BUSINESS

RECORDER

Friday, 2nd June, 2017

APTMA jettisons federal budget

RECORDER REPORT

LAHORE: All Pakistan Textile Mills Association (APTMA) rejected the proposed Federal Budget 2017-18. The Industry demanded practical measures, and not mere announcements, to steer the textile industry out of crisis.

While talking to journalists on Thursday, Chairman APTMA Aamir Fayyaz said Rs 180 billion export-led growth package for textile industry was merely an eyewash, as only an amount of Rs 1 billion has been released by State Bank of Pakistan so far and government has budgeted another Rs4 billion only for the next financial year. The export growth package envisaged a payment of Rs 180 billion to exporters over a period of 18 months at the rate of Rs 10 billion per month.

APTMA Chairman also criticized the government for delaying clearance of sales tax refunds to the industry causing a major liquidity crunch. “The total amount of stuck up refund claims of the textile industry has reached to Rs100 billion with no clue as to when the FBR would pay back these stuck up refunds?” he questioned.

He said an immediate payment of refunds is needed to revive industry viability and warned of more closure of mills if refund claims are delayed further. He said the industry is not in a position to wait until 14th of August for clearance of refund dues and any further delay would prove a death warrant to the industry.

He said uncertainty was causing panic amongst exporters and prospective investors.

He also said government has re-imposed customs duty and sales tax on import of cotton just four months after the announcement of the package. The government has re-imposed customs duty and sales tax on import of cotton in order to please the farmers of cotton growing areas before the 2018 general elections.

The government should clear the situation immediately and honour it’s commitment of supporting industry, he stressed.

Aamir said the trade deficit is likely to surge to $31 billion, as imports are projected to close at $51 billion as against estimated exports of $20 billion. He said the remittances are also likely to register a decline to $18.7 billion from $19.7 billion in corresponding period.

A huge trade deficit and growing debt would burden the upcoming generations. The government should focus on exports to bring down this deficit.

On the energy cost, he said the textile industry has been advocating for supply of electricity at a tariff of Rs7 per kilowatt hour. The government has failed to respond to this call, showing total apathy towards bringing down high cost of doing business and make the industry regionally competitive.

He said Finance Minister Ishaq Dar in his budget speech said that export of the country was declining due to international financial crunch which was wrong. He also said if it was so then how the export of Bangladesh reached at 30 billion dollars. He said that association is ready to talk with the government for the solution of their issues.

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Ministries in a tug of war over power subsidy claims

MUSHTAQ GHUMMAN

ISLAMABAD: Ministry of Finance and Ministry of Water and Power are reportedly in a tug of war over claims of power subsidy of Rs 285 billion, well-informed sources told Business Recorder.

Ministry of Water and Power recently raised the issue of subsidy at a meeting of the Cabinet Committee on Energy (CCoE) presided over by Prime Minister Nawaz Sharif. Subsequently, officials of both Ministries held a number of meetings to sort out the issue but the meetings remained inconclusive.

The Finance Ministry, according to an official, has detected figure fudging to the tune of Rs 185 billion by Ministry of Water and Power in the name of subsidy after which scrutiny of subsidy claims have been tightened.

On the other hand, officials in Ministry of Water and Power argue that Finance Ministry is sitting on its subsidy claims of Rs 103 billion which include RS 79 billion against AJ&K. Ministry of Water and Power had written a letter to Secretary Finance against the official who claimed he had detected figure fudging of Rs 185 billion.

According to Secretary Water and Power Yousaf Naseem Khokhar, the amount of subsidy is around Rs 125 billion. He added that agriculture tube-well package, GST refunds, FATA and Rs 79 billion against AJ&K are some key issues which are yet to be resolved.

The government had earmarked a Rs 95.4 billion subsidy for Pepco/ Wapda in 2016-17 which was later revised upward to Rs 102.580 billion.

Meanwhile, Finance Ministry has rejected claims of Industrial Support Package (ISP) submitted by three power Distribution Companies (Discos).

According to Finance Ministry, KE's ISP claims for the period from July-June, 2016 industrial category units match the TDS claims while in case of Lahore Electric Supply Company (Lesco), Islamabad Electric Supply Company (Iesco) and Faisalabad Electric Supply Company (Fesco) industrial category units do not corroborate the claim.

The Finance Ministry maintains that negative Fuel Component Adjustment (FCA) for Jan 16 to April 16 has been adjusted in March 2016 to June 16 in the ISPS claims while it should be adjusted against the corresponding month as in case of KE's payment.

Fesco's Jan 2016 ISP subsidy was claimed against 319.868 million units while for the same period FPA was calculated on the basis of 10.312 million units reported in March 2016. The same discrepancy has been found for Iesco and Lesco up till June 2016. While in case of KE negative FPA was calculated on all the units.

Lesco's ISP claims for April 2016 have not adjusted negative FPA and taxes thereof.

The total impact of negative FPA (6 months) determined by Nepra stands at Rs 18.5272 / KWh for the period from Jan-June 2016 whereas the ISP subsidy for the same period is Rs 18/ KWh (Rs 3/KWh x 6 months). However, no subsidy is payable on the basis of present claims of Discos while the remaining Rs 0.5272 / KWh may be adjusted against Tariff Differential Subsidy (TDS) of Discos as per the following details: (i) January 2016- Rs 4.0434 per unit ;(ii) February 2016- Rs 4.3656 per unit;(iii) April 2016- Rs 3.9413 per unit;(iv) May 2016- Rs 3.3218 per unit; and (v) June 2016- Rs 2.8000 per unit. Thus the negative impact of FPA of six months has been calculated at Rs 15.6348 per unit and after inclusion of taxes of Rs 2.8924 per unit calculated at 18.5 per cent approximately, the total negative impact of 6 months stood at Rs 18.5272 per unit.

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CPI rises to 5.02pc in May

RECORDER REPORT

ISLAMABAD: The headline inflation (CPI) has increased 5.02 percent during May 2017 over the same month of last fiscal year, according to Pakistan Bureau of Statistics (PBS).

PBS on Thursday released Consumer Price Index figures and stated that 4.18 percent inflation was recorded during July-May 2016-17 of the current fiscal year as opposed to the same period of last fiscal year.

Year-on-Year data showed that inflation in food & non-alcoholic beverages increased by 4.55 percent in May 2017 over same month of last fiscal year, non-perishable food items 2.40 percent, perishable food items 18.10 percent, alcoholic beverages and tobacco 10.76 percent and clothing and footwear increase 3.68 percent.

The cost of housing water, electricity, gas and other fuels increased by 5.12 percent, furnishing and household equipment maintenance 2.59 percent, health 13.46 percent, transport 4.21 percent, communication 1.61 percent, recreation and culture 0.17 percent, education 11.17 percent, restaurant and hotel 5.37 percent and miscellaneous goods and services 5.34 percent.

The price of potatoes increased by (70.09 percent) in April 2017 as compared to the same month of last fiscal year, tomatoes (59.28percent) , dettol (47.98percent), cucumber (43.05percent), muskmelon (37.28percent), apple (28.19percent), mango kalmi (26.03percent), watermelon (24.45percent), tea lipton yellow label (24.13percent) and gram whole (21.42percent).

An increase of 4.18 percent in CPI was noted during July-May 2016-17 as opposed to the same period of last fiscal year on the back of gram whole price increased by (36.11 percent), potatoes (32.71 percent), pulse gram (26.02 percent), besan (25.10 percent), fresh vegetables (17.55 percent), cigarettes (14.32 percent), drugs & medicines (13.38 percent), eggs (12.35 percent) and education (10.63percent).

The price of onion decreased by (34.46 percent), pulse moong (10.22 percent), motor vehicle accessories (4.76 percent), chicken (3.85 percent), kerosene oil (3.70 percent) and motor fuel (2.99 percent).

Trimmed core inflation during the month of May, 2017 over May, 2016 was recorded at 4.8 percent against 3.6 percent for the same month of last year and non-food and non-energy core inflation was recorded at 5.5 percent.

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THE RUPEE

Minor changes

RECORDER REPORT

KARACHI: Slight changes were seen on the money market on Thursday as the rupee did not move sharply against the dollar on the money market in the process of trading, dealers said.

INTER-BANK MARKET RATES: The rupee almost traded in its overnight levels versus the dollar for buying and selling at Rs 104.86 and Rs 104.88 respectively, dealers said.

