BUSINESS
RECORDER
Wednesday, 9th August, 2017

Textile sector against a weak PKR

TAHIR AMIN

The increased dependency of textile sector on imported inputs including raw materials, cotton, yarn, fuel and machinery/equipments has added to the cost of production and in such circumstances depreciation of local currency would further hurt the industry instead of providing it any meaningful relief.

This was the consensus of industry stakeholders and economists while talking to Business Recorder. The exporters may get some relief in the short term from devaluation of the local currency, but it will not result in a corresponding increase in exports due to higher cost of imported inputs. According to textile division data, Pakistan''s textile exports were $12.45 billion and imports $3.35 billion in 2016-17. The country exported raw cotton amounting to $42.85 million, cotton yarn $1.24 billion, cotton cloth $2.12 billion, cotton carded $235000, yarn other than cotton yarn $24.351 million, knitwear $2.362 billion, bed wear $2.133 billion, towels $786.606 million, canvas and tarpaulin $133.853 million, and readymade garments $2.316 billion in 2016-17.

Pakistan imports on average about 2.5 million bales of cotton for $850 million per annum as raw material due to cotton shortfall in the country. The country also imports around 3-4 million synthetic fiber worth $500 million as it is not produced locally and other textile items of $1.5 billion. Further the country imports synthetic and artificial silk of around $700 million and worn clothing of around $150 million. Besides this to meet industry requirements, textile industry imports machinery of around $500 million per annum.

Energy used by the textile sector as input is based on imported oil, coal and gas which further adds to total production costs. In this scenario any depreciation of the rupee will increase the costs of production manifold and may hurt the high value adding textile exports.

Textiles industry consists of 11.3 million spindles, 3 million rotors, 350,000 power looms, 18,000 knitting machines and processing capacity of 5.2 billion sq m. It has 700,000 industrial and domestic stitching machines. There are 21 filament yarn units with capacity of 100,000 tons. Thus a complete textiles value chain exists in the country which is rare in the world, unlike many competitors which have only primary base or the finished base.

As per the official data, All Pakistan Textile Mills Association (APTMA) is the major trade association of textile spinning, weaving, and composite mills representing the organized sector in Pakistan. APTMA represents 396 textile mills out of which 315 are spinning, 44 weaving and 37 composite units. The total installed capacity of APTMA member mills accounts for 9,661,366 spindles, 61,608 rotors, 10,452 shuttleless/airjet looms and 1897 conventional looms. The association''s members produce spun and open-end yarn, grey, printed dyed fabrics and bed linen.

Ashfaq Hasan Khan, former economic adviser to Finance Ministry said that currency adjustment should be the last resort of the government as it would increase input costs of the export-oriented sectors. He said that dependency on imported contents has increased and depreciation would further hurt the industrial sectors. The government should first review taxation policy, reduce utilities tariffs including power, gas and water prices and immediately pay the stuck-up refunds of exporters to boost exports.

Textile industry sources told Business Recorder that about 35 percent production capacity of textile value chain is impaired/closed while prospective investors are reluctant to make new investment decisions due to high cost of doing business.

Energy cost is more than 30 percent of the total conversion cost in spinning, weaving and processing industries. Industrial gas tariff in Pakistan is 100 percent whereas electricity tariff is about 50 percent higher than the regional competitors. Pakistan textile share in global market declined from 2.2 percent to 1.7 percent and unemployment increased by 30 percent, sources added.

The exporters raised serious concerns over decline in exports and termed high cost of doing business including energy prices, non-payment of refunds claims as well as

BUSINESS
RECORDER
Wednesday, 9th August, 2017

overvalued rupee as major factors making them uncompetitive. They further said that 30-40 percent factories have closed down while others are on the verge of collapse due to high input cost.

APTMA officials said electricity is available at Rs 10.5/kwh for the industry in Pakistan as compared to Rs 7/kwh in other regional countries including Bangladesh. Further, gas is available at Rs 1,000 /MMBTU in Pakistan against Rs 400 in Bangladesh. In such circumstances the industry cannot compete in the international market and hence is losing customers, they added.

Industry is burdened with Rs 3.63/kwh surcharges on electricity and GIDC on gas which cannot be passed on to international buyers. The textile industry demanded immediate reduction in electricity tariff to Rs 7/kwh without levy of surcharges. Textile industry can not pass on system inefficiencies to its international buyers, sources in the textile sector maintained.

Chairman APTMA Amir Fayaz said that around Rs 200 billion of the textile industry is stuck up with the government under sales tax, duty drawbacks etc and is creating severe liquidity crunch for the industry.

"If we cannot buy raw materials due to liquidity crunch, how will we make investment in product diversification and increase exports", said Fayaz adding that serious liquidity crunch is negatively affecting production capacity and resulting in a steady decline in the country"s exports.

APTMA group leader Gohar Ijaz said that 150 textile mills have closed during last one year, rendering thousands of people jobless due to high input cost including gas and electricity prices and stuck up refunds claims. Ijaz said that industry would not be able to perform any more under such circumstances.

BUSINESS
RECORDER
Wednesday, 9th August, 2017

PM advocates balanced energy mix

ZAHEER ABBASI

Prime Minister Shahid Khaqan Abbasi has directed Power Division and Petroleum Division to formulate a roadmap to reduce usage of thermal power sources and promote use of natural gas and domestic coal for energy production. While chairing the first meeting of the Cabinet Committee on Energy, the Prime Minister not only received a briefing but also underlined the need for achieving a balanced energy mix.

"Our government is striving to achieve a balanced mix for the country''s energy requirements," he said and directed that maximum utilization of Thar coal reserves must be ensured to provide affordable energy to consumers. Abbasi also directed the Water Resource Division to work on planning for water storage projects on fast track. "There is no room for non-optimal solution in our energy framework," he said.

An official said that establishment of Energy Ministry was a reflection that the Prime Minister wants to have full control over decision-making in power sector to deal with the challenge of load-shedding. The new Prime Minister''s priority would be to do away with the load-shedding well before the end of 2017. Minister of State for Power Abid Sher Ali, Minister of State for Petroleum Jam Kamal Khan and senior officials attended the meeting. Secretary Power Division and secretary Petroleum Division briefed the Prime Minister on energy sector projects and load management plan. The Prime Minister said that the sole objective of distribution of work among ministries is that water security is an important concern and a dedicated ministry for water resources was required to handle these issues and cater for improved management of water resources. He further said that "a separate ministry was essential."

About creation of Ministry of Energy, Abbasi stated that it was necessary to remove firewalls between the petroleum and power sectors which are otherwise linked to a common objective of energy security in Pakistan.

BUSINESS
RECORDER
Wednesday, 9th August, 2017

Ministry disputes size of circular debt''s stock

MUSHTAQ GHUMMAN

Ministry of Water and Power by redefining circular debt refuses to acknowledge that the country''s energy sector circular debt stock has touched Rs 800 billion. Zargham Eshaq Khan, Joint Secretary (Power Finance) who deals with power sector''s financial issues in close liaison with Finance Ministry''s Economic Reforms Unit (ERU), told Business Recorder on Tuesday that circular debt is defined as unpaid amount between companies and has nothing to do with loans whether these loans are on the books of PHPL or the companies'' own books.

''Whatever amount is on the books of PHPL is called loan, not circular debt. If loan is taken as circular debt then power sector circular debt is around Rs 1.3 trillion. This is not the case. Things are just mixed up,'' he added. Asked what was the stock of circular debt, he claimed Rs 395 billion; however, his claim has not been verified from independent sources. Debt stock in PHPL books is around Rs 450 billion.

According to official figures, circular debt stock was Rs 401 billion as on April 28, 2017 of which gas payables were Rs 11.092 billion, oil Rs 99.023 billion, IPPs/ WPPO Rs 166.998 billion, IPPs/CPPA Rs 59.666 billion, nuclear Rs 11.172 billion, Wapda hydel Rs 37.361 billion and PHPL debt servicing at Rs 16.582 billion.

