning prior to the Corona virus outbreak.

- All manufacturing industries, with the exception of power sector where SBP has another refinance facility for renewable energy, are eligible to avail financing under the scheme.

- The financing under this Scheme is available against letters of credit (LC) to be opened by end-March 2021 for purchase of new imported and locally manufactured plant & machinery for setting of new projects.

- The maximum financing per project is Rs 5 billion with maximum repayment tenor of 10 years including grace period up to 2 years. The end user rate under the Scheme is 7 percent p.a.

Relaxations on financing under SBP's Refinance Schemes

In case of deferral of principal or restructuring / rescheduling of financing of borrowers under SBP's long term refinance Schemes, State Bank has allowed banks/ DFIs to extend repayment period for an additional one year over the maximum tenor available under these schemes.

Export Finance Scheme (EFS): SBP has reduced the performance requirement under EFS from twice to one-and-a-half times that will be effective for current year as well as for FY2021. State Bank has also extended existing export performance period of one year by another 6 months. This extended period will also be used for setting new limits for FY2021, allowing higher limits to exporters. The shipment period has also been extended by 06 months.

Long term Financing Facility: The eligibility requirement for availing financing has been reduced from exports of worth 50 percent, or USD 5 million to 40 percent or USD4 million, whichever is lower, for all the borrowings during the period January 01, 2020 to September 30, 2020. In case of exporters opting for projected exports criteria, State Bank has extended export performance period from maximum period of 04 years to 05 years.

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