In the fourth Asian trade, the Australian and New Zealand dollars were stung by a private survey showing an unexpected slump in China's manufacturing activity.

The Australian dollar fell to \$0.7394, from \$0.7431 earlier in the day. A break of \$0.7370 would test a trough of \$0.7329 touched last month.

The Aussie dropped around half a US cent after a disappointing economic report from China, Australia's top export market.

A private survey of China's manufacturing activity contracted in May for the first time in nearly a year. That contrasted with an official survey released on Wednesday showing activity remained in expansionary territory.

"AUD was enjoying a surprise rebound from retail sales today, for all of a couple of minutes before China's manufacturing PMI spoiled the party," said Matt Simpson, a senior analyst at ThinkMarkets.

The common currency clocked a gain of more than 4 percent in May for the second consecutive month. A break of A\$1.5363 would target the May 2016 high of A\$1.5644.

The Aussie fell hard against the safe-haven Swiss franc to stand near one-year lows.

The dollar was trading against the Indian rupee at Rs 64.475, the greenback was at 4.287 versus the Malaysian ringgit and the US currency was at 6.800 in terms of the Chinese yuan.

Inter bank buy/sell rates for the taka against the dollar on Thursday: 80.57-80.57 (previous 80.57-80.57).

OPEN MARKET RATES: The rupee was unmoved in terms of the dollar for buying and selling at Rs 105.90 and Rs 106.10 respectively, they said. The rupee shed 10 paisas versus the euro for buying and selling at Rs 118.50 and 120.00 respectively, they said.

Open Bid	Rs. 105.90
Open Offer	Rs. 106.10

Interbank Closing Rates: Interbank Closing Rates for Dollar on Friday.

Bid Rate	Rs. 104.86
Offer Rate	Rs. 104.88

RUPEE IN LAHORE: The Pak rupee showed mixed patterns as it moved both ways against the US dollar in the local currency market on Thursday.

According to currency dealers, the dollar commenced trading on a mixed pattern following divergent trend in the market. At the close, it was ended at Rs 105.90 and Rs 106.10 on buying and selling sides as compared to the overnight closing rates of Rs 105.80 and Rs 106.15 respectively, they added.

Moreover, the national currency registered reduction versus the pound sterling. The pound's buying and selling rates went up from Wednesday's closing rates of Rs 135.00 and Rs 135.80 to Rs 135.50 and Rs 136.50 respectively, they said.

RUPEE IN ISLAMABAD AND RAWALPINDI: The rupee was unchanged against the dollar at the open currency markets of Islamabad and Rawalpindi here on Thursday.

The dollar opened at Rs 105.90 (buying) and Rs 106 (selling) against last rate of Rs 106.05 (buying) and Rs 106.15. It closed at Rs 105.90 (buying) and Rs 106 (selling). Pound Sterling opened at Rs 135 (buying) and Rs 135.50 (selling). It closed at the same rate.

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Foreign investors repatriate $1.5bn in July-April

RIZWAN BHATTI

KARACHI: Foreign investors repatriated $ 1.5 billion on account of profit and dividend during July-April of this fiscal year (FY17).

Economists said improved financial results of the corporate sector have scaled up repatriation of profit and dividend by foreign investors. "The massive increase in the repatriation of profit and dividend reflects that the country's economy is gradually improving and foreign investors are getting better margins on their investments in Pakistan," they added.

The higher outflow of profit and dividend also reflects that Pakistan is still an investment-friendly market, that can produce better margins for foreign investors, economists said.

According to the State Bank of Pakistan (SBP), the repatriation of profit and dividend by foreign investors maintained an upward trend and posted a growth of 5 percent during the first 10 months of the current fiscal year. Foreign investors repatriated some $ 1.521 billion on account of profit/dividend during July-April of FY17 against $ 1.456 billion during the same period of last fiscal year (FY16), depicting an increase of $ 65.2 million.

Major outflow of profit and dividend has been witnessed from Foreign Direct Investment (FDI) and cumulatively, some 80 percent of the repatriated amount has been sent as returns on FDI. The detailed analysis revealed that repatriation on account of FDI has posted some increase, while repatriation from Foreign Portfolio Investment (FPI) witnessed a declining trend.

During the period under review, repatriation from FDI rose by 8 percent. Foreign investors sent $ 1.233 billion on account of return on FDI during 10 months of the current fiscal year compared to $ 1.140 billion in the corresponding period of last fiscal year, showing an increase of $ 93 million.

The repatriation of profit and dividend on account of FDI is lower than overall FDI that was attracted by Pakistan during this fiscal year. The country fetched FDI amounting to $ 1.733 billion during July-April of FY17.

With 10 percent decline, foreign investors repatriated $ 288.7 million on account of returns on portfolio investment during July-April of FY17 compared to $ 316.7 million in the corresponding period of last fiscal year.

Most of the repatriation has been made from financial business, ie, $274 million, food sector $194.7 million, chemical $107.6 million, oil and gas $ 102 million and power sector $160 million.

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Minister, NA body members slam Finance Ministry, FBR

RECPORDER REPORT

ISLAMABAD: Federal Minister for National Food Security and Research Sikander Hayat Khan Bosan and even the members of the National Assembly Standing Committee on Finance criticised the Ministry of Finance as well as Federal Board of Revenue (FBR) for not considering the basic needs of agriculture sector which is the backbone of the national economy.

The committee met in the chair of Qaiser Ahmed Sheikh. The meeting started with a brief description of budgetary measures to support the agriculture sector, and it was noted that each province should establish its own agriculture banks to finance its farmers in their respective areas.

Qaiser Ahmed Sheikh said that it is a technical committee and the members have tried to maintain the standard of discussions above the party lines, adding, “We need to highlight the flaws and shortcomings for the larger benefit of system and the country.”

The chairman of the committee asked Sardar Sikander Bosan, Minister for Food Security to express the concerns of the farmers and those affiliated with rural economy. The minister was the special invitee in the committee.

Bosan said that FBR has been unfair with the agriculture sector by not rationally executing the directives of the Prime Minister and the Finance Minister.

“Similarly the banking sector too has been unfair with us, the loans being disbursed to agriculture sector has the highest rate of mark-up, and vast majority of loans are being disbursed to traders and middlemen instead of farmers,” Sardar Sikander Bosan said.

Responding to his complaint, Secretary Finance Tariq Bajwa said that cost of processing loans for the farmers is significantly high, while risk factors are high too.

Discussing the subject, the committee members agreed that the provinces need to establish their own agriculture banks and provide subsidies to the farmers from their own budget.

The other main issue highlighted by the minister for food securities was, what he called, irrational subsidies on fertilizers.

“The subsidies have been provided irrationally by the FBR which are contrary to the announcements made by finance minister in budget speech,” he said and informed the committee that urea is based on ‘nitrogen’ but the prices of other supplements based on nitrogen have not been decreased.

“Such a situation creates an awkward situation for us, as people ask why the other fertilizers were being sold at same price,” the minister said.

The minister added that similarly the price of DAP fertilizer has been rationalised in the new budget but nothing has been done for other ‘phosphate’ based fertilizers.

The committee was informed that a meeting will be held with officials of the Ministry of Food Security, FBR and the representatives of fertilizer companies in the Finance Ministry to streamline the matter.

“We are meeting them on Saturday and prices of all fertilizers will be reduced accordingly,” the secretary finance said.

Interestingly, Pervaiz Malik of PML-N flayed the federal budget 2017-18 and said opposed to the expectations there was nothing for revival of industries in the budget. He made a reference of the tractors being manufactured in the country.

The committee members noted that the tractors being manufactured it Pakistan are based on six decades old technology and it was decided that feedback may be sought from the Engineering Development Board over the matter.

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Anti-dumping cases of NTC: LHC dismisses 77 petitions of importers

RECORDER REPORT

ISLAMABAD: Lahore High Court (LHC) has dismissed 77 writ petitions filed by importers of ceramic tiles, steel, hardware, chemicals, packaging/paper materials in anti-dumping cases of National Tariff Commission (NTC).

It is learnt that the judgment (WP no. 39536 of 2016) has been announced by Justice Ayesha A.Malik of LHC in Anti-dumping cases. All the writ petitions 77 in numbers have been dismissed some of which are dismissed with costs. A penalty of Rs.100, 000 per petitioner has been imposed on all those petitioners who took stay orders from different judges by misrepresenting the facts during proceedings. The net effect of this judgment is that all the importers who took stays against preliminary determinations will have to deposit whole of the anti-dumping duties accrued since imposition, sources said.