Power sector''s circular debt issue aggravated a couple of months ago when IPPs claimed that as of May 15, 2017, the payables to 21 member IPPs are around Rs 191 billion due to which the industry was once again reaching a point where cash flow crises were beginning to affect operations. However, Finance Ministry released Rs 50 billion immediately to clear some payments of IPPs and PSO.

According to the Asian Development Bank (ADB), broadly circular debt describes the amount of payments held back by an entity having cash flow problems from suppliers and creditors, so that it can push its cash flow problems down to other segments of the supply chain. In connection with Pakistan''s power sector, circular debt is the cash flow shortfall incurred by the sector with the Central Power Purchasing Agency (CPPA).

The power sector''s circular debt problem occurs when there is a chronic shortfall between inflows from collections of electricity sales by power Distribution Companies (Discos) from private sector customers and from federal, provincial and local government customers; and tariff differential subsidies (TDS) claimed by the Discos and K-Electric against the government to cover the difference between the tariff charged to customers and the cost-recovery tariff determined by National Electric Power Regulatory Authority (NEPRA).

BUSINESS
RECORDER
Wednesday, 9th August, 2017

Dar announces issuance of Rs 26.43 billion sales tax refunds

RECORDER REPORT

Terming sales tax refunds a sensitive issue for the PML (N) government, Finance Minister Ishaq Dar Tuesday announced the issuance of sales tax refunds of Rs 26.43 billion, including refunds issued in the first phase, involving 10,439 refund payment orders (RPOs), through an electronic system. In this connection, Ishaq Dar pushed the computer button for payment of refunds related to all taxes without any human interactions and the amount would be transferred into the accounts of taxpayers.

The finance minister said this while addressing a function on issuance of refunds to taxpayers here on Tuesday. The ceremony was also attended by Zubair Tufail, President the FPCCI, and other representatives of chambers and trade bodies. FBR Chairman Tariq Pasha, Members of FBR and other tax officers were also present on the occasion.

The finance minister said, "We have cleared the backlog and fulfilled the second promise with the business community clear their refunds dues where Refund Payment Orders (RPOs) were issued till April 30, 2017 in case of over Rs one million." He said the tax collection of FBR increased from Rs 1946 billion to Rs 3362 billion in last four years but the stuck-up refunds amount did not increase to the same proportions. He said the government took bold steps towards eliminating tax exemptions for privileged class and brought Rs 323 billion into the system.

He said, "It is our target to increase tax to GDP ratio up to 15 percent as the size of the country''s GDP crossed 300 billion dollar mark." It was announced by the finance minister in the budget speech for the year 2017-18 that taxpayers'' long outstanding demand for payment of refunds will be addressed soon and the sales tax refunds against refund payment orders (RPOs) issued up to 30th April, 2017, shall be paid in two stages. Firstly, payments against RPOs involving amounts up to Rs 1 million were to be paid by 15th July, 2017; and in the second stage refunds against RPOs of amount more than Rs 1 million were to be paid by August 14, 2017.

The finance minister said the PML (N) government has been sensitive to the issues faced by the business community arising from stuck-up refunds. The minister said that refund payments up to Rs 1 million were paid on 15th July, 2017 whereas payments against RPOs exceeding Rs 1 million are being issued today (Tuesday), well before the date announced earlier. He added that total refunds including the refunds issued in the first phase come out to Rs 26.43 billion covering 10,439 RPOs.

Dar said that these refund payments would not only cover exporters but all other claimants in all sectors of economy. This would resolve liquidity problems that the taxpayers are facing. He said that to fulfill the commitment the FBR is forwarding electronic payment advice to State Bank of Pakistan.

It may be added that first time refund payments were made through direct electronic transfer to claimants'' bank accounts through State Bank of Pakistan (SBP) in November 2016. Since November 2016, sales tax refunds have been credited directly into the account of the taxpayers within 24 hours. State Bank of Pakistan has again been directed to make arrangements in this regard so that the amount of refunds should be credited directly into the account of the taxpayers within 24 hours.

The finance minister emphasized cordiality in FBR-business community relationship, saying it was vital for good revenue generation, which in turn is essential for economic growth as envisaged by the present government. The minister also urged the business community to play their vital role by investing in new areas, setting up industries and paying taxes to enhancing the pace of development in the country.

BUSINESS
RECORDER
Wednesday, 9th August, 2017

THE RUPEE: No change

RECORDER REPORT

The rupee was almost unchanged against the dollar on the money market on Tuesday in the process of trading, dealers said. The rupee was inert versus the dollar for buying and selling at Rs 105.39 and Rs 105.40 respectively, they said.

INTER-BANK MARKET RATES: OPEN MARKET RATES: The rupee held the overnight levels in relation to the dollar for buying and selling at Rs 106.70 and Rs 106.90 respectively, they said. The rupee shed 35 paisas in terms of the euro for buying and selling at Rs 126.60 respectively.

In the second Asian trade, the dollar inched down slightly in Asian trading, but maintained most of the gains it made on last week's robust employment data that kept hope alive that the US Federal Reserve could still increase interest rates this year.

Open Bid	Rs. 106.70
Open Offer	Rs. 106.90

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

Bid Rate	Rs. 105.39
Offer Rate	Rs. 105.40

RUPEE IN LAHORE: The Pakistani rupee showed divergent trend versus the major currencies including the US dollar and British pound in the local currency market on Tuesday.

According to currency dealers, the US dollar kept on moving both ways following divergent trend in the currency market.

At the close, it ended at Rs 106.65 and Rs 106.95 on buying and selling side, respectively, as compared to the overnight closing trend of Rs 106.60 and Rs 107.00 respectively, they added.

Likewise, the local currency also followed the same suit against the pound sterling. The British currency was bought and sold at Rs 138.20 and Rs 139.20 against Monday's closing rates of Rs 138.40 and Rs 139.00 respectively, they said.

The dollar index, which tracks the greenback against a basket of six major rivals, was down 0.1 percent at 93.325.

It held well above last week's 15-month low of 92.548, though it remained shy of Friday's post-jobs data high of 93.774 as investors pondered the timing of the US central bank's next tightening steps.

"Looking to the Fed futures market, there's less than a 50 percent chance of one more rate hike this year," said Bill Northey, chief investment officer at US Bank Private Client Group in Helena, Montana.

The dollar was trading against the Indian rupee at Rs 63.720, the greenback was at 4.282 in terms of the Malaysian ringgit and the US currency was at 6.698 in terms of the Chinese yuan.

Inter bank buy/sell rates for the taka against the dollar on Tuesday: 80.70-80.70 (previous 80.69-80.70).

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

The dollar opened at Rs 107.10 (buying) and Rs 107.20 (selling) against last rate of Rs 107 (buying) and Rs 107.10 (selling). It closed at Rs 107.10 (buying) and Rs 107.20 (selling).

BUSINESS RECORDER
Wednesday, 9th August, 2017

Senate body concerned at application of AML law against businesses

RECORDER REPORT

Senate Standing Committee on Finance has shown concern over the use of anti-money laundering law against the businesses and described it as "alarming," saying people are getting scared. Chairman Senate Standing Committee on Finance, Senator Saleem Mandviwalla raised the issue and stated that some reports were brought into his knowledge that tax authorities are using anti-money laundering law against the businesses.

Mandviwalla maintained that "a limited activity was allowed under law and asked the Federal Board of Revenue chairman why it is being used so frequently against the businesses." He said, "This is alarming and people are getting scared. After audit and raids, if AML law will be used against businesses, people will run away from the country."

On the issue of Benami Law, the chairman FBR stated that rules of Benami law were framed and sent to Law Division for vetting and it will take a few more days. The rules of Benami Law would be made available to the committee as soon as these are received, he added.

The Senate Standing Committee on Finance also decided to take a ruling from the chairman Senate whether the committee can request the Supreme Court of Pakistan to get the documents which the FBR had provided to the Joint Investigation Team (JIT) in the Panama Papers case, after the Law Division stated that FBR under the tax law was not allowed to provide information to the committee.

Mandviwalla also read out the response received from Law Division in writing on the question whether the committee can demand information from the FBR which was provided to the JIT. Law Division replied that the FBR can not share information with the committee under the Income Tax Ordinance 2001. An official of Law Division explained that section 216 of the ITO 2001 relating to disclosure of information prevails over article 66 of the Constitution.

