Textile industry set to unravel under Pakistan's power crisis

Pakistan allocates 40% of budget to tackle debt

ISLAMABAD: Pakistan's textile exports are set to dramatically dip as the sector is hobbled by a nationwide energy crisis forcing daily power cuts on factories, with an industry leader warning about "a state of emergency" for the manufacturing hub. The South Asian nation is in the midst of a dire economic crisis, with runaway inflation, a depleted rupee and dwindling foreign exchange reserves hampering energy imports.

Meanwhile a heatwave has caused a surge in electricity demand, leaving a shortfall of over 7,000 megawatts-one-fifth of Pakistan's generation capacity-on some days this month, according to government figures. The energy shortage has hit Pakistan's vital textile industry, which supplies everything from denim to bed linen towards markets in the US and Europe, and accounts for 60 percent of the country's exports.

"The textile industry is in a state of emergency," Qasim Malik, the vice president of the Chamber of Commerce in the manufacturing hub of Sialkot, told AFP. With authorities forced to ration the power supply with staggered blackouts, Malik said the "unannounced and unscheduled" outages disrupt the textile supply chain, which is "causing millions of rupees of losses".

"Should the power cuts persist there could be a decline of more than 20 percent in exports," warned Sheikh Luqman Amin of the Pakistan Readymade Garments Manufacturers and Exporters Association.

Larger factories tend to have independent power plants, leaving small- and medium-sized factories in cities such as Lahore, Faisalabad and Sialkot most exposed. Owners have complained of power cuts of eight to 12 hours on a daily basis and face the dilemma of lower production or installing generators powered by petrol, which is also sharply rising in cost.

"We can't accept new orders because we are already behind on previous ones," said Sialkot garment factory owner Usman Arshad. "Things can't continue to go on this way."

Despite the nation's economic woes, textile exports surged 28 percent to a record $17.67 billion in the fiscal year July-May 2021/22, the All Pakistan Textile Mills Association reported this week.

The Pakistani industry was buoyed by the tail end of the coronavirus pandemic, when it was freed of restrictions earlier than regional rivals India and Bangladesh. The new government of Prime Minister Shehbaz Sharif is set to announce a budget on Friday attempting to turn around Pakistan's dire finances. It is expected the ledger will include a raft of measures to convince the International Monetary Fund to revive a stalled $6 billion bailout package.

Meanwhile, Pakistan allocates 40 percent of budget to tackle debt Pakistan's new government, grappling with soaring inflation and political unrest, unveiled a 9.5 trillion rupee ($47 billion) budget Friday, earmarking more than 40 percent to service the country's massive foreign and domestic debt.

Prime Minister Shehbaz Sharif blames Pakistan's economic woes on his predecessor Imran Khan, who was ousted by a parliamentary vote of no confidence in April and is fomenting a national campaign to press for early elections.

Analysts, however, say the problems stem from decades of poor economic management by successive governments and military rulers who have failed to tackle endemic corruption and widespread tax avoidance.

The budget unveiled by Finance Minister Miftah Ismail Friday earmarks 3.95 trillion rupees just to service the country's whopping debt of $128 billion.

"Because of the lack of farsightedness of (the previous government), social structure was destroyed, economic growth stalled, and national integration withered," he told the national assembly.

A $6 billion IMF bailout package signed by former prime minister Khan in 2019 has never been fully implemented because his government reneged on agreements to cut or end some subsidies and to improve revenue and tax collection. Islamabad has so far received $3 billion, with the program due to end later this year.

Officials are seeking an extension to the program through to June 2023, as well as the release of the next tranche of $1 billion. Sharif has vowed to jumpstart the moribund economy, but analysts say his fragile government has failed to take tough decisions.

The new budget allocated 1.523 trillion rupees to the country's defense forces, who regularly swallow huge amounts as a result of permanent tensions with neighboring India. About 800 billion rupees were lined up for development projects with the aim of attaining growth of five percent in the fiscal year beginning July 1.

For the outgoing fiscal year, economic growth is projected to be around six percent. "Theoretically this is a contraction budget aimed at checking the rising inflation," said Rashid Alam, an independent economist.

"But practically that reflects our national priorities that tilt towards the security of the state instead of welfare of the people," he added. —AFP

Pakistan's textile exports are set to dramatically dip as the vital sector is hobbled by a nationwide energy crisis forcing daily power cuts on factories. —AFP

Bundesbank: High inflation warrants 'resolute' ECB action

FRANKFURT: The head of Germany's Bundesbank on Friday said the European Central Bank should take "resolute action" to rein in soaring prices, as he unveiled sharply higher inflation forecasts for the EU's biggest economy. "Euro area inflation rates won't fall by themselves," Joachim Nagel said in a statement.

"Monetary policy is called upon to reduce inflation through resolute action."

The Bundesbank's newest projections see Germany's annual inflation rate jump to 7.1 percent in 2022, up from 3.6 percent in a previous estimate in December. "Inflation this year will be even stronger than it was at the beginning of the 1980s," Nagel said.

Looking further ahead, German inflation should reach 4.5 percent in 2023 and 2.6 percent in 2024 — compared with earlier estimates of 2.2 percent for both years. As in other countries around the world, German consumer prices have been pushed higher by Russia's war in Ukraine and supply chain bottlenecks in Asia. Energy costs especially have soared.

The ECB on Thursday announced plans for a series of interest rate hikes in the coming months, joining other central banks in the battle to tame inflation. The ECB intends to raise its key rates by 25 basis points on July 21, its first hike in more than a decade, and left the door open to an even larger rate increase in September. The Frankfurt institution also cut its forecasts for economic growth in the 19-nation eurozone, while once again raising the inflation outlook.