According to the judgment of LHC, this common judgment decides upon the issues raised in the Writ Petitions. The petitioners are primarily importers of ceramics tiles, steel, hardware, chemicals, packaging and paper material, amongst other things from China who have challenged the Notice of initiation, Notice of Preliminary Determination and Notice of Final Determination, collectively referred to as ("The Notices") issued by Respondent No.2, National Tariff Commission ("Commission"). The common grievance of the Petitioners is that the Commission could not issue the Notices essentially on account of the fact that the Commission does not in accordance with the provision of the National Tariff Commission Act, 2015 ("Act") as the Chairman and the Members of the Commission have not been appointed by the Federal Government as required under the Act. It is also the grievance of the Petitioners that the Chairman and the members of the Commission do not fulfill the requirements of Section 5 of the Act and were not eligible to be nominated Chairman or members of the Commission.

The counsel for the Petitioners argued that the Notices' were required to be issued by a duly constituted Commission, however since it was not constituted in accordance with the requirements of the Act as per the dicta laid down in Mustafa Impex, hence there was no lawfully constituted Commission which could have issued the Notices. The Counsel further argued that the orders of the Commission are all coram non judice and without jurisdiction. Therefore; the petitioners have prayed that their writ petitions be accepted, the Notice and consequent proceedings be set said for being without lawful jurisdiction. It was also argued that the Members and the Chairman of the Commission do not qualify the criteria given in Section 5 of .the Act for the position of Member and Chairman of the Commission. The specific argument was that the Chairman does not qualify as per the given criteria since he holds a B.Sc (Honour) degree and does not have a Master's degree in the relevant specialization as contemplated under the Act. It was also argued that the Notification appointing Chairman and Members dated 5.9, 016 did not satisfy the requirements of Mustafa Impex and since the matter was never placed before the Federal Cabinet, therefore the said Notification and the appointments are illegal for being contrary to the Act. Learned counsel argued that ,neither the decision of the Cabinet dated 22.3.2017 specifically contemplates the eligibility of the members for the purposes of their appointment nor can the cabinet give retrospective applicability to the Notification dated 5.9.2016 as it is in violation of the Constitutional requirement that the matter be duly considered, by the Cabinet.

The report and para-wise comments have been filed by, Respondent Commission in WP Nos.38543/16 and 38144/16. Arguments were made on behalf of the Federation in support of the appointment process, the constitutionality of the decision making process for appointing the Members and Chairman of the Commission and with respect to their satisfying the eligibility criteria.

The petitioners have raised two issues before the Court; the first is with respect to the appointment of the Commission and the second is with respect to the illegality of the Notices on account of the fact that a lawful Commission has not issued the Notices. The entire case of the Petitioners is premised on the ground that the commission was not appointed or notified, as required under the law.

LHC order added that it is noted that these case are contested cases which were part heard by this Court on regular basis. An adjournment was granted to the Federation in order to respond to the issues raised with respect to the constitution of the Commission and the eligibility of the Members. The cases were argued at great length in WP No.39536/2016 along with connected petitions and interim relief was either not granted in fresh cases or withdrawn in earlier cases. It is also noted that the day to day arguments proceeded with the consent of the parties given that the Court did not grant interim relief. This fact was not disclosed by the Petitioners in WP Nos. 5240/17, 5242/17 and 5336/17 being the Petitioners in WP No.6042/17 and instead they portrayed inconsistency in the Court's order. These acts of the Petitioners were malafide with the intent to abuse the process of the court and to obtain an order without disclosing the proper facts. Under the circumstances, the Petitioners in WP No.6042/17 are imposed cost in the amount of Rs.100, 000/- each for filing a petition without disclosing the earlier WP Nos.5240/17, 5242/17 and 5236/17 which will be deposited with the Deputy Registrar (Judicial) of the court within one week's time positively on account of frivolous petition and abusing the process of the Court. If the Petitioner fails to deposit the cost within the stipulated period of time, the same shall be recovered from them as arrears of land revenue.

In view of the aforesaid, no case for interference is made out. All the Petitions are dismissed, LHC order added.

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ANALYSIS
Cotton prices remain steady

DR ZAFAR HASSAN

LAHORE: Ready cotton prices for current crop (August 2016/July 2017) were reported to be steady on Thursday even if volume of sale remained moderate. According to the traders, about 100,000 bales to 125,000 bales from the outgoing crop is still lying unsold with the ginners which is mostly said to be of fair to good quality. A sale of 1067 bales from Rahimyar Khan was reported at Rs.6750 per maund (37.32 Kgs)

Small quantities new crop cotton (August 2017 / July 2018) is also selling in the market. A sale of 200 bales of new crop cotton from Burewalla in Punjab reportedly produced from seed cotton from Sindh was finalized at Rs.7000 per maund (37.32 Kgs) for delivery from tenth to the 15th of June, 2017. Current crop (2016/2017) prices of cotton reportedly ranged from Rs.6500 to Rs.7000 per maund, according to the quality.

New crop cotton (August 2017/July 2018) in Punjab is reported to be coming up well but new crop from Sindh is slightly delayed due to shortage of water. However, it is said that later on Sindh output may also pick up though it is presently lagging behind. The nearby prices in the global cotton market are said to be firm.

A couple of factories in Shahdadpur in Sindh and Burewalla in the Punjab may start pressing of new cotton from the tenth to 15th of June 2017. Prospects of new crop cotton (2017/2018) are reported to be good in China, the United States and India.

The All Pakistan Textile Mills Association (APTMA) rejected the federal budget 2017/2018 last Wednesday due to very small allocation of Rs.5 billions against Rs.180 billions announced by Prime Minister Nawaz Sharif under the export growth package announced earlier. APTMA Chairman Amir Fayyaz was very disappointed at the meagre amount of Rs.5 billion announced in the budget to support and revive the textile industry. Amir lamented that textile industry plays a large part in the country's economy but it is being neglected. Thus Pakistan's exports and employment are suffering seriously. Chairman Amir Fyyaaz announced his rejection of the federal budget in the presence of (APTMA) group leader Gohar Ijaz and Vice Chairman Ali Pervaiz.

The Karachi Cotton Association (KCA) Chairman Muhammad Atif Dada has wholeheartedly welcomed the decision of the federal government announced in the recent federal budget on 26-05-2017 that in order to stabilise cotton prices in the country, a system of Hedge Trading for the domestic cotton will be initiated in consultation with all the stakeholders. Chairman KCA explained that cotton market involves tremendous risk which necessitates some system to introduce price insurance to stabilise the cotton prices due to their volatility and fluctuations which requires adopting Cotton Hedge Trading.

The Chairman KCA added that Hedge Trading performs an economic function by providing a cover to price fluctuations. KCA has the necessary experience and expertise to run a Cotton Hedge Market and has pleaded for the reopening of the Hedge Market under its auspices several times over the past many years. KCA has the necessary infrastructure, testing machinery and the desired instrumentation for running cotton Hedge Trading with the participation of all the stakeholders including ginners, spinners, exporters and growers.

The KCA should be allowed to resume Cotton Hedge Trading as soon as possible for the overall benefit of cotton trade. On the global economic and financial front, major events like the massacre event of 22nd of May, 2017 at Manchester which killed numerous people followed by president Donald Trump's remarks on America following an isolationist

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policy are threatening the world socioeconomic system so painstakingly built by America, United Kingdom, Germany and the likes of France that has succeeded systemically for nearly three quarters of a century.

It is now increasingly clear that president Trump wants to implement many if not most of his campaign promises quite a few of which were earlier deemed as his electoral ploys. In this regard, political upheaval continues to rule at the White House. His recent meeting with Chancellor Angela Merkel a few days ago in Germany reportedly resulted in a war of words as he clashed with the Chancellor as transatlantic tensions rose in a unprecedented manner.

It all started when president Trump accused Germany of unfair trade relations and also not supporting NATO expenses fairly. Moreover, Trump also appeared annoyed over a large trade gap America has with Germany. Quite expectedly, Germany launched scathing criticism of president Trump blaming America for its shortcomings.