The committee chairman after a detailed discussion decided to refer the matter along with the response of Law Division to the chairman Senate for his ruling on the matter.

Senator Kamil Ali Agha suggested that anything that is part of the verdict becomes a public document and the committee can request the Supreme Court for either information or guidance on the matter, while Senator Saud Majeed suggested for moving an amendment in the law.

The committee also urged the Finance Ministry to resolve the issue of the separation of Auditor General of Pakistan (AGP) and Controller General of Accounts (CGA) cadres after it was informed that matter remains dormant since 2015. AGP and CGA officials stated that there has been no progress on the matter since 2015 when the last meeting of the stakeholders took place. A summary of Finance Division was approved by the Prime Minister in January 2014 and subsequently the matter was refereed to the Establishment Division to resolve the operational issues. However, the consensus was hard to achieve during several meetings and last one took place in 2015, the committee was informed.

The committee also took briefing from the Securities & Exchange Commission of Pakistan (SECP) on 70% right shares issued by the Bank of Punjab in 2017. The committee after a detailed briefing on how much shares were offered to underwriters and whether or nor any inside trading was involved deferred the matter.

The chairman of the committee asked the SECP to provide information to the chairman that it does not want to share in the presence of others so that the decision could be taken on the matter. The meeting was informed that 70 percent shares (1.1 billion shares) mobilized Rs 13 billion proceeds.

However, the committee was stated earlier that one of the CEOs of the bank had sold one million shares three month before the offer of right shares was made. The SECP officials also acknowledged that proposal of right share was under discussion before the shares were offloaded by the CEO.

The chairman of the committee after an in camera briefing on Euro Bond, stated that the committee has decided to summon the consortium of banks to take briefing about those who had purchased Euro Bonds issued by the government.

BUSINESS
RECORDER
Wednesday, 9th August, 2017

Acquisition of voting shares:

SECP unveils new regulatory framework

RECORDER REPORT

The Securities and Exchange Commission of Pakistan (SECP) has issued a new regulatory framework for acquisition of voting shares beyond prescribed limit of 30 percent or control of a listed company. Sources told Business Recorder here on Tuesday that the SECP has issued Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017. These Regulations have replaced Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2008.

The SECP after due process of law including comprehensive consultation with the stakeholders and taking into consideration the objections and suggestion received on draft regulations notified on December 2, 2016, has notified Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017.

The regulations have been made for carrying out the purposes and provisions of inter alia Part IX of the Securities Act, 2015, which provide regulatory framework for acquisition of voting shares beyond prescribed limit of 30 percent or control of a listed company.

In terms of the newly framed regulations the timeline for completion of the process of public offer has been reduced from 92 days to 75 days. Any "consultant to the issue" duly licensed by the Commission may be appointed by the acquirer as manager to the offer. Moreover, considering the liquidity risk, debt securities other than government securities have not been allowed as eligible securities for performance of obligations by the acquirer under the public offer. Keeping in view, the liquidity risk in debt securities and price risk in equity securities, payments to shareholders have been restricted through cash only, sources said.

The acquirer has been obligated to act in good faith and in the best interest of the target company and its shareholders. Moreover, the acquirer and the target company are required to comply with the requirements of the Act, regulations and regulations of PSX, the sources added.

BUSINESS
RECORDER
Wednesday, 9th August, 2017

New ministers get briefing on trade, other matters

MUSHTAQ GHUMMAN

Commerce Minister Pervaiz Malik and Minister of State, Haji Muhammad Akram Ansari Tuesday held a meeting with the heads of different sections and sought a briefing on trade performance and other issues. The Commerce Ministry team headed by Additional Secretary Anjum Asad Amin and Joint Secretaries gave short briefings about export performance which posted a negative growth during last three years - a key concern for the government.

Pakistan''s exports during FY 2017 declined by 1.63 percent - to $ 20.44 billion from $ 20.78 billion in FY 2016 whereas imports during 2017 increased by 18.67 percent - from $ 44.69 billion in 2016 to $ 52.02 billion. The sources said both the ministers were also given presentation on trade relations with other countries including the status of PTAs and FTAs.

Pervaiz Malik, sources said, expressed his interest in trade relations with China and Afghanistan. Pakistan has FTA with China but the Commerce Ministry believes that it has little impact on Pakistan''s exports to China vis-à-vis imports from China. The newly-appointed ministers will give a detailed presentation to Prime Minister Shahid Khaqan Abbasi on factors responsible for the decline in exports and surge in imports along with proposed remedial measures including rationalization of tariffs and currency rate.

The sources said the Commerce Minister also asked officials to brief him on sugar issues as he is being approached by Pakistan Sugar Mills Association (PSMA) since he took oath. Director General (Trade Policy) Muhammad Ashraf, who deals with sugar sector, gave a detailed briefing on sugar issues and current pricing trend after PSMA (Sindh) refused to sell sugar in the market due to which prices have gone up substantially.

The Commerce Minister is head of an inter-ministerial committee, comprising Secretary Commerce, Secretary Industries and Secretary Ministry of National Food Security and Research which finalizes recommendations for the Economic Co-ordination Committee (ECC) of the Cabinet.

BUSINESS
RECORDER
Wednesday, 9th August, 2017

PSO board approves Rs 15 per share cash dividend

RECORDER REPORT

The board of directors of Pakistan State Oil Company (PSO) has recommended a final cash dividend for the financial year ended June 30, 2017 at the rate of Rs 15 per share, equivalent to 150 percent. The board of directors of the company, in its meeting held on Monday also recommended to issue bonus shares in proportion of one share for every five shares held, ie, 20 percent.

According to the financial results of the company announced by the board of directors, the company"s profit for the year increased to Rs 18.225 billion as compared to Rs 10.273 earned in the previous fiscal year.

The company"s earning per share increased to Rs 67.08 in the period under review against Rs 37.81 in the same period a year ago. The company"s gross sales increased to Rs 1,096.543 billion in this period against Rs 906.177 billion in the previous year. The company paid Rs 218.397 billion in account of sales tax, discounts and IFEM in FY17 against Rs 228.237 billion paid in this account in FY17.

The company"s net sales stood at Rs 878.146 billion in this period against Rs 677.939 billion in the same period a year ago while cost of products sold increased to Rs 840.948 billion against Rs 655.414 billion. The profit before tax increased to Rs 29.346 billion in FY17 against Rs 16.289 billion earned in FY16.

BUSINESS

RECORDER

Wednesday, 9th August, 2017

Arif Habib group to set up 330 megawatts coal power plant

RECORDER REPORT

Arif Habib group is to set up a 330 MW coal power plant in Thar with the Chinese investment to cater for rising demand of energy in the country. Talking to newsmen during his visit to Karachi Press Club (KPC) Tuesday, Chairman Arif Habib Corporation Limited Arif Habib said initially, the group has acquired a coal block number 2 in Thar for the planned 330 MW power plant.

"Now we are going to apply for power tariff determination with Nepra and after that we will move forward for financial closure. The financial closure will be completed in one year and most probably the project will be initiated with the Chinese investment," he added. He said as per plan, the coal power plant will start production by 2021.

"We have submitted some suggestions to the government for revival of economy and to generate more foreign exchange for the country and improve the energy situation," he said and added that Pakistan can get over $ 10 billion foreign exchange inflows with an amnesty scheme for overseas Pakistanis. An amnesty scheme has been proposed for overseas Pakistanis. This scheme will encourage expats to bring their savings in the Pakistan and invest in energy and infrastructure projects, he added.

He also urged the government for special incentives for overseas Pakistanis to increase the inflows of home remittances via legal channel. "We believe still some $ 5-7 billion home remittances are arriving through Hundi/Hawala. As per the estimates, Pakistan can attract remittances inflows amounting to $ 25-26 billion annually compared to $ 20 billion arrived during last fiscal year," he added.

He said with the announcement of the court verdict on Panamagate case political uncertainty has almost ended and now the stock market is likely to perform well. He said Pakistan stock market is giving excellent returns and average return of Karachi Stock Exchange (now PSX) stood at 23 percent during last 10 years.