The Bundesbank meanwhile said it now expects the German economy to grow by just 1.9 percent this year, compared with 4.2 percent earlier. —AFP

Stocks tumble worldwide as US inflation soars

NEW YORK: Stock markets plunged deeper into the red on Friday after data showed US inflation soared to the highest level in more than 40 years in May, far outpacing analysts' expectations.

In Europe, all of the major stock indices ended the week sharply lower. Paris's blue-chip CAC 40 lost 2.7 percent on Friday, Frankfurt's DAX index was down 3.1 percent, Milan's FTSE MIB shed 5.1 percent, Madrid's IBEX tumbled 3.7 percent and London's FTSE dropped by 2.1 percent.

On Wall Street, stocks also were deep in negative territory after US government data showed inflation reached 8.6 percent in the 12 months ended in May, the steepest rise in consumer prices since December 1981, on the back of surging energy and food prices. The data had been eagerly anticipated as investors hungrily look for clues as to the direction of US interest rates at next week's meeting of the Federal Reserve.

"The market had expected that we'd see at least a plateauing or flattening out of inflation but it seems that inflation pressures continue to build and we've seen a further broadening of price pressures," said Shaun Osborne, a foreign exchange specialist at Scotiabank. "So it seems more entrenched, stickier kind of price or inflation situation."

Osborne said the report will encourage investor debate on whether the US central bank will shift to a 75 basis point interest rate hike next week instead of the planned half-point increase.

But Osborne believes the Fed will go with its original plan, considering a bigger increase would look "panicky." Adding to the unease was news that officials in China had once again locked down millions of people for COVID testing owing to another flare-up in cases, dealing a blow to hopes for an economic reopening.

"Warning signs about the economy are emerging as weekly (US) jobless claims are starting to rise, China's COVID situation will prove troublesome for supply chains over the next couple of quarters, and as inflationary pressures broaden and show no sign of easing," said Edward Moya, analyst at OANDA trading group. "It seems reductions in global growth forecasts will become a steady theme over the next few months and that should complicate how much more tightening we see from central banks," he said.

The World Bank and Organization for Economic Cooperation and Development this week each lowered their global economic growth forecasts for 2022. —AFP

TOKYO, Japan: A pedestrian walks past an electronic share price board showing the closing numbers on the Tokyo Stock Exchange (L) and a foreign exchange board showing the yen's rate against the US dollar (right) in Tokyo on June 10, 2022. —AFP

South Korea truck driver strike disrupts key industries

SEOUL: Thousands of South Korean truck drivers staged a fourth day of strikes Friday, causing widespread disruption and straining already-tight supply chains in an early test for new President Yoon Suk-yeol. The drivers stopped work Tuesday and have disrupted ports and factories in Asia's fourth-largest economy as they protest against the ending of a minimum wage guarantee and rising costs.

"There have been disruptions in auto, cement, and steel production," the Ministry of Land, Infrastructure and Transport said in a statement Friday. South Korea is the world's largest memory chip exporter and home to global chip powerhouse Samsung Electronics, as well as large car companies including Kia and Hyundai Motors.

"The government is trying to minimize the fallout by mobilizing alternative transport," the ministry added. About 7,800 truckers are involved in the action, it said, representing about 35 percent of members in the Cargo Truckers Solidarity Union. —AFP

IKEA announces winner of its third raffle draw

KUWAIT: IKEA Al-Homaizi is excited to announce the lucky winner of IKEA's third raffle draw, Naser Al-Antari. The draw has been conducted under the supervision of the Ministry of Commerce and Industry.

Al-Antari was granted the KD 10,000 home makeover prize by Mersad El Aji, the store manager of IKEA The Avenues during a special ceremony in IKEA The Avenues. The prize consists of IKEA products and services, including planning service and delivery and assembly. Everyone still has a chance to win the fourth and last grand prize of KD 10,000.

You only need to spend KD 10 at any IKEA in Kuwait. Every KD10 you spend will give you one entry to the raffle draw to win KD 10,000. The more you shop the more chances to win! What are you waiting for to be the last winner!! Shop at IKEA The Avenues, IKEA 360, The Assima Mall, or online through IKEA.com.kw and the IKEA App. Good luck!

Thyssenkrupp comes to rescue of German shipyard

FRANKFURT: German submarine and ship builder, Thyssenkrupp Marine Systems, said Friday it has agreed to buy the Asian-owned MV Werften shipyard on Germany's Baltic coast which filed for bankruptcy at the start of the year.

The German company, TKMS, said in a statement that the two sides had agreed confidentiality on the purchase price. MV Werften ran into dire straits after the Covid-19 pandemic hit demand for cruise ships, putting thousands of jobs at risk and dealing a blow to the local economy.

TKMS said the takeover of MV Werften would give "one of the most tradition-rich shipyards in Germany a long-term perspective" for its operations.

It said it expected to produce submarines at the facility from 2024 if the German government ordered further vessels "and the resulting investment in the upgrading of the shipyard". The German government has announced plans for a massive increase in military spending in the wake of the war in Ukraine, which could lead to a boost in orders at MV Werften. Reinhard Meyer, economy minister of Mecklenburg-Western Pomerania state, home of the shipyard, welcomed the takeover, saying it offered the chance for "as many jobs as possible to be maintained in the maritime industry".

Trade union IG Metall said it had agreed with TKMS on the basic outlines of a future employment plan at the shipyard. An initial 800 staff are to be hired, with personnel levels reaching up to 1,500 depending on future business.

MV Werften had declared insolvency in January after it said its talks with the federal and state government on a rescue package ran aground. —AFP