# Hike in POL prices to raise cost of production

Recent increase in petroleum prices is expected to adversely affect the textile industry of Pakistan, as the drastic increase in the cost of production of exportable goods would be unacceptable to foreign buyers.

Country's 70% electricity is produced through thermal power plants where oil has a major role and hike in petroleum prices will lead to increase in electricity prices as a result of which prices of all commodities would shoot-up.

The Pakistan textile industry is going through one of the toughest periods of its century’s old existence. As if the energy shortages and labour problems were not enough, the economic turmoil came along to give more troubles.

With decline in investment in balancing and modernization of textile mills, the local industry has been put at a disadvantage compared to other countries of the region including Bangladesh which are updating their equipment to improve efficiency.

Pakistan's textile industry become a collateral victim of the global economic meltdown and has suffered much on account of being a front line participant in the war on terror. Due to the prevailing domestic backlash, the country's perception has been impaired. Being an export-oriented industry, it is difficult for the textile sector to sustain under this scenario.

Pakistan's textile exports all along the value chain have gone down by 30% to 40% in quantity terms in three years and exporters cannot effectively market their produce. On the other hand buyers are not visiting Pakistan due to adverse travel advisory and importing countries are not facilitating visas to exporters.

Textile products like knitwear, cotton cloth and readymade garments account for over half of the Pakistani exports. A tough competition in international markets and falling industrial output at home have hammered down the exports this year. Exports of textile and clothing decreased to 0.6% during July-December period of current fiscal year to $5.06 billion as compared to $5.09 billion of the same period of last year. The negative growth in all the sub sectors of textile underlined the importance of evolving a strategy to address the problem impeding it. The industry views the high cost of doing business due to rising mark-up and power outage as core reasons for the sharp decline in export growth of textile products.

This decline in Pakistan's textile exports has prompted a deepening challenge for a range of investors including those holding textile stocks in the equity market. For equity investors with stakes in the stock market decline in textile exports is certain to translate into lower returns for textile companies. As a result, this fall in textile company income will then inevitably translate into a further fall in the value of textile stocks.

Rising inflation, capital cost and energy prices during the last few years have rendered Pakistani products less attractive for buyers in international market. They have been asking the government to identify the exports oriented units with providing them required support to enhance the country's exports to bridge the galloping trade deficit.

The country's textile exports slumped to $9.95 billion in 2008-09, compared to fiscal export target of $12 billion, whereas, textile exports in the last fiscal year were $10.59 billion. The regression is mainly attributed to power shortages, the soaring cost of production and political turmoil, besides a stiff competition in the world market.

Petroleum Minister Naveed Qamar has directed Sui Northern Gas Pipelines Limited to give priority to the textile industry in gas supply so that the industry could plan and manage its production process. The Minister issued the directive after All Pakistan Textile Mills Association’s Punjab Chairman Gohar Ejaz briefed him about concerns of the textile industry. The Minister gave assurance to the industry that equitable distribution of gas between Lahore, Faisalabad, Multan and Sheikhupura would be ensured.

Industrial sector is already facing negative growth and hefty hike in petroleum prices will severely hit it due to increase in cost of production. Textile exports are facing tough competition in international markets on account of high production cost and this increase will make our products less competitive.◆