Replying to a question, Arif Habib said the CPEC project is a real game changer in the region and will help improve the country's infrastructure, which need billions of dollars investment.

He hoped that the newly-elected Prime Minister Shahid Khaqan Abbasi will take steps to improve economic and support business sector. KPC Secretary Maqsood Ahmed Yousufi presented the vote of thanks for continued support from Arif Habib Group for the journalist community.

BUSINESS

RECORDER

Wednesday, 9th August, 2017

Exports of yarn:

VAT sector demands withdrawal of four percent duty drawback of taxes

RECORDER REPORT

Value Added Textile (VAT) sector of Pakistan demands to do away with 4 percent incentive (duty drawback of taxes) being given on exports of yarn. This statement was jointly issued by Muhammad Zubair Motiwala, chairman CAPTA; Muhammad Jawed Bilwani, Chairman Pakistan Apparel Forum and Chief Coordinator, Value Added Textile Sector; Irfan Z Bawany, Central Chairman PHMA; Muhammad Riaz Ahmed, Zonal Chairman PHMA; Rafiq Godil, Chairman PAKSEA; Khawaja Usman, Chairman PCFA; Abid Chinoy, Chairman PCMA and Abdul Sattar, Zonal Chairman APTPMA.

They said the package for entire textile sector was announced in two phases. First phase expired on June 30, 2017 and the second one would expire on 30th June, 2018 wherein there is a condition of enhancing exports by 10 percent, only then the exporters would be eligible for the announced incentive. They were of the view that competition in the world market has become tougher as the competitors like China and Bangladesh are getting Pakistani yarn at 4 percent less cost. It is therefore strongly demanded that this 4 percent incentive (duty drawback of taxes) on yarn exports must be withdrawn immediately.

Globally export of raw material is discouraged and Government supports local industries for value addition as more foreign exchange can be fetched through value addition. Currently manufacturing (stitching) units cannot import yarn under DTRE. They proposed that manufacturing (stitching) units should be allowed to import yarn under DTRE and DTRE rules need to be revisited to make them export friendly so that Value Added Textile Exporters can acquire/import their prime raw material easily at international prices without any bottleneck.

They added that this issue was discussed with Finance Minister who assured that withdrawal of incentive on yarn exports would be considered at the beginning of FY 2017-18, which has now started. Import of raw materials must not be subject to any duty/regulatory duty. Globally, there is no duty on import of raw material and duty is always imposed on export stage. China and Bangladesh always discourage export of raw material and encourage value addition which is their key to success while here in Pakistan we go in opposite direction.

They reiterated that enhancement in textile exports can only happened if the value added textile sector, which contributed $11.08 billion (53 percent of total exports and 89 percent of total textile exports and generates 42 percent of the total employment including female workers), is supported and their capacities are fully utilized. They assured the Finance Minister that if 4 percent incentive (duty drawback of taxes) on yarn exports is withdrawn and imports under DTRE is made easier, they would be able to enhance the exports to considerable level.-PR

BUSINESS
RECORDER
Wednesday, 9th August, 2017

PTEA opposes independent inspections of imported yarn

RECORDER REPORT

Pakistan Textile Exporters Association (PTEA) has strongly opposed the unproductive and baseless proposal of a certain lobby for subjecting the consignments of imported yarn for independent inspections to control the excessive imports of cotton yarn. Certain elements are misleading the Government for their own vested interests. Such initiative will sabotage entire value-added textile chain and free market economy principal will be compromised.

In a statement here on Tuesday, Chairman PTEA Mian Ajmal Farooq termed it highly unfortunate that a certain lobby is pleading the move in the disguise for protection of local industry. They would in fact like to block raw material imports meant for re-export on technical grounds one way or the other. Only 3 percent of total production of yarn is being imported, he said.

Chairman PTEA said that such demand does not carry any merit and it will have a severe and negative impact on the rest of the industry, he said. The current policy to bring duty free raw material for re-export under SRO 327, 450 and 322 have empowered the value-added textile exporters to bring in raw material of good quality and at competitive prices, he added. Our dilemma for years has been value addition. The current policy, which was made several years ago after careful study and matches with our competitors.

He said yarn import from overseas has helped textile manufacturers to increase their efficiency and productivity significantly and to remain competitive. Generally 100 percent cotton yarns quality is much better and contamination free. Import for re-export is being facilitated all over the world. We have witnessed that textile exports of Bangladesh and Vietnam have increased by many folds in the recent years who have the same policy eg they import yarn from around the world duty free for re-export, do value addition and export.

Terming Government's current policy as balanced he said that it has maintained demand and supply mechanism within the Industry. Any restrictions in shape of pre shipment or post shipment inspection have never been prudent historically. All emerging economies have done the reforms by removing such impediments, which have helped them increasing their exports. We need to follow their footsteps and take our industry into the right direction to achieve our national goal, he said. We need long term policies so Pakistani entrepreneurs can capitalize on them.

PTEA Chairman was of the view that competing countries like Bangladesh, India, China and Vietnam are rapidly multiplying their exports just because of the edge they have on the cost of doing business. High cost of production and un-competitiveness are major hurdles in export growth and pragmatic incentive schemes need to be announced to reduce the cost of production and to create a level playing field, he suggested.

All sectors of industry should place their own interests aside and identify the factors, which are hindering business ventures and should propose measures for raising investment, he added.

BUSINESS

RECORDER

Wednesday, 9th August, 2017

Textile machinery import surges

RECORDER REPORT

Pakistan's import of textile machinery surged by 21 percent to $556.836 million last fiscal year 2017, official figures say. Increase in textile machinery now stands at $95.336 million from $461.500 million in fiscal year 2016, Pakistan Bureau of Statistics says. In June 2017, textile machinery import however declined by 2.46 percent or $1.039 million to $41.214 million from $42.253 million in June 2016.

BUSINESS
RECORDER
Wednesday, 9th August, 2017

Cotton prices soar on brisk activity

RECORDER REPORT

Sustained demand for fine cotton pushed the rates higher on the cotton market on Tuesday in the process of hectic trading, dealers said. The official spot rate was higher by Rs 50 to Rs 6450, they said. In the ready session over 21,000 bales of cotton changed hands between Rs 6500-6700, they said.

In Sindh, seed cotton rates were higher by Rs 100 to Rs 2800-3200 per 40 kg, they said. In the Punjab, phutti prices were up by Rs 150 to Rs 3000-3350, they said. According to the market sources a kind of uncertainty prevailed on the market as buyers were trying to buy cotton at the present rates.

Cotton analyst, Naseem Usman said that cotton production for the current season may be short against the estimate of over 14 million bales. This factor caused panic buying among mills and spinners, other experts said.
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They said that reports coming up that cotton production likely to come down against the earlier estimate. Last year, just over 10 million bales could be achieved due to several factors, they said.

Other analysts said that most of the buyers were rushed to book big lot deals to replenish their stocks. Other leading world market moved up in line with the local market, he said and adding that current rising trend in local cotton prices may induce growers to grow cotton, instead of other crop.

They said that some month ago, leading growers and farmers were planning to shift from cotton crop to another to earn better profits. Adds Reuters: ICE cotton futures rose for a second straight session on Monday to a seven-week high on forecasts for strong US crop demand before turning lower before the market closed.

The December cotton contract on ICE Futures hit 70.94 cents a lb earlier in the session before settling down 0.07 cent, or 0.10 percent, at 70.55 cents per lb. Prices of the natural fibre were also supported by higher demand for the US crop. Total futures market volume rose by 755 to 19,022 lots. Data showed total open interest fell 97 to 216,739 contracts in the previous session.

