aptma
ALL PAKISTAN TEXTILE MILLS ASSOCIATION

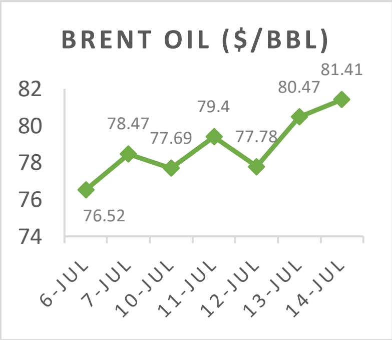
DAILY ECONOMIC UPDATE

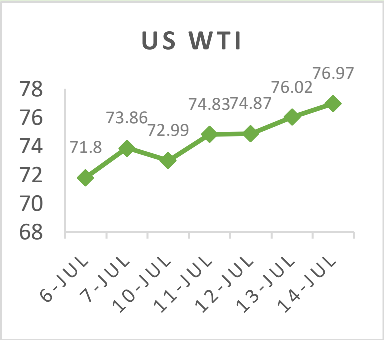
14th July 2023

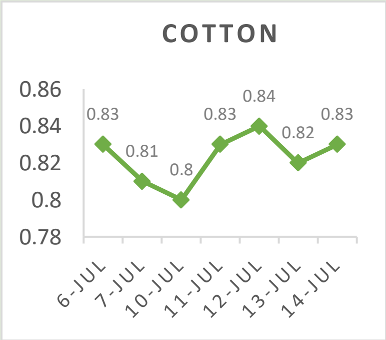
KSE - 100

Date	Current	Change	Volume
6-Jul	44178.85	68.18	166,226,008
7-Jul	44207.13	0.35	115,725,141
10-Jul	44585.13	0.82	183,245,879
11-Jul	45155.8	0.4	248,170,894
12-Jul	45423.2	0.59	206,704,768
13-Jul	45266.90	0.08	225,216,885
14-Jul	45293.47	0.06	33,997,069

COMMODITIES







CURRENCY PARITY

Currency	Buying	Selling
PKR-USD	278	281
PKR -GBP	355	361
PKR -Euro	302	305
PKR -Yuan	38.7	39.1

NYC COTTON

NYC Cotton	Open	Last	Volume
Oct 23	82.33	82.79	226
Dec 23	81.68	81.75	519
Mar 24	81.75	81.77	100
May 24	81.85	81.73	982

Research Department - PO

SUMMARY OF ARTICLES

Setting the record straight

Textile exports in Pakistan experienced a significant decline in FY23, prompting a need to examine various factors including energy costs, liquidity crises, tax refund issues, import restrictions, non-implementation of policies, market dynamics, competition, and supply chain disruptions. A misinformed narrative has distorted the image of Pakistan's textile sector, hindering the formulation of well-informed policies. Devaluation strategies aimed at increasing exports have not been effective due to the industry's heavy reliance on dollar-linked inputs and foreign markets. Policy stability and implementation have been lacking, undermining confidence and discouraging investments. The Temporary Economic Refinance Facility (TERF) has the potential to stimulate industrial growth by creating an exportable surplus, but issues with energy supply and pricing pose challenges. High energy costs, the discontinuation of competitive electricity tariffs, and the imposition of general sales tax have negatively impacted the sector. Disparities in gas pricing between Punjab and Sindh have hindered operations, and tax evasion and underreporting need to be addressed for improved revenue collection. Restoring zero rating, streamlining the refund process, and focusing on retailers can enhance the taxation system. Policy stability, energy sector reforms, addressing gas pricing disparities, improving tax collection, working capital requirements, and collaboration with the industry are crucial for the sector's growth. Continuous monitoring, implementation of supportive policies, financing facilities for export expansion, and addressing misconceptions are necessary steps. The creation of an export culture and prompt actions, consensus building, and critical reforms in areas such as energy tariffs and taxation will drive sustainable economic development in Pakistan's textile industry. Read More