As was expected, the German Foreign Minister Sigmar Gabriel launched a scathing criticism and is said to have unleashed a barrage of critical shots at Trump's administration. Gabriel blamed Trump of weakening the West. Germany has also lambasted Trump's protectionist policies. It is not only Germany which has seen the ire of president Trump, but relations between the United Kingdom and America stand fractured.

Another target president Trump has chosen for his regular volleys of tirades is the Climate Agreement which was finalised on the fifth of October, 2015. The basic idea of the Paris Agreement is to bring all the nations around the world together to fight the ill effects of Climate change, including providing assistance to the developing countries by controlling rise in global temperature also reducing it to lower levels. However, president Trump is said to be poised to opt out of the Climate Agreement. Mr. Trump believes that it would cost the American economy trillions of dollars without any tangible or corresponding benefit.

Besides the problems originating from the envisaged American change in its business or corporate policies with certain countries, some other countries are in dire straits around the world. Venezuela is reported to be in a crumbling state due to its economic and political policies and remains on the edge. Iran is said to be suffering mass unemployment. Yemen is said to be facing total collapse, while Libya is bursting at its seams. Brazil and South Africa are also facing economic downturn. A new global economic order may yet evolve which may stabilise the diverse economies more equitably.

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Rates firm on modest activity

RECORDER REPORT

KARACHI: Prices held the present levels on the cotton market on Thursday in the process of modest trading, dealers said.

The official spot rate was unchanged at Rs 6800, they said. In the ready session, over 2500 bales of cotton changed hands between Rs 6800 and Rs 7100, they said.

Market sources said that some needy mills and spinners showed interest in fresh purchasing of fine quality.

They also said that import of Indian yarn have increased because the production cost of cotton yarn in Pakistan was 16.5 percent up as compared to India.

Other analysts observed that good quality of cloths coming from other countries and all these are not very encouraging for the local textile industry.

They said that local textile industry is demanding relief and other packages to revive the industry but the government has failed to provide incentives so far.

Cotton analysts, Naseem Usman said as a whole trend in the local market is slow but steady.

Cost of doing business in the country is becoming so difficult because shortage of gas and power is increasing with the passage of time, instead of reducing, other experts said.

Adds Reuters: ICE cotton futures closed mostly unchanged on Wednesday on favourable weather conditions for planting of the natural fibre.

The December cotton contract on ICE futures US settled up 0.04 cent, or 0.05 percent, at 72.79 cents per lb. It traded within a range of 72.35 and 72.9 cents a lb.

The July cotton contract on ICE Futures US touched a near three week low of 76.71 cents per lb.

Total futures market volume fell by 686 to 21,521 lots. Data showed total open interest fell 491 to 241,493 contracts in the previous session.

The dollar index was down 0.27 percent. The Thomson Reuters CoreCommodity CRB Index, which tracks 19 commodities, was down 0.86 percent.

The following deals reported as 2000 bales of cotton from Haroonabad sold at Rs 7100 (conditionsal), 136 bales from Pakpattan at Rs 6800 and 400 bales from Bahawalpur at Rs 7000, they said.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2016-17 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/16" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL

Rate For	Ex-Gin Price	Upcountry Expenses	Spot Rate Ex-Karachi	Spot Rate Ex-Karachi As on 31.05.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,800	135	**6,935**	**6,935**	NIL
40 Kgs	7,288	145	**7,433**	**7,433**	NIL

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New York cotton nearly flat

NEW YORK: ICE cotton futures closed mostly unchanged on Wednesday on favourable weather conditions for planting of the natural fibre.

"People are still worried about the size of the crop for the next year ... the weather for planting continues to be good," said Gabriel Crivorot, analyst at Societe Generale in New York.

"In India the monsoon I think it will be at normal for the first time in a while, so expectations for actually yielding the crop so far have been good."

Federal data released on Tuesday showed 63 percent of cotton crops were harvested in the United States by the week ended May 28, up from 52 percent in the previous week.

"Crop plantation is going on fine as there is plenty of water with rains expected in Texas," Peter Egli, director of risk management at British merchant Plexus Cotton.

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The US export sales data from the US Department of Agriculture is due on Thursday.—Reuters

New York cotton

RECORDER REPORT

The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
May'17	76.96	77.50	76.81	77.16	14:20 JUN 01	77.16	0.18	11569	76.98
Jul'17	-	-	-	75.04	14:20 JUN 01	75.04	-	-	75.04
Oct'17	72.62	73.20	72.48	73.13	14:20 JUN 01	73.13	0.34	7961	72.79

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Finance Bill 2017: Why tax exemption for political parties?

Huzaima Bukhari and Dr Ikramul Haq

In a country where the Finance Minister is accused of money laundering [What did Ishaq Dar 'confess' to during the Hudaibiya Paper Mills reference in 2002, Dawn, April 20, 2017] and Special Assistant to Prime Minister on Revenue is allegedly claiming refuge under the Protection of Economic Reforms Act, 1992 for remittance of Rs. 700 million from undisclosed [Policymakers also benefit from foreign remittances, The News, September 4, 2015], it is not surprising that their friends sitting in Federal Board of Revenue (FBR) craftily, suggest a blanket tax exemptions for political parties while denying the same to other non-profit organisations [NPOs]. This is not only a sheer mockery of law but an abhorrent attitude—an open defiance of democratic values and respect for rule of law.

The Finance Bill 2017 proposes harsh amendments against NPOs. If these are passed by the Parliament (which having majority, PML-N will easily manage), the NPOs will have to restrict administrative expenses to 15% of total receipts, and will be subjected to 10% tax for money received/available but not spent during the tax year. How is it possible to spend all the money when many donations are received during the last days of closing of accounts and there is need to set apart money for capital outlays e.g. improving infrastructure etc? The so-called wizards sitting in FBR cannot even comprehend ground realities!

It is pertinent to mention that NPOs were exempt prior to tax year 2014 when under the new section 100C of the Income Tax Ordinance, 2001 this exemption was converted into 100% tax credit on fulfillment of certain conditions. Interestingly, all political parties [about 337 are registered with Election Commission of Pakistan (ECP)] failed to file returns as required under the law. When the tax officer issued a notice to the ruling PML-N, the Finance Minister asked his brilliant (sic) team at FBR to block this move. The more loyal than king duo at FBR, infamous for drafting laws, readily obliged him and in the Finance Bill 2017, it is proposed by way of clause (143), Part I, Second Schedule to the Income Tax Ordinance, 2001 that exemption will be available to "any income derived by a political party registered under the Political Parties Order, 2002 with the Election Commission of Pakistan".

The proposed law is in blatant violation of Articles 4 and 25 of the Constitution of Pakistan. It is shocking that a different treatment is given to other NPOs under section 100C of the Income Tax Ordinance, 2001. Rule 4 of the Political Parties Rules, 2002 says that "every political party shall maintain its accounts in the manner set-out in Form-I indicating its income and expenditure, sources of funds, assets and liabilities and shall, within sixty days from the close of each financial year (July-June), submit to ECP a consolidated statement of accounts of the party audited by a Chartered Accountant, accompanied by a certificate, duly signed by the Party Leader to the effect that no funds from any source prohibited under the Order were received by the party and that the statement contains an accurate financial position of the party."

Our political parties seldom prepare accounts reflecting their actual affairs. They openly defy Rule 4 of the Political Parties Rules, 2002. The purpose of this Rule is to enable voters, political workers and civil society to know about transparency in financial matters of political parties, but ECP is least bothered to enforce it. Now with complete and unqualified tax exemption proposed, there will be no effective mechanism to scrutinise their financial affairs.

It is a matter of record that political parties in Pakistan have not been filing tax

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returns and we wrote about this non-compliance in 2014 [Democratisation of political parties, Business Recorder, November 14, 2014]. FBR until recently did not issue notices for this default. A brave officer in Islamabad did this and it irritated the ruling party. Instead of complying with the law, the Finance Minister has presented a proposal for blanket exemption in the Finance Bill 2017.

In India, there is a mandatory provision of law [section 13A of Income Tax Act, 1961] requiring political parties to file returns. The Chief Election Commissioner of India invariably asks the Indian Central Board of Direct Taxes (CBDT) to scrutinise accounts submitted by political parties. In the same manner, the Central Information Commission of India directs Income Tax Department to disclose in public interest, details of donors mentioned by political parties in their tax returns. With this information in public domain, the Commission ensures transparency in the funding of both small and big parties, besides block the flow of black money in the electoral process. In Pakistan, neither ECP nor FBR has ever bothered to consider this vital matter.