The following deals reported: 1000 bales of cotton from Mirpurkhas at Rs 6500, 2000 bales from Sanghar, 1600 bales from Hyderabad, 2000 bales from Kotri, 7000 bales from Shahdadpur, 5000 bales from Tando Adam, 1000 bales from Moro all finalised at the same level, 400 bales from Burewala at Rs 6700, 200 bales from Haroonabad, 100 bales from Pak Pattan, same number from Vehari and 200 bales from Sahiwal all done at the same rate, 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 07.08.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,450	145	**6,595**	**6,545**	+50/-
40 Kgs	6,912	155	**7,067**	**7,014**	+53/-

BUSINESS
RECORDER
Wednesday, 9th August, 2017

Cotton futures hit near eight-week high on short-covering

RECORDER REPORT

ICE cotton futures edged up on Tuesday to a near eight-week high on short-covering as markets await a key supply and demand estimates report on Thursday. Cotton contracts for December settled up 0.58 cent, or 0.82 percent, at 71.13 cents per lb. It traded within a range of 70.18 and 71.19 cents a lb.

The US Department of Agriculture's World Agricultural Supply and Demand Estimates (WASDE) report and the weekly US export sales data will be released on Thursday. "People are viewing the markets with caution and positioning ahead of the WASDE report. The level of open interest contracting suggests that we are seeing some speculative short covering," said Louis Rose, co-founder and director of research and analytics at Rose Commodity Group.

"Once we crossed the psychological level of 70 cents, we did not see tonnes of buying... don't think we are going to see any major buy orders till the WASDE report." Total futures market volume fell by 299 to 18,921 lots. Data showed total open interest gained 224 to 216,963 contracts in the previous session. Certificated cotton stocks deliverable as of August 7 totalled 22,338 480-lb bales, down from 22,977 in the previous session.

New York cotton

RECORDER REPORT

The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
Oct'17	71.38	71.94	70.62	71.91	14:45 Aug 08	71.91	0.69	11	71.22
Dec'17	70.60	71.19	70.18	71.13	14:45 Aug 08	71.13	0.58	11409	70.55
Mar'18	70.25	70.83	69.92	70.79	14:45 Aug 08	70.79	0.54	5447	70.25

BUSINESS RECORDER
Wednesday, 9th August, 2017

Power challenges

RECORDER REPORT

Recent reports indicate that the circular energy debt that had reached manageable levels as far as flows were concerned (though the stock remained constant) in fiscal 2015 and 2016, have begun to rise again and, at present, have alarmingly reached 800 billion rupees. The reason for the decline in the circular debt in 2015 and 2016 are related to four factors notably: (i) historically low international oil prices; (ii) recoveries increased from 88 to 89 percent in 2014 to nearly 93 percent in the next two years; (iii) technical and distribution losses declined from 19 percent to 17.8 percent; and (iv) badly state-run generation companies showed a profit of 5.77 billion rupees in 2015-16 as opposed to a loss of 7.78 billion rupees during the first year in the tenure of the PML-N government. Apart from one external factor - low international oil prices - the other three factors are indicative of improved performance of the sector. So what has gone wrong that accounts for an escalation in the flow of circular debt?

Power Ministry officials claim that the rise in circular debt is accounted for by the as yet un-reconciled balance sheets, and insist that a gap of this size is normal for a 1.2 trillion annual business. However, this view has been challenged not only by international donor agencies but also by independent sector experts. The World Bank, in Pakistan at a Glance, uploaded on its website maintains "circular debt cleared earlier has piled up again nearly to its 2013 levels. There have been efforts to reduce the electricity regulator's independence". The International Monetary Fund in its Article IV Consultations report uploaded on its website in July 2017 supported the World Bank's assessment and argued that "ensuring the power sector's operational and financial soundness and supporting investor confidence require maintenance of a strong regulatory framework... swiftly resolving the ongoing litigation with the regulator on Discos benchmark distribution losses and recoveries is necessary to resume regular tariff setting."

The IMF in its report also noted that "accumulation of power sector arrears resumed in the first half of fiscal year 2016/17 (53 billion rupees) with the stock increasing to 374 billion rupees (about 1.2 percent of GDP). This reflected a widening of the system's operational deficit due to delays in passing through to end-consumers high generation tariffs and weaker bill collection by distribution companies, only in part compensated by the positive impact of a collection in Discos distribution losses and still low oil prices. Staff stressed the need to strengthen Discos performance and adjust end-consumer tariffs to reflect higher input costs, also in view of upcoming increases in generation capacity."

There are two additional disturbing elements associated with Pakistan's energy sector. First, that the agreed tariffs for several ongoing projects are higher than existing rates (including those that are under the umbrella of the China Pakistan Economic Corridor given the high rate of borrowing for investment by the Chinese private sector) and that, as and when they are completed, supply would exceed demand with the government negotiating the purchase of the entire capacity rather than what it actually purchases - a condition that would imply higher cost for end users. Given these concerns, it is little wonder that the IMF report notes that its staff "stressed that ensuring transparency and managing risks associated with new power generation projects will be the key." And, secondly, not enough focus is on enhancing the transmission capacity which was around 16,500MW at last count - or less than the potential generation capacity in 2013. One would hope that the government takes cognizance of these issues and initiates appropriate mitigating measures.

This newspaper fully supports the merger of Water and Power Ministry with the Petroleum Ministry by Prime Minister Shahid Khaqan Abbasi and one would hope that this would lead to improved energy sector management. A lot needs to be done to reverse the reemergence of serious operational, organizational and financial issues in the sector and the new Prime Minister needs to focus on resolving them on an emergent basis.

BUSINESS

RECORDER

Wednesday, 9th August, 2017

New economic order in the offing?

M ZIAUDDIN

The world's geo-economic scene has been undergoing a sea-change since the advent of China's One Belt One Road (OBOR) initiative launched in 2013. To this was added a new but crucially momentous dimension by the US when soon after he was sworn as the 45th President of the US early this year, Donald Trump signaled what can only be described as a policy of isolation by adopting the 'America First' slogan. In response to these policies - China's OBOR initiative and Washington's 'America First' policy - those countries that felt their economies would be affected one way or the other as a result started recalibrating their relation with the two super powers - one as old as history itself and the other making history as it entered the current century.

So, it was only understandable that many old friends of the US started mending their economic fences with China and at the same time de-escalating decades old economic ties with Washington.

The Philippines, Malaysia, Thailand, Laos and Cambodia have already moved closer to China. Japan and South Korea feel uneasy because of North Korea's war like posturing, otherwise these two would have also gone over to China. But if President Trump carries out his 'America first' policy to its logical conclusion then these two countries would also find it impossible to remain within the US camp any longer.

Even Australia had a spat with the US over questions of refugee asylum. And Canberra publicly said it was open to the idea of China taking the place of the US in leading Trans-Pacific Partnership (TPP) negotiations, following Trump's withdrawal. Today, China is Australia's largest market for merchandise exports. Canberra also is in consultation with other nations to forge ahead with TPP minus the US, and its leadership is in talks with Japan.

Even Europe and the UK seem to be wooing China and cold shouldering the US at least in matters of economy. In South Asia, India perhaps dictated by its pathological hatred of Pakistan and worried about Chinese strategic ambitions in the wake of its OBOR initiative has gone very close to the US. The recent confrontation between the Chinese and Indian troops in the Himalayas-Doklam plateau, on China-Bhutan border-- has pushed New Delhi further into the lap of US.

Some analysts see a US-India-Japan-Vietnam regional alliance in the offing. The visit to Israel by PM Modi - the first by an Indian prime minister - and the signing of a defence deal worth billions of dollars between the two countries reflects a shift from India's traditional dependence on Russia as its major supplier of military hardware.

According to Professor Syed Munir Khasru, (The geopolitical landscape of Asia Pacific is changing dramatically. Here is how - published on August 4, in the Agenda weekly of World Economic Forum), economics, politics, and military alliances may no longer follow the same trajectory as before. Professor Khasru who chairs the Institute for Policy, Advocacy, and Governance (IPAG),says that the future of the region is fraught with challenges and uncertainty that require a much better understanding of both the strategic issues and economic interests, along with the forces that are either uniting or driving a wedge between countries.

He adds: "Complex issues need mature understanding, which at this moment seems to offer the Chinese an edge over the Americans, as anxious Asians wait and watch events unfold. One thing is for sure, things will never be the same." It is in this changing geo-economic context that Pakistan also needs to reset its own economic policies by throwing the Washington Consensus book out of the window as a first step.

