

Editor's Page

Federal Budget 2009–10

The Federal Budget 2009-10 presented by the State Minister for Finance & Revenue Hina Rabbani Khar is disappointing to textile sector as it raises new issues, as a result, the cost of production will further surge up. Instead, giving support to the textile industry, government has put further burden i.e. imposition of new taxes on import of raw materials and withdrawal of cross subsidies on electricity and gas which is feared to cause severe problems to the entire industry.

The budget failed to address anything regarding industrialization; how to enhance exports; how to increase foreign exchange reserves and how to create employment opportunities in the country. The high rate of mark-up, depreciated rupee value and end of cross subsidies on electricity and gas would further add to the cost of doing businesses and would result in closing down of more industries. It may be noted that some 300,000 industrial workers have already lost jobs due to unprecedented load shedding since 2007 onwards. There was a general impression that the government would take radical steps to gear up the manufacturing growth. However, the government has restricted all its steps to declaring the fiscal year 2009-10 as "Year of Industrial Revival".

Textile sector contributes around 8.5% to GDP, employs 38% of the total manufacturing labour force, and contributes 67% to total merchandise exports. At present Pakistan's textile sector has been passing through difficult times these days as higher input cost, rising interest rates and intense competition in the export market have brought the sector on its toes. Due to enhance the input cost, textile sector is more uncompetitive, particularly against the neighbouring countries, including China and Bangladesh.

The textile industry has showed a mixed reaction to the budget speech, with a majority view that it lacks a visionary approach, carries multiple ambiguities and blends the optimism with the pessimism simultaneously. Majority of textile millers expressed their wonders over the peanuts offered by the government in the budget. According to them, an end to the central excise duty on viscose was nothing more than a 'formal announcement', as the industry was already enjoying exemption to this effect.

Chairman APTMA Tariq Mahmood said the announcement of fiscal year 2009-10 as the year of industrial revival is a good omen but textile industry demands on reduction in cost of doing business and market access have not been addressed in accordance with the industry aspirations. He said the announcement of Rs 40 billion as industrial support fund does not clarify that what is being earmarked for which sector.

Pakistan Readymade Garment Manufacturers & Exporters Association (PRGMEA) ex-Chairman, Ejaz Khoker said that the Prime Minister Syed Yousuf Raza Gilani and the Advisor to PM Shaukat Tarin had made a number of commitments to bailout the textile industry, but Khar announced nothing as such. Pakistan Bedwear Exporters Association (PBEA) Chairman Shabbir Ahmed, said that the budget illustrated no planning at governmental level as it suggested no solutions to the deteriorating condition of textile industry. He endorsed that Tareen had made high claims to announce incentives for textile industry before the budget session but did not fulfill his words.

The bedwear exporters have rejected the Federal Budget-2009-010 announced by the State Minister for Finance, saying there is nothing positive to generate employment, increase exports and earn more foreign exchange. Shabbir Ahmed, Chairman Bedware Exporters Association (BEA) said that the budget speech by State Minister on Finance disappointed the exporters as there was no positive indicator to increase country's exports.

The Islamabad Chamber of Commerce and Industry (ICCI) have demanded of the government to announce a special package for revival of textile industry. Shaukat Masud, President of Islamabad Chamber of Commerce and Industry (ICCI) said that textile industry is not only one of the huge exporter industries of the country but has also provided employment to about three million people with another three million connected with it indirectly for their livelihood. Still the government ignored this key sector of the economy in the Federal Budget-2009-10.

The country missed annual textile export target of \$12 billion by 20 % due to high cost of production, power shortage and stiff competition with regional players. The Federal government envisaging 15% growth had set textile export target of \$12 billion for FY 2008-09 against \$10.35 billion for FY 2007-08. The country's overall textile exports stood at \$9.774 billion at the end of last fiscal year over the exports of \$10.354 billion in FY 2007-08.

Out of 12 major textile export 9 registered negative growth and export of only three items - raw cotton, bed wear and towels has posted some increase. With 18.34% decline, readymade garments exports stood at \$983 million and knitwear export at \$2.054 billion after a decline to 4% in FY 2008-09. ♦