All the members of National Assembly and senators, irrespective of political affiliation, should resist blanket exemption for political parties. They should ask for making filing of tax returns mandatory for all registered political parties, as is the case in all democracies.

The declarations filed by political parties should be scrutinised and made public with any citizen having the right to question their veracity. Donations received by parties should qualify for tax credits, Political parties are considered NGOs all over the world, working for public good. In Pakistan, we have not yet promoted the idea that political parties should be exemplary non-profit organisations fully committed to furthering the cause of public consciousness and welfare on all matters related to governance. This idea is important from many angles. Once people associate themselves with a particular party having clear objectives and aims, they also extend financial support for their achievement, thus eliminating the influence of undesirable ‘financiers—people with money power taking control of parties for personal gains. Meaningful participation of masses in democracy and electoral process can only be ensured if they have the right to question their leaders about use of their money. By making it mandatory for political parties to file tax returns and offer accounts for public scrutiny, we can make them responsible and accountable before voters.

(The writers, tax lawyers and partners in HUZAIMA, IKRAM & Ijaz, are Visiting Faculty at Lahore University of Management Sciences)

DAWN
Friday, 2nd June, 2017

Inflation edges up to reach 5 per cent in May

Mubarak Zeb Khan

KARACHI: The price of potatoes in May increased 19.88pc while that of onions decreased 10.67pc on an annual basis. With 37.47pc weight in the CPI, the food group showed an annual increase of 4.9pc last month.—White Star

ISLAMABAD: Inflation remained five per cent in May compared to 4.8pc in the preceding month because of an increase in the prices of petroleum and perishable products.

Inflation rose 0.2pc month-on-month in May compared to a 1.3pc increase in the previous month and 0.2pc in May 2016, according to figures released by the Pakistan Bureau of Statistics (PBS) on Thursday.

Main inflation is measured through the Consumer Price Index (CPI), which tracks prices of around 480 commodities every month in urban centres across the country.

Read more: Exasperated consumers leverage technology in attempt to control runaway fruit prices

The government believes the uptick in inflation is due to rising international commodity and oil prices along with an increase in domestic demand following a pickup in economic activities.

Average annual inflation in the first 11 months of 2016-17 was 4.18pc against 2.82pc a year ago. The trend suggests inflation for 2016-17 will remain below the target. The target for annual inflation is 6pc. In the preceding fiscal year, average annual inflation was recorded at 2.86pc.

The food group with 37.47pc weight in the CPI showed an increase of 4.9pc in May.

On a month-on-month basis, food inflation was 0.2pc in May due to an increase of 18.10pc and 2.40pc in the prices of perishable and non-perishable products, respectively.

The price of potatoes in May increased 19.88pc, fresh fruits 10.12pc, pulse gram 2.35pc, rice 2.01pc, beverages 1.8pc, gram whole 1.76pc and pulse mash 1.24pc.

Also see: Up to 300pc increase in prices of fruit, vegetables

Core inflation, which excludes volatile food and energy prices, was recorded at 5.5pc in May, up 0.2pc from the preceding month. The gradual build-up of domestic demand is evident in rising core inflation, which covers the price movement of 43 items.

Core inflation has remained subdued since November 2015 because of a tighter monetary policy.

The State Bank of Pakistan (SBP) uses core inflation while formulating its monetary policy. Thus, the effect of monetary policy on prices reflects on core inflation with a lag, making it a good predictor of the future CPI.

Non-food inflation was 5.1pc in May, showing an increase of 0.2pc over the preceding month. Crude oil prices increased 17pc in the last 11 months. However, a partial impact of this increase was passed on to end-consumers in the country.

Education and health indices rose 11.17pc and 13.46pc, respectively, in May on an annual basis. The index of clothing and footwear rose 3.68pc and that of housing, water, electricity, gas and other fuels rose 5.12pc.

Meanwhile, the Sensitive Price Index edged up 1.58pc and the Wholesale Price Index rose 4.11pc in May.

DAWN
Friday, 2nd June, 2017

Reserves rise $763m

The Newspaper's Staff Reporter

KARACHI: Pakistan's total liquid foreign exchange reserves amounted to $21.77 billion on May 26, up $763 million or 3.63 per cent from a week ago, the State Bank of Pakistan (SBP) said on Thursday.

Reserves of the SBP increased $709 million to $16.92bn due to official inflows. Commercial banks held net foreign exchange reserves of $4.84bn on May 26, up 1.1pc from the preceding week.

DAWN
Friday, 2nd June, 2017

Govt to raise Rs3.6tr in three months

Shahid Iqbal

KARACHI: The cash-starved government will raise Rs3,650 billion through treasury bills and the Pakistan Investment Bonds (PIBs) in June-August, said the State Bank of Pakistan (SBP) on Thursday.

The amount is almost equal to the revenue target for 2016-17.

The government relies heavily on domestic and foreign borrowings to meet rising expenditure. The government has allocated over Rs1 trillion for development next year, which will require higher revenues. But it seems the government will borrow more heavily to execute the Public Sector Development Programme (PSDP).

The SBP reported that Rs3.4tr will be raised through treasury bills in the next three months. The maturing amount of treasury bills during this period is Rs3.137tr. This means an additional amount of Rs262bn will be raised in the period under review.

In the case of PIBs, the government will raise significantly less than the maturing amount in order to bring down its bond holdings.

High-yield PIBs were launched to attract long-term investments. But the recent decline in the interest rate has made PIBs an unattractive borrowing instrument for the government. The outstanding stock of PIBs is Rs4.27tr. Banks hold Rs3tr of PIBs while the rest is held with non-banks and the corporate sector.

The government will raise Rs250bn through PIBs in the three-month period while the maturing amount is Rs734bn. Higher borrowing through treasury bills will help the government meet liquidity needs arising out of maturing PIBs.

For the last year and a half, the government has been trying to reduce the volume of PIBs, which often carry a double-digit interest rate.

With one month left before the end of 2016-17, borrowing for budgetary support has reached Rs849.5bn. This means borrowing can easily surpass the Rs1tr mark for 2016-17.

The government did not borrow from commercial banks this year as it relied mostly on the SBP.

The government changed its strategy again in May. Instead of retiring commercial banks' debt, the government borrowed Rs109bn.

Analysts believe government borrowing from commercial banks can be higher in June since the budget for 2017-18 has already been presented.

DAWN
Friday, 2nd June, 2017

Cotton price steady

From the Newspaper

MULTAN: Cotton prices remained steady on Thursday amid slow trading. However, yarn prices edged up by Rs10 to Rs15 on various verities.

A cotton broker said spinning-mill owners and exporters were watching the situation carefully ahead of the new crop arrivals.

The arrival of new cotton has been started in Sindh. On Thursday, deals of some 190 maunds of new crop took place in Badin at Rs3,500 to Rs3,525 a maund (around 37 kilograms).

Cotton experts believe that a ban by the Punjab government on the sowing of cotton before May 1 was a wise decision which helped to delay pest attack on the crop. However, the government lifted the ban on April 10.

Khawaja Muhammad Shoaib of Farmers' Vision Forum said the government should not have allowed the sowing before May as it showed the weakness of the government. "The decisions should be taken with proper study and consultation," he said. Major deals on the ready counter were: 2,000 bales from Haroonabad at Rs1,000 (conditional) per maund, 400 bales from Bahawalpur at Rs7,000, 136 bales from Pakpattan at Rs6,800, 1,030 bales from Rahim Yar Khan at Rs6,750, 400 bales from Khanpur at Rs7,000 and 200 bales from Sadiqabad at Rs6,950.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2015-16 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/32" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL

Rate For	Ex-Gin Price	Upcountry Expenses	Spot Rate Ex-Karachi
37.324 Kgs Equivalent	6,800	135	6,935
40 Kgs	7,288	145	7,433

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MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.70	104.90	105.90	106.10
UK	134.31	134.57	135.75	137.25
Euro	117.01	117.23	118.50	120.00
S.Arabia	27.92	27.97	28.20	28.40
UAE	28.45	28.51	28.85	29.05
Japan	0.9420	0.9438	0.9469	0.9669

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.89	6.14
Six months	5.91	6.16
One year	5.96	6.46

LIBOR

Special US dollar bonds for May 31

Three months	1.21000 %
Six months	1.41878 %

THE NEWS
Friday, 2nd June, 2017

Cotton output feared to fall short of 2mln bales against this year’s target

LAHORE: Pakistan’s cotton output is feared to fall short of around two million bales this year against an annual target of 14 million bales as water shortage, late sowing and inept management are virtually nipping the country’s cash crop in the bud, said agriculture experts.