Over the last nearly seven decades we have been trying everything in this book of advice prepared by our major donors to lift the country out of its depressed level of socio-economic moorings but to no avail. Every recommended step in that 'book', singly, in pairs and in every combination and permutation seemed to have only succeeded in further deepening the stagnation.

For long we have sustained mainly on foreign dole, mostly from the US and Europe which came in the shape of kind (military equipment, weapon systems and aircraft plus commodities) and cash. From the 1970s onwards we also started receiving significant assistance from Saudi Arabia and China which in the 1990s increased manifold.

However, in most cases the dole magic refused to work. And this failure was no-where

BUSINESS

RECORDER

Wednesday, 9th August, 2017

more pronounced than in Pakistan. Most rich countries design their foreign aid programs basically to promote their own respective global, regional and indigenous political and economic interests. So out of every one dollar of assistance 99 Cents went back to the donors in the shape of exports, transfer pricing, shipping, insurance, consultancy and technical assistance fees and then out of the remaining one cent of the dole, a large part is siphoned off by the ruling elite of the recipient country leaving next to nothing for inclusive socio-economic development needs. The Saudi and Chinese bilateral assistance was, however, different in design but even the benefits of this assistance went into meeting our security needs rather than our social needs.

No doubt, Pakistan's economy has grown at an annual average rate of about 7 per cent during the last five years of General Pervez Musharraf government. And similar growth rates have been achieved during the decade of General Zia's rule and also during the 11 year rule of Field Marshal Ayub Khan. But most of this growth was driven by the unencumbered dollar dole that the country received during these periods and not because of any policies that restructured the economy for sustained growth on its own enhancing its ability to save enough to invest enough to grow at a healthy rate on its own without the crutches of dole. In fact, this dole was more of a rent for our services in promoting the global and regional interests of the rich world.

It is, therefore, time to do some candid reappraisal of the ground realities to meet the new challenges emanating from the new economic policies of China and the US.

We don't have our own sources of energy; we do not own enough capital to provide even two square meals to our galloping population; and being too far behind in world ranking in education, our capacity to acquire knowledge-based technologies is too limited. Much of our so-called natural wealth, like the huge coal deposits in Sindh and rich minerals in Balochistan are buried deep under mounds of earth. We don't have either the capital or the technology to exploit these on our own.

Our border trade with our immediate neighbors - India, Afghanistan and Iran - has been held hostage since the very day Pakistan came into being to our self-destructive geostrategic compulsions. So much so that we have actually cut the nose to spite the face as we have virtually bottled up the country shutting down our trade-outlets in the East, in the West and North-West while the Northern outlet is too far away and in the South we have a small little sea outlet, not enough for even our own limited export and import activity.

In the changing geo-economic scenario Pakistan stands to gain immensely if it were to convert its economy into warehouse/ transshipment economy taking full advantage of our comparative advantages: 1) We are an agricultural country; 2) We are a market of about 200 million people; 3) Pakistan is located at the crossings of trade routes from Casablanca in Africa to Kashgar in West China's Xinjiang Uyghur autonomous region and from Thailand in Southeast Asia to Turkey beyond the Middle East; 4) China and Pakistan are all set to build a 3,000-kilometre economic corridor connecting Kashgar in China to the southwestern Pakistani port of Gwadar with road and rail. And one cannot also rule out the possibility - in a couple of years - of overland transit trade route through Pakistan linking India with Afghanistan and beyond to Central Asia.

These advantages can be exploited to the maximum if we become a warehouse/trans-shipment economy rather than continue to hanker for an industrial economy, which we have been trying all these 70 years to achieve but without any success. This would require a well-thought-out trade policy that would allow almost free-of-duty entry of raw materials, intermediaries and items in knock-down condition to be warehoused in Pakistan and then forwarded to final destinations after the required value addition. Such a regime would also require letting the rupee appreciate/depreciate on its own without any artificial crutches.

Such a policy would also attract foreign direct investment in avenues in which it would be more economical for the sponsors to fabricate items inside Pakistan for local consumption and also to re-export them to the four-corners from the 'hub'. This will also facilitate the transfer of technology and training of skilled manpower. Transfer of appropriate technologies would also open the way for Pakistan to graduate from being an agricultural country to becoming a leading high quality processed-food exporter.

BUSINESS

RECORDER

Wednesday, 9th August, 2017

Balance of payments: An update

Dr Ashfaque H Khan

The independent economists of the country have been expressing their serious concerns on the state of Pakistan's economy in general and the balance of payments, in particular. Lately, the Deputy Governor of the country's Central Bank (SBP), while defending his action for depreciating the currency, did air his concern on external balance of payments' developments as well. If someone who is least bothered about these developments is the outgoing as well as the current regimes.

On May 27, 2017, this writer wrote an article, published in this newspaper (Business Recorder), under the title of "Ominous BoP Development". This writer extensively reviewed the developments taken place on balance of payments, foreign exchange reserves and external debt and liabilities. Based on the developments, the outlook for balance of payments, external debt, etc., was presented. In just two months (June, July), things have deteriorated beyond this writer's expectations. All my projections turned out to be highly conservative as opposed to realistic.

Exports are on the decline, and imports have surged on account of imports of petroleum, machinery, food and transport; while power generation machinery contributed negligibly. Accordingly, massive deterioration in trade balance took place in 2016-17. Stagnation in remittances and decline in the Coalition Support Fund (CSF) contributed to the rise of the current account deficit to a new height.

Even an ordinary student of economics could see the ominous developments taking place in Pakistan's balance of payments. A few other economists could foresee these developments and have been writing to educate the people in general and the leadership in particular. But what is indeed surprising is that the IFIs, particularly the IMF, were totally oblivious to these developments. While the leadership and the government were busy at the Supreme Court and JIT, the country's finance minister was presenting a rosy picture of the economy by extensively manipulating the numbers, the IMF - an otherwise highly professional institution kept its eyes and ears closed. Accordingly, this institution was equally a partner in portraying a false sense of economic stability and prosperity.

Did the IMF deliberately present false sense of prosperity or the quality of the IMF staff attached with Pakistani desk deteriorate massively? This writer leaves it to the people of Pakistan to decide. This is a major concern for a developing country like Pakistan, which rely on the IMF's policy advice. The new leadership of the Middle Eastern department of the IMF should review the quality of their staff and must take corrective measures. How can the IMF staff go so wrong in their forecasts, even for one quarter?

At the beginning of the fiscal year 2016-17, the IMF predicted a current account deficit of $4.7 billion; they predicted $9.0 billion at the end of May 2017 (Just one month before the close of the fiscal year). The year ended with $12.1 billion. The forecasting errors were 147 percent for one year and over 34 percent for just one month. Can anyone trust the forecast of the IMF staff? In the words of Dr Hafiz Pasha, this speaks volume about the quality of the IMF staff.

Where do we stand at the end of the fiscal year 2016-17 as far as the balance of payments is concerned? Pakistan's exports are down by 1.4 percent to $21.7 billion while imports surged by 17.7 percent at $48.5 billion. Consequently, the trade deficit stood at $26.9 billion in 2016-17. Interestingly, the trade deficit is more than Pakistan's total exports by 24 percent. As a result of 3.0 percent decline in remittances and a sharp decline in Coalition Support Fund, the current account deficit widened to a nine years high at $12.1 billion.

Why the external balance deteriorated so sharply? Firstly, exports are incessantly on the decline since 2013-14, declining from $25 billion to $21.7 billion. What has caused a steady decline in exports? Several factors have contributed to the decline in exports. These include: i) senseless taxation to achieve revenue target under the IMF Program, rendering Pakistan's exports non-competitive in international market; ii)

BUSINESS
RECORDER
Wednesday, 9th August, 2017

holding back refunds of exporters to show higher revenue growth created serious liquidity problem for the export-oriented industries. They were forced to borrow from commercial bank to maintain working capital and run their factories. This has added to their cost of production and eroded their external competitiveness; iii) the price of electricity, gas and POL products further eroded their relative competitiveness in international market; iv) little or no communication of the leadership with exporters to address their grievances; and finally v) keeping the exchange rate at a level which was not consistent with the country's macroeconomic fundamentals.