Improved cotton quality boosts Pakistani exports

Pakistan's cotton traders are ramping up efforts to export the commodity as spinning mills refrain from bulk cotton purchases, aiming to stabilize rates. Cotton exports have already begun, with a significant cotton ginner from Sindh finalizing agreements to export 600 tons of cotton to Indonesia and Vietnam. This year holds the potential for record-breaking cotton exports. Favorable weather conditions, including suitable temperatures and lack of rainfall, have resulted in improved cotton quality in Sindh's coastal area. Early orders for cotton exports have been received, indicating a positive outlook for achieving high export figures. The delay in cotton procurement has led to an increase in cotton prices, reaching Rs17,500 per maund in Punjab and Rs17,000 per maund in Sindh. Fluctuations in the value of the dollar may further impact cotton prices. With favorable weather conditions, Pakistan is projected to produce over one crore bales of cotton in the upcoming year, double the previous year's production, which bodes well for the textile sector and signifies the potential for a robust cotton industry in Pakistan. Read More

Better Cotton signs UN pledge for traceability and transparency

Better Cotton, the world's largest cotton sustainability initiative, has signed the United Nations Economic Commission for Europe (UNECE) Sustainability Pledge, demonstrating its commitment to improving traceability and transparency in its supply chains. The pledge aims to create a Community of Practice to advance supply chain transparency and sustainability. Better Cotton's Traceability Solution, to be launched by the end of 2023, will enable retailers, brands, farmers, and suppliers to verify the country of origin of Better Cotton in their products. By joining the pledge, Better Cotton joins over 90 businesses committed to advancing traceability and sustainability in the textile industry. The development of the Traceability Solution has involved extensive consultation with stakeholders and will be rolled out in phases, with full chain of custody requirements for traceability expected to be implemented before 2025. This initiative addresses the growing regulatory pressure in the fashion and textile sectors and aims to combat greenwashing by providing substantiated sustainability claims. Read More

July-May LSMI output declines 9.87% YoY

The Large-Scale Manufacturing Industries (LSMI) output in Pakistan has declined by 9.87% during July-May 2022-23 compared to the same period last year, according to the Pakistan Bureau of Statistics (PBS). The provisional Quantum Index numbers show that LSMI output decreased by 14.37% in May 2023 compared to May 2022 but increased by 5.88% compared to April 2023. The main contributors to the overall decline were the food, tobacco, textile, petroleum products, chemicals, cement, pharmaceuticals, iron and steel products, electrical equipment, and automobiles sectors. Some sectors, such as wearing apparel, furniture, and other manufacturing, showed growth, while others, including food, textile, pharmaceuticals, and automobiles, experienced a decline. Petroleum products, including high-speed diesel and furnace oil, also witnessed negative growth. Cement production saw a decline of 12.36% during July-May 2022-23. Read More

Business Community sees IMF bailout ending economic volatility

The businessmen believe that securing the IMF programme was indispensable to end a long period of economic uncertainty and volatility that had affected the country's external account and macroeconomic decision-making. However, they also express concerns about the tough conditions attached to the programme, such as increasing power prices, lifting import restrictions and meeting fiscal targets. They fear that these conditions would increase inflation, raise the cost of production and put pressure on the exchange rate. They urge the government to seize this opportunity to implement concrete measures aimed at improving the economy and expanding the tax base, especially by supporting the export industry. They also emphasize the need for policy consistency, political stability and collaborative governance to attract sustainable foreign direct investment and facilitate investors. They say that the business community is more interested in the post-IMF, medium to long-term economic policies than a temporary breather to the economy. Read More

ECC members air concern over high electricity cost

During a meeting of the Economic Coordination Committee (ECC), discussions were held regarding the quarterly tariff revision for K-Electric (KE). The Power Division presented calculations and justifications for the tariff revision. The need to reduce the cost of generation was emphasized, and the Power Division revealed that a task force had been formed to resolve pending issues related to KE. Low gas pressure and diversion of gas flow to less efficient captive power plants were cited as reasons for the high cost of electricity generation. The Federal B Area Association of Trade and Industry raised concerns about the violation of gas allocation policy by Sui Southern Gas Company (SSGC), resulting in adverse consequences such as increased load shedding and high fuel charges for residents and industries in Karachi. The association also highlighted the tariff discrepancy between captive units and the rest of Karachi, and the inefficient nature of many captive power units. Read More