The experts said around one third of the new crop was planted after a lapse of the optimum sowing time. The half-baked cotton management plan and lingering water shortage have adversely affected cotton sowing pattern, sparking a fear of low production of silver fibre, they added.

The annual target for cotton output was set at 14.04 million bales (of 170-kilogramme each). “Even after achieving target of per acre yield, which is again questionable due to late sowing, the national crop size could maximum be around 12 million bales,” said an expert. Production could adversely be affected in the major producing belt. Even the target of cotton sowing is likely to fall short of targeted area in both Punjab and Sindh.

Cotton could only be planted on less than 65 percent of the targeted area till May 20, which is considered as the optimum time of sowing for getting maximum production. Officials said cotton sowing should ideally be completed by mid-May to the third week in most parts of Sindh and Punjab. Only some varieties are allowed to sow in core zone of Punjab by May 31, they said.

“Late sowing always attract problems associated with harsh weather and disease onslaught, causing a dent in the per acre yield,” said an expert. Official estimates said cotton output is still around 10 percent short of target of 3.11 million hectares by May-end. In Sindh, cotton sowing is around 25 percent short of the target.

The United States Department of Agriculture forecast Pakistan’s cotton output for 2017/18 at around 11 million bales (of 170kg each), based on an assumption of a modest expansion in area as compared to the previous year.

Ihsanul Haq, chairman of the Pakistan Cotton Ginners Forum said cotton plantation is affected in Rahim Yar Khan district. “Farmers in several districts opted to rather sow maize, sunflower, potato and sugarcane,” Haq said.

Zafar Yab Haider, director general of Punjab agriculture extension department admitted that there is a possibility of not achieving the cotton sowing target this year due to water shortage.

The decision of the Punjab government to ban cotton sowing before 15 April also caused low crop plantation. The order was issued as a precautionary measure to save the cotton crop from pink bollworm.

Mia Asim, a farmer from Vehari district, clinched a stay order from a court against the ban and went ahead with the plantation in March instead. “My early sown cotton is blossoming well, while farmers who followed recommendation of the agriculture department had to fight with pest,” Asim told this scribe.

He said cotton production target may be hit this year. “Farmers could not plant cotton as per the official target in several districts of South Punjab.” Zafar Hayat, a well-known cotton grower from Multan said the agriculture department’s drive usually has no impact on farmers.

“Growers this year have to some extent again decided to sow cotton, but it is purely due to a fact that they are not getting much money by producing other crops,” Hayat said. “Farmers feel that they can get better price of cotton crop this year and that is why they are opted to cultivate cotton in southern districts of Punjab.”

THE NEWS
Friday, 2nd June, 2017

Inflation rises 5.02 percent in May

ISLAMABAD: Consumer price index (CPI) on year-on-year basis during May 2017 witnessed an increase of 5.02 percent as compared to the corresponding month of the last year, said Asif Bajwa, chief statistician of Pakistan Bureau of Statistics (PBS), while presenting data of the monthly inflation figures during a press conference on Thursday.

On month-on-month basis, inflation posted a nominal increase of 0.01 percent in May 2017 as compared to April 2017. According to the data, average CPI-based inflation during the first 11 months of the current fiscal year (July-May) increased 4.18 percent as compared to the same period of the previous year.

The PBS collects the retail and the wholesale prices and computes the CPI and wholesale price index (WPI) on a monthly basis, while the sensitive price indicator (SPI) is calculated on a weekly basis.

In May 2017, the WPI increased 0.20 percent, while SPI decreased 0.89 percent, the data showed. The non-food and non-energy core inflation during May was recorded at 5.5 percent as compared to 4.6 percent during May 2016.

The trimmed core inflation has been registered at 4.8 percent in May as compared to May 2016, the data revealed. On year-on-year basis, the top few items that witnessed increase in prices in May 2017 included potatoes (70.09 percent), tomatoes (59.28 percent), Dettol (47.98 percent), cucumber (43.05 percent), muskmelon (37.28 percent), apple (28.19 percent), mango (26.03 percent), watermelon (24.45 percent), tea (24.13 percent) and gram whole (21.42 percent).

The top few items that witnessed decrease in prices in May included pulse mash (24.48 percent), pulse moong (17.98 percent), pulse masoor (14.56 percent), onions (9.58 percent), cardamom large(8.7 percent), chicken (7.4 percent), sugar (6.82 percent), chilly powder (5.45 percent), and pulse gram (5.32 percent).

THE NEWS
Friday, 2nd June, 2017

Govt to borrow Rs3.65trn in June-August

KARACHI: The government plans new borrowing of Rs3.650 trillion from the banks through sale of treasury and long-term papers in June-August period to finance the budget deficit.

The State Bank of Pakistan (SBP) released auction calendars for the months June to August on Thursday. It said the government would raise Rs3.400 trillion through the sale of three-, six-, and 12-month market treasury bills.

The government also set to borrow Rs250 billion from the banks via three-, five-, 10 and 20-year Pakistan Investment Bonds (PIBs) during the period under review. Government reliance on bank borrowing to fill the budget gap continued to rise on the back of decline in tax and non-tax revenues. Moreover, development and security development spending pushed the government's borrowing needs up.

The government borrowed Rs850 billion from commercial banks for budgetary support in July-May FY17, compared with Rs502 billion during the same period of the last fiscal year.

In the next fiscal year, the government expects to borrow Rs391 billion from the banks. This borrowing compares with Rs741.3 billion planned for the current year. The government expects budget deficit to be 4.1 percent of gross domestic product in the 2017/18 fiscal year, down from 4.2 percent recorded for the current one.

The government also seems to meet its funding requirements through raising debt from the domestic market. Similarly, banks' share in the domestic debt remained higher. Figures issued by the central bank showed that commercial banks' holdings in the government securities rose to Rs7.021 billion as on April 30, compared with Rs6.042 billion in the corresponding period of last year.

THE NEWS
Friday, 2nd June, 2017

Pakistan stocks plunge 3.6 percent as budget, MSCI spooks investors

Sell-off gathers pace

KARACHI: Stocks tumbled over 3.5 percent on Thursday, posting their biggest single-day drop since August 2015 as foreign investors sold off shares valued at $16.5 million on the day the country reentered Emerging Market index, dealers said.

"Today marked the first day of Pakistan's re-entry to the emerging market stage, who would have thought it would bring about the single largest points decline in the history of the bourse," said analyst Adnan Sami Sheikh at Topline Securities.

"Relentless selling spilled over from yesterday, with participants opening the flood gates in wake of net FIPI (Foreign Investors Portfolio Investment) outflow of $82million yesterday against expectation of net inflows."

The Pakistan Stock Exchange (PSX) benchmark KSE-100 shares index lost 3.58 percent or 1,810.76 points to close at 48,780.81 points. KSE-30 shares index shed 4.05 percent or 1,081.59 points to close at 25,607.37 points. As many as 394 scrips were active of which 35 advanced, 352 declined and 07 remained unchanged.

The ready market volumes stood at 403.935 million shares as compared with the turnover of 410.816 million shares a day earlier.

Dealers said all classes of investors followed the footsteps of foreign funds and opted for offloading as the volume of speculative buying seemed to have surpassed actual fresh demand from passive funds.

Ahsan Mehanti at Arif Habib Limited said panic selling continued amid concerns over unexpected foreign outflows after MSCI EM upgrade and pressure in global crude prices on supply glut risks.

"Stocks fell across the board as investors remained concerned over single capital gains tax slab, higher divided tax inviting record fall at the PSX."

Dealers said the inclusion day turned out to be completely contrary to expectations in terms of foreign flows and market performance, it's safe to assume that all participants sold heavily as the market clocked a low of -4.6 percent or 2,230 points at the midday trade. It was the steepest fall since August 11, 2014, when the market shed 4.5 percent.