In short, the type of policies pursued by the outgoing regime are responsible for eroding the competeviness of our exporters in international market. On import side, the persistence of an overvalued exchange rate has encouraged imports. Furthermore, almost three-fourth contribution to the surge in imports came from petroleum, machinery, food and automobiles. The CPEC – related import of power generation machinery contributed negligibly to the surge in imports.

What is in store for the current fiscal year (2017-18)? In plain words, dangerous developments on balance of payments are emerging. Are we ready to handle the situation? The answer is a big no. Like the great recession of 2008, which changed the global economy for decades to come, the historic Supreme Court judgment in the Panama case has changed the politics of Pakistan for years to come. Pakistan's politics has become dirty, scandalous and personalized. The government which has emerged after the judgment has given an impression that they are least interested in addressing Pakistan's key challenges, not to mention the balance of payments. It appears that it is a combative government ready to fight with opposition and the key institutions. In such a situation, the country's economy will further deteriorate and the balance of payments situation will aggravate as well.

The outgoing regime has presented a highly expansionary budget for the year 2017-18. If implemented in letter and spirit along with inappropriate exchange rate policy, this would further fuel aggregate demand which will be translated into a further acceleration in import growth.

The prospects of increasing exports to the desired level is dim in 2017-18. Remittances stagnating at current level of $19 billion, with no prospects of the resumption of the CSF in near future, Pakistan's current account deficit is likely to widen further to $16.0-16.5 billion. With $7.0-7.5 billion debt servicing, the financing requirement will jump to $23-24 billion in 2017-18. Likely availability of external financing from various traditional sources, Chinese sources, and FDI would at best be in the range of $12-12.5 billion. This leaves a financing gap of $10.5-11.5 billion in 2017-18. Who will fill this gap? We should ask the finance minister to answer this question.

Pakistan's foreign exchange reserves stood at $16.1 billion as of end-June 2017. These reserves are borrowed reserves. It has come under pressure in 2016-17 as the country's Central Bank has lost over $2 billion foreign exchange reserves in 2016-17. Is this the reserves held by the SBP in end-June 2017? The answer is No. In order to show a reserve of $16.1 billion as of end-June 2017, the SBP has borrowed $3.9 billion from commercial banks in forward market for one, two and three months. Pakistan's foreign exchange reserves ($12 billion) will not be enough to fill the financing gap. Where Pakistan should be going to get additional external flows? The bottom line is that the outgoing regime has severely damaged the economy. It has made Pakistan highly vulnerable to external pressure by weakening the economy. Has this been done deliberately or it was sheer incompetence of the leadership? I leave it to the people to judge.

This writer's plea to all those who matter in this country is that they should take my an analysis seriously. There will be no stable government in the country until the new elections. The country will be ruled like a rudderless ship with no sense of direction. With a weak government and an equally weak economic team with hostile external environment, the country will be moving towards greater economic destabilization.

(The writer is Principal & Dean, School of Social Sciences and Humanities at NUST. Email: ahkhan@s3h.nust.edu.pk)

DAWN
Wednesday, 9th August, 2017

Govt urged to withdraw duty drawback on yarn

The Newspaper's Staff Reporter

KARACHI: The value-added textile sectors have urged the government to withdraw the four per cent duty drawback on taxes given on yarn exports as it directly benefits their competitors in the world market.

In a joint statement issued on Tuesday, the leaders value-added textile sectors pointed out that competition in the world market has become tougher because countries like China and Bangladesh are getting Pakistani yarn at 4pc less cost than Pakistani exporters.

While keeping these facts in view Pakistani exporters would not be able to benefit from the incentive package announced earlier this year. They urged the government to withdraw the duty drawback on yarn exports immediately.

The leaders said export of raw material is discouraged by governments to support their local industry for value-addition as more foreign exchange can be earned through higher value-addition.

They also said that value-added textile sectors could not import yarn under the Duty and Taxes Remission on Exports (DTRE) facility. Therefore, the DTRE schemes should be revisited so that value-added textile exporters could import yarn at international prices to stay competitive.

Council of All Pakistan Textile Associations Chairman Zubair Motiwala, Jawed Bilwani of Pakistan Apparel Forum, Irfan Bawany of Pakistan Hosiery Manufacturers and Exporters Association, Rafiq Godial of Pakistan Knitwear and Sweater Exporters Association, Khawaja Usman of Pakistan Cotton Fashion Apparel, Abid Chinoy of Pakistan Cloth Merchants Association and Abdul Satter of All Pakistan Textile Processing Mills Association signed the joint statement.

DAWN
Wednesday, 9th August, 2017

Govt settles Rs26bn refund claims on eve of rally

Mubarak Zeb Khan

ISLAMABAD: The PML-N government on Tuesday paid Rs26.43 billion sales tax refunds to traders and exporters, which came one day ahead of former prime minister Nawaz Sharif's proposed power-show on the GT Road.

A source with direct knowledge of the matter confirmed to Dawn that the finance minister personally directed the Federal Board of Revenue (FBR) on Monday to prepare a list of claimants who will be issued a refund. That list was completed by midnight and the refunds began to be issued on Tuesday. It is expected that the full amount will reach taxpayers' accounts within 24 hours.

Business leaders welcomed the move, but pointed out that the timeline has been "synchronised with the political developments," pointing to the GT Road march on Wednesday.

The refund amount paid against refund payment orders (RPOs) of more than Rs1 million, which were issued up to April 30. Refunds against all RPOs of less than Rs1 million have already been issued on July 15.

Originally, the government had announced that sales tax refunds of around Rs15bn would be issued before Aug 14.

But, according to the source not only was the amount of sales tax refunds enhanced, it was also issued one week ahead of the announced schedule.

In the budget speech for the year 2017-18, it was announced that taxpayers' long outstanding demand for payment of refunds will be addressed soon and the sales tax refunds against RPOs issued up to April 30, 2017, shall be paid in two stages.

PPP Senator Saleem Mandviwalla told Dawn that the refund payments ahead of Mr Nawaz's rally was a political move. He criticised the government for wooing traders through this decision. "The PML-N has politicised even the genuine payment of taxpayers refunds," he added.

"Sales tax refund has nothing to do with politics," he said.

However, the payment of sales tax was a welcome move for Pakistan Federation of Chambers of Commerce and Industries (FPCCI) President Zubair Tufail.

He told Dawn that the finance minister has also promised to release refunds against RPOs issued in May and June.

"We are expecting that the government will release the balance refund next month," Mr Tufail said.

At a ceremony held at FBR, Mr Dar also admitted that the amount in second phase was issued 'well before the date earlier announced.' He said that total refund including refund issued in the first phase come out to Rs26.43 billion covering 10,439 RPOs.

According to an official announcement, Finance Minister Ishaq Dar said that these refund payments would not only cover exporters but all other claimants in all sectors of economy. This would resolve liquidity problems that the taxpayers are facing, he added.

He said that to fulfil the commitment FBR is forwarding electronic payment advice to State Bank of Pakistan.

Since Nov 2016, sales tax refund has been credited directly into the account of the taxpayers within 24 hours.

DAWN
Wednesday, 9th August, 2017

Abbasi cracks the whip as loadshedding returns

Khaleeq Kiani

ISLAMABAD: Prime Minister Shahid Khaqan Abbasi on Tuesday ordered that ongoing projects and conversion of furnace oil-based plants to natural gas must be expedited.

The power shortfall on Tuesday exceeded by 5,000MW as demand surged past 23,500MW against maximum supplies of about 18,500MW. The shortage happened despite a healthy contribution of about 6,400MW by hydropower plants.

According to power sector officials, the demand was driven by extreme humid conditions across the country and further aggravated by localised tripping of distribution lines and transformers in many parts.

The breakdown of a transmission line close to Rawat near Islamabad — linking Mangla dam supplies and Sangjani transmission line — affected some parts of the capital city for a couple of hours, an official said.

Supplies from some new power plants — Haveli Bahadur Shah, Bhikki and Sahiwal — remained erratic due to teething problems arising out of their continuing reliability test runs.

The prime minister was presiding over the first meeting of the energy sector, following his orders last week for restructuring and merging the water, power and petroleum divisions. The prime minister constituted a committee — led by Secretary Water and Power Yousaf Naseem Khokhar — to coordinate issues in power infrastructure projects.