PSDP: FD yet to notify strategy for release of funds

The Finance Division of Pakistan is yet to notify the strategy for releasing funds related to the Public Sector Development Program (PSDP), interest payments, domestic and foreign loan repayments, and supplementary grants for the current financial year. In an office memorandum, the Finance Division outlined the funds release strategy for the recurrent budget for the year 2023-24. The strategy includes the release of funds in different percentages for each quarter and specific instructions for ministries and divisions regarding various expenditures. The memorandum also emphasized the need for adherence to commitment control, austerity measures, and general guidelines. Furthermore, guidelines were provided for subsidies, grants-in-aid, lending, foreign exchange payments, and commitment control. The strategy for releasing funds related to the PSDP, interest payment, loan repayments, and supplementary grants will be issued separately. Read More

Banks record strong deposits, lend most of it to government

During the fiscal year 2023, Pakistan's commercial banks experienced a significant increase in deposits, reaching a record high of Rs25.50 trillion. Around 80% of these funds were lent to the government at record-high interest rates, while credit to the private sector remained low. The surge in deposits was driven by higher returns on savings accounts and fixed deposits, as the central bank's benchmark policy rate reached an all-time high of 22%. Banks invested heavily in government debt securities, leading to a 20% increase in their investment-to-deposit ratio, reaching a record high of 82%. However, credit extended to the private sector only grew by 12%, as the central bank aimed to control inflation by keeping demand for credit subdued. The removal of a tax on banks that would have been imposed if their lending to the private sector remained below 50% further reduced their incentive to extend funding to businesses. The rise in deposits was influenced by inflows of workers' remittances, which reached $27 billion, as well as attractive interest rates and the devaluation of the rupee. While the strong deposit growth provided necessary funds for the government, it limited the availability of credit for the private sector, hindering economic growth. Read More

October system collapse: Non-implementation of recommendations irks NEPRA

The National Electric Power Regulatory Authority (NEPRA) has expressed concerns over the National Transmission and Dispatch Company (NTDC) for not implementing its recommendations regarding a partial system collapse that occurred in October of last year. NEPRA had conducted an inquiry and provided recommendations to prevent similar incidents in the future, but NTDC and K-Electric did not comply with the recommendations. The NEPRA committee suggested various remedial measures, including reinforcing the interim arrangement, ensuring proper maintenance and monitoring, completing pending work on transmission lines, conducting VAR compensation studies, and installing modern technologies for system stability. NEPRA also emphasized the need for proper communication and coordination between power plants and NTDC, as well as increasing load shedding in the South region during under-frequency situations. Additionally, NEPRA recommended conducting a study on installing additional Shunt Reactors to control overvoltage. NTDC/NPCC has been directed to implement the recommendations and submit a compliance report within thirty days. Read More

Youth seeks greener pasture overseas

More than 400,000 highly-qualified young Pakistanis have left the country in search of employment during the first six months of the current year, according to official data. Over the past five years, a total of 2.75 million youth has left Pakistan in what is referred to as the "brain drain" phenomenon. Factors contributing to this trend include uncertain economic conditions, rising inflation, and high unemployment rates. The data reveals that various professionals, including accountants, engineers, doctors, technicians, and managers, have left the country for better employment opportunities. The majority of these individuals have migrated to Arab countries such as Saudi Arabia, the UAE, Oman, and Qatar. Other destinations include the United Kingdom, the United States, Malaysia, Greece, and Romania. The data further highlights that a significant number of young people from Punjab, Khyber-Pakhtunkhwa, and Sindh have chosen to seek employment abroad. Read More