Analyst Ali Raza at Elixir Securities said equities closed first day after the MSCI transition deep in red on institutional sell off.

"Market opened gap down as foreign selling from a day earlier reportedly hit the system and dragged benchmark Index near 49,800 levels within first fifteen minutes of trading," Raza said.

Market witnessed a short phase of recovery that led to Index entering in green zone, however aggressive local institutional selling thereafter reportedly to meet possible redemptions resulted in majority of Index names including MSCI EM constituents hitting lower price limits. Meanwhile, higher-than-expected inflation announced during the day was also a dampener where consumer price inflation for the month of May surpassed the 5.0 percent mark for the first time since November 2014.

Going forward, analyst expect heightened volatility on a one-session Friday with market opening gap down but possibly seeing recovery near day's end as savvy investors jump in to take advantage of the weakness and cherry pick notable Index names. Companies reflecting highest gains include Shezan International, up Rs9.96 to close at Rs440.06/share and Wah Noble, up Rs8.55 to close at Rs306.20/share.

Companies reflecting most losses include Rafhan Maize, down Rs108.33 to close at Rs7191.67/share and Wyeth Pakistan, down Rs95.07 to end at Rs2213.77/share.

Highest volumes were witnessed in K-Electric Limited with a turnover of 49.818 million shares. The scrip shed 38 paisas to close at Rs6.94/share. Bank of Punjab (R) was second with a turnover of 27.603 million shares. It shed 21 paisas to end at Rs1.15/share. Power Cement (R) was third with a turnover of 23.717 million shares. It shed 35 paisas to finish at Rs2.05/share.

THE NEWS
Friday, 2nd June, 2017

Foreign investors sell $141mln worth of shares last month

KARACHI: Pakistan's bourse sharply dropped on Thursday as selling by local investors and frontier market funds more than offset the inflows related to the country's upgrade to MSCI's emerging market Index.

The KSE 100-share Index on Thursday fell 3.58 percent, its biggest daily decline since August 2015. "A lot of traders built positions in the market expecting strong closing due to the MSCI-related inflows," said Shahid Habib, chief executive officer at Arif Habib Limited. "Contrary to expectations, the index underwent correction and market overreacted."

Passive inflows of around $400 million are expected following the upgrade of Pakistan to emerging markets index of Morgan Stanley Capital International (MSCI), effective from June 1. US Index provider MSCI reclassified the country as an emerging market from frontier market status and added six securities in its main board and 27 shares in small-cap index.

The benchmark KSE 100-share Index of Pakistan Stock Exchange (PSX) shed 7.325 percent in the last four days, while market capitalisation shrank 6.26 percent. Funds, tracking the MSCI frontier markets (FM) Index to which Pakistan previously belonged, were due to sell part of their investments.

In May, foreign portfolio investors remained net sellers of equities worth $141.18 million. "Local institutions, including capital protected mutual funds and high net worth individuals, also had to unwind their positions," Habib said. "This (however) was an unexpected turn of events."

The market, betting on MSCI EM flows, expected a bullish rally of around 4.0 percent in the last two days of May. However, the market remained in the correction mode and foreign portfolio investment kept on draining, which sparked a panic selling by all classes of investors.

"While it is difficult to say with surety, we believe there can potentially be three reasons for selling by the foreign investors: selling by FM tracking funds, exit opportunity for funds having heavy positions in Pakistan because of available liquidity and selling from active EM funds and proprietary books' international broker dealers," said Atif Zafar, an analyst at JS Global Capital.

The benchmark KSE-100 closed an eventful May 2017 with a return of 2.6 percent despite the market's fall.

May also witnessed the federal budget's announcement, which was largely termed undesirable for the equity market. Trading activity also picked up during the month with average ready volumes clocking in at 338 million shares/day.

In May, the best performing sectors were engineering (up 21 percent), oil and gas (rising 13 percent) and automobile parts and accessories (increasing 12 percent), while cement (down 5.0) percent and pharmaceutical (decreasing 4.0 percent) sectors were the major laggards.

THE NEWS
Friday, 2nd June, 2017

Govt must invest in human capital more than infrastructure uplift

Mansoor Ahmad

LAHORE: Huge infrastructure projects that have been launched by this government would go waste if the government failed to enrich the human capital of the country, as all new investments from now on would required educated and high-skilled human resource.

There is thinking among the development experts of the government that it is more important to strengthen the infrastructure as the connectivity it provides to inaccessible regions would facilitate establishment of educational and health centres.

This is long very long term planning. Pakistan needs some quicker solutions to the skill shortages. We have seen scarcity of desired human capital in the better developed cities of the country.

This is because the health facilities provided by the state in the cities are only marginally better than those available in underdeveloped rural areas.

In the same way the standard of education in public schools is almost the same in rural and urban centres. Our planners have no clue about the needs of businesses operating in different regions of the country.

Development experts have time and again pointed out that the East Asian economies that were far behind Pakistan in 1960's have moved much ahead because even in the 60's their human resource was more educated and healthier.

It is therefore imperative that the planners give more importance to social investment than infrastructure and other development schemes. Sri Lanka too was way behind Pakistan in economy in the 60's but they gave their human resource development preference over other developments.

The outcome of this approach was that today the per capita income of the people of that small island is three times that of Pakistan. It is not a very prosperous nation but all its social indicators are world class. Its population growth rate is less than one percent, its infant mortality rate four times less than that of Pakistan and poverty in Sri Lanka is negligible as in the Far East economies.

We do not have to go far, just look at Bangladesh that was once a part of Pakistan with over 60 percent of its population living in extreme poverty. It is one of the few nations where the inequality has declined.

The Bangladeshis also gave importance to human development with the result that it is now cited as an example globally for reducing poverty very fast.

Bangladesh is not a very rich country. Its population is 20 million less than Pakistan but its GDP is half that of our country and the per capita income has just increased $1,000.

Bangladeshis have reduced their population rate to manageable one percent per annum.

Due to improved health the average age of Bangladeshis is two to three years higher than both Pakistan and India.

Of late its economy has started growing at an average of little above six percent.

An interesting point is that natural disasters hit Bangladesh regularly but they have shown resilience to come stronger after every flood and sea storm.

In economic progress, Bangladesh set the tone for many regional countries other than Pakistan. Bangladesh jumped into garment exports in 1990's and today its textile exports are almost three times than that of Pakistani textiles.

Vietnam entered textile field in 2000 and today its textile exports are at par with Bangladesh.

Cambodia is now becoming a threat for Pakistani textiles and a fierce competitor for Bangladesh and Vietnam.

The reason that Vietnam overtook Bangladesh in garment exports is that its human resource is more educated, skilled and healthier than that of Bangladesh.

Our human resource is no match to even Bangladesh. Bangladeshi planners supported textile in urban areas and successfully achieved green revolution in rural areas.

Social spending in Pakistan always remains very low but all the governments in Bangladesh deserve credit for maintaining basic social spending.

Indeed, the planners succeeded in keeping a consensus in favour of this despite several military coups and bitter political infighting between the two main parties.

THE NEWS
Friday, 2nd June, 2017

Cotton firm

Karachi

Normal trading was recorded at the Karachi Cotton Exchange on Thursday, while spot rates remained unchanged.

The spot rates remained unchanged at Rs6,800/maund (37.324kg) and Rs7,288/40kg. Ex-Karachi rates also stood firm at Rs6,935/maund and Rs7,433/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.

An analyst said water shortages are delaying the crop, but an increase in the heat supported the crop become mature earlier. “The crop will start coming from middle of June and arrivals will increase in July,” he added.

The cotton market recorded three transactions of around 2,500 bales at Rs6,800 to Rs7,100/maund. Haroonabad’s 2,000 bales were sold at Rs7,100/maund on conditional basis, 136 bales of Pakpattan were sold at Rs6,800/maund, while 400 bales of Bahawalpur exchanged hands at Rs7,000/maund.

The Nation on Web
The Nation
Friday, 2nd June, 2017

Govt taking steps to cut debt burden

APP

ISLAMABAD - The government is taking steps to reduce the debt burden of the country, place the debt to GDP ratio on a firm downward trajectory and bolster macroeconomic stability.

According to official sources, public debt shall be reduced to less then 60 percent of estimated GDP until 2017-18 and thereafter a 15 year transition has been set towards a debt to GDP ratio of 50 percent.

The government has made amendments to the Fiscal Responsibility and Debt Limitation (FRDL) Act by defining the ceiling for the Federal Government budget deficit at 4 percent of the GDP excluding foreign grants during the period 2017-18 to 2019-20 and 3.5 percent of GDP thereafter.

Gross public debt was at Rs 20,873 billion by end March 2017 while net public debt was Rs 18,893 billion.

Gross public debt recorded an increase of Rs 1194 billion during first nine months of current fiscal year.

Out of this total increase, hike in domestic debt was Rs 1121 billion while government borrowing from domestic sources for financing of fiscal deficit was Rs 1018 billion.

This differential is mainly attributed to increase in government credit balances with the banking system.

Similarly, increase in external debt contributed Rs 73 billion in public debt.

Revaluation gain on account of appreciation of US dollar against other foreign currencies reduced the impa ct of net external inflows on external public debt portfolio. The average cost of gross public debt was reduced by 40 basis points during first six months of current fiscal year owing to smooth execution of the Medium Term Debt Management Strategy (MTDS).

The average cost of domestic debt portfolio was reduced by over 50 basis points during first six months of current fiscal year while the average cost of external loans obtained by the present government comes to around 3 percent which is significantly lower than the domestic financing cost even after a margin of capital loss due to exchange rate depreciation is added.

The government was able to mobilize external inflows from multilateral and bilateral development partners and continued its presence in international capital markets through the issuance of Sukuk during first nine months of current fiscal year.

An improvement was observed in most of the public debt risk indicators during last three and half years in line with the objectives set forth in Pakistan's first MTDS (2013).

Refinancing risk of the domestic debt portfolio reduced through lengthening of the maturity profile as percentage of domestic debt maturing in one year was reduced to 52.7 percent at the end of December 2016 compared with 64.2 percent at the end of June 2013.

Exposure to interest rate risk was also reduced as the percentage of debt refixing in one year decreased to 45.5 percent at the end of December 2016 compared to 52.4 percent at the end of June 2013.

Similarly, share of external loans maturing within one year was equal to around 31.9 percent of official liquid reserves at the end of December 2016 as compared with around 68.5 percent at the end of June 2013 indicating improvement in foreign exchange stability and repayment capacity.

The public debt analysis may be incomplete without reporting contingent liabilities. Contingent liabilities are not added to the overall debt of the country. Therefore, public disclosure of information about guarantees is an essential component of fiscal transparency.

Contingent liabilities of Pakistan are guarantees issued to Public Sector Enterprises (PSEs).

During first half of current fiscal year, the government issued fresh/rollover guarantees aggregating to Rs 368 billion or 1.2 percent of GDP. The outstanding stock of government guarantees as at end December 2015 was recorded at Rs 838 billion. It is imperative to have a comprehensive debt management strategy aiming at debt sustainability and enhancing the debt servicing capacity of the country.

Owing to its vital importance and indispensable nature, the government updated its MTDS which contains a policy advice on an appropriate mix of financing from different sources with the

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spirit to uphold the integrity of the Fiscal Responsibility and Debt Limitation Act.

In accordance with the approved strategy, the government was required to lengthen the maturity profile of its domestic debt and mobilize sufficient external inflows in the medium term.

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Increase in oil, commodities prices ups inflation to 5pc

Imran Ali Kundi

ISLAMABAD - Pakistan's inflation rate has gone to 5 percent during May due to increase in oil and commodities prices in the country ahead of Ramazan.

The inflation is measured through Consumer Price Index (CPI), which tracks prices of around 480 commodities every month, has increased by 5 percent in May 2017 as against same month of the last year. The inflation rate has gone to 5 percent after a long time due to global revival of international commodity and oil prices, along with rise in domestic demand due to pick up of economic activities.

However, the government has still kept the inflation rate below the target of 6 percent for the ongoing financial year. The inflation has recorded an increase of 4.18 percent during 11 months (July-May) of the ongoing financial year as against the same month of the last year, according to Pakistan Bureau of Statistics (PBS).

The government has set inflation target at 6 percent for the upcoming financial year 2017-18. However, the government might struggle to keep inflation rate in control due to heavy taxation measures and withdrawal of subsidies. The government has introduced heavy taxation measures of Rs120 billion and reduce the overall subsidy amount by Rs22 billion. These two measures would fuel the inflation rate in the next financial year, which is currently in control.

According to the PBS, the CPI Core inflation measured by non-food non-energy CPI (Core NFNE) increased by 5.5 percent on (YoY) basis in May 2017 as compared to increase of 5.5 percent in the previous month. According to the PBS data, the Sensitive Price Indicator (SPI), which gauges rates of kitchen items on weekly basis, has increased by 1.58 percent during the first 11 months of the year 2016-17 as against the same month of last year. Similarly, the wholesale price index (WPI) based inflation increased by 4.11 percent in the period under review.

Food and non-alcoholic beverages prices have increased by 4.55 percent. Similarly, health and education charges went up by 13.46 percent and 11.17 percent, respectively. Similarly, prices of utilities (housing, water, electricity, gas and fuel) increased by 5.12 percent in last the month.

Meanwhile, the prices of alcoholic beverages and tobacco went up by 10.76 percent, clothing and footwear by 3.68 percent and furnishing and household equipment maintenance charges 2.59 percent. Recreational charges and those related to culture went up by 0.17 percent in the period under review, while amounts charged by restaurants and hotels by 5.37 percent in May 2017 as compared to the same month last year. In food commodities, prices of potatoes increased by 19.88 percent, fresh fruits 10.12 percent, pulse gram 2.35 percent, beverages 1.8 percent and gram whole price surged by 1.76 percent. Likewise, in non-food items, water supply charges enhanced by 2.03 percent, household servants charges up by 1.4 percent, marriage halls charges by 1.23 percent and construction wages rates surged by 1.06 percent during May as compared to April.

According to the PBS figures, price of tomatoes decreased by 40.03 percent, onion 10.67 percent, fresh vegetables 8.97 percent and chicken price down by 7.72 percent.

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Exports to EU mount to 6.28b euros, says Dastagir

Minister says GSP Plus incentives played role in boosting country's exports

Our Staff Reporter

ISLAMABAD - Pakistan's exports to European Union (EU) have increased from 4.25 billion Euros in 2013 to 6.28 billion Euros in 2016, showing growth of 47 percent.

This was stated by Commerce Minister Khurram Dastagir Khan in a statement issued here on Thursday. Terming it as a significant improvement, the minister applauded the EU and said that the trade incentives extended to Pakistan under the GSP Plus by EU have played a positive role in boosting Pakistan's exports and in stabilising the elected government of Pakistan. "The president of Pakistan, today in his speech in the joint session of both the houses of the parliament, also praised the positive role of European Union (EU)", said Dastagir.

GSP Plus is a unique system of concessions developed by the EU. No other market in the world offers such liberal concessions ie, duty-free access to more than 90 percent products unilaterally to a few developing countries in return for the commitment of the beneficiary countries to adopt and implement principles of good governance and sustainable development, as enshrined in 27 Core Conventions of United Nations. The duty free access is helping Pakistani products to compete with products originating from Bangladesh, Vietnam and Turkey and many other countries. The minister said that EU is the largest market for Pakistani goods in the world and under GSP Plus, Pakistani goods have duty free access in 28 EU member states. Textile sector has been a major beneficiary of EU's GSP Plus Scheme. Pakistan's Exports of Textiles have increased by 55 percent in value terms in 2016 over 2013 and Pakistan's exports also registered an increase of 33 percent in terms of quantity during the same period.

He said that as a result of GSP Plus Pakistan exports to EU registered an impressive increase of 38 percent in 2016 over 2013. Pakistan's exports to EU have increased from 4.52 billion Euros in 2013 to 6.28 billion Euros in 2016. Pakistan's exports of textiles to EU have increased by 55 percent during the same period.

As a result of GSP Plus arrangement, out of 28 EU countries, Pakistan's exports have registered increase in 26 countries. Out of these 26 countries, 10 EU member countries are such in which Pakistan's exports have increased by 50 percent or more while 8 countries are such where Pakistani exports have risen by 25 percent. In textile, Garments and Hosiery sectors, Pakistani exports to Europe are significant and have registered 75.7 percent increase. Likewise, Textile sector exports to EU have increased by 60 percent, in Footwear the increase is 26 percent and in Plastic it is also 26 percent.