The govt faces the tough task of reducing energy shortfall which exceeds 5,000MW

The committee will comprise top officials of the water, power and petroleum divisions, Prime Minister's Office, Private Power and Infrastructure Board, Central Power Purchase Agency, and National Transmission and Dispatch Company.

The prime minister reminded the participants, among them ministers of state for power and petroleum, that fulfillment of PML-N's promise to end loadshedding during its term would remain the highest priority.

The prime minister was updated on the teething problems which were described as a normal phenomenon.

The "on-off cycles" of these plants help reduce shortages when functional but they need to be cooled down for checks and replaced with another under-test plant and vice versa, he was informed.

The prime minister was also informed that public sector generation plants were providing about 3,000MW of electricity while more than 9,000MW came from independent power plants and small renewables.

The prime minister was informed that Balloki Power Plant was almost ready to be inaugurated amid a trial run on half its 1,200MW capacity.

The prime minister directed the newly created committee to extend maximum support to power producers who were ready to switch to liquefied natural gas (LNG) to secure price savings.

The prime minister also explained the rationale of distribution of work among ministries.

He said water security was an important concern for the government and people of Pakistan. A dedicated ministry for water resources was required to handle these issues and to cater for improved management of water resources and hence a separate ministry was essential, he said.

On the creation of new Ministry of Energy, the prime minister explained that it was necessary to remove firewalls between the petroleum and power sectors which were otherwise linked for a common objective of energy security in Pakistan.

He directed the power and petroleum divisions to formulate a roadmap to reduce usage of thermal power sources and instead focus on natural gas and domestic coal for energy production.

"Our government is striving to achieve a balanced mix for the country's energy requirements and maximum utilisation of Thar coal reserves should be ensured to provide affordable energy for consumers," the prime minister said.

He directed the Water Resource Division to work on planning for water storage projects on fast track. "There is no room for non-optimal solution in our energy framework," he emphasised.

DAWN
Wednesday, 9th August, 2017

Rebasing of inflation soon

APP

ISLAMABAD: The rebasing of inflation indices is likely to be completed by June 2018 as the Pakistan Bureau of Statistics has already initiated the process.

Currently, 2007-08 is being used as base year for the Consumer Price Index, Wholesale Price Index and Sensitive Price Index, which are becoming obsolete due to the arrival of many new products in the market.

The base for indices is being formulated on the basis of surveys, industrial census and census of manufacturing industries. “All these activities culminate in rebasing,” an official said on Tuesday.

He said the new base will be operational from 2018-19. The base was scheduled to be changed in 2015-16 and, thereafter, every 10 years.

DAWN
Wednesday, 9th August, 2017

Lint prices rise on aggressive buying

The Newspaper's Staff Reporter

KARACHI: Strong demand from millers on Tuesday pushed up cotton prices with the Sindh variety hitting seasonal high.

Trading resumed on a brisk note as buyers rushed to get hold of any lot that was offered for sale. The Punjab quality, however, remained steady at overnight level amid moderate trading.

A major factor for strong buying is reported to be the upcoming Eidul Azha holidays. Besides, spinners preferred to build up stocks due to higher availability of cotton.

With no adverse report, private estimates put the crop size at 10.25-10.30 million bales.

Analyst Naseem Usman said there is a need for continuous scouting of the crop. "This is more importantly required when heavy damage has been caused due to a pest attack in India," he added. The Karachi Cotton Association (KCA) revised it spot rates upward by Rs50 to Rs6,450 per maund.

The following deals were reported on Tuesday: 1,000 bales, Mirpurkhas, at Rs6,500; 2,000 bales, Sanghar, at Rs6,500; 1,600 bales, Hyderabad, at Rs6,500; 2,000 bales, Kotri, at Rs6,500; 7,000 bales, Shahdadpur, at Rs6,500; 5,000 bales, Tando Adam, at Rs6,500; 1,000 bales, Moro, at Rs6,500; 400 bales, Burewala, at Rs6,700; 200 bales, Haroonabad, at Rs6,700; 200 bales, Sahiwal, at Rs6,700, and 100 bales, Pakpattan, at Rs6,700.

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	6,400	135	6,545
40 Kgs	6,859	145	7,014

DAWN

Wednesday, 9th August, 2017

MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	105.30	105.50	106.70	106.90
UK	137.38	137.64	138.80	139.80
Euro	124.35	124.59	125.60	126.60
S.Arabia	28.08	28.13	28.30	28.55
UAE	28.67	28.72	29.00	29.25
Japan	0.9516	0.9535	0.9588	0.9788

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.89	6.14
Six months	5.90	6.15
One year	5.96	6.46

LIBOR

Special US dollar bonds for Aug 7

Three months	1.31139 %
Six months	1.45222 %

THE NEWS
Wednesday, 9th August, 2017

FBR withdraws zero-rating of textile unit

KARACHI: The Federal Board of Revenue (FBR) has withdrawn zero-rated sales tax on the consumption of gas on the misuse of facility by a textile unit, sources said on Tuesday.

The FBR had withdrawn the facility that was allowed to Lakhany Textile International located at SITE Industrial Area Karachi, they added.

The FBR directed the chief commissioner of Corporate Regional Tax Office, Karachi to coordinate with the Sui Southern Gas Company to stop the facility and start charging normal rate of sales tax on supply of natural gas, the sources said.

The FBR also directed the chief commissioner to initiate legal proceedings against the textile unit and report the board regarding recovery action against the misuse of the facility.

The sources said the unit had been registered at the income tax since February 6, 2001 and the entity was registered with the sales tax since April 13, 2000. The unit has been registered as manufacturer, spinning, weaving and finishing of textile.

The FBR allowed sales tax facility on gas and electricity consumption to the textile entities in order to reduce the cost of manufacturing and make the exports competitive in the international market, they said.

The revenue body recently launched a drive against the misuse of the facility and withdrawn zero-ratings allowed to many textile units.

The FBR is conducting physical examination afresh of all textile units, which are enjoying the facility. The tax offices observed that many textile units were only available on papers and the energy was being used for commercial purposes.

THE NEWS
Wednesday, 9th August, 2017

Wide technology divide stands in the way of textile revival

LAHORE: Muhammad Pervaiz Malik, Minister for Commerce and Textile, who himself is a veteran industrialist from the crisis-hit basic textile sector, is very well alive to the fact that it will be a daunting task for his ministry to manage massive subsidies needed to narrow the yawning technological divide that continues to widen further, owing to a total absence of upgrade.

Ali Pervaiz, the son of the commerce minister, is central vice chairman of All Pakistan Textile Mills Association (APTMA). The APTMA claims that 40 percent of its capacities are closed due to high cost of doing business. There was 30 percent cut in power rates, 40 percent reduction in energy rates plus export rebates to recapture the basic textile market they lost in past four years. Pakistan's textile exports have declined from $13.50 billion in 2013 to $12.1 billion in the last fiscal. The overall decline in the last four years is only $1.4 billion, whereas the fall in non textile stood at $3.5 billion. On average, textiles account for 55 percent of Pakistan's total exports; however, its share rose to 60 percent last fiscal.

The lower decline in textile exports and higher in non textiles shows that there is definitely something wrong with the government policies. The non textile exporters claim that the smaller decline in textile exports was more due to facilitations, the government provides to textile sector over other sectors. They added that for instance textile mills are given priority in the supply of power and gas. They are also preferred by the financial sector. An interesting point in this regard is that the exports of value-added apparel textiles have not been affected by export decline. This sub sector was probably boosted after Pakistan was awarded GSP Plus status four years back.

The point to ponder is that what type of support each sub sector of textiles requires. Ten years back Pakistani basic textiles were the most efficient amongst its competitors. Today they are not efficient as most of the sector is operating on 10-year old technology. The government support is provided if any sector comes under stress from external pressures. However it is not prudent to subsidise sectors that are inefficient. Subsidies to inefficient sectors go down the drain. Basic textiles need a new beginning and government support to upgrade the technology. Many big textile houses have had the opportunity and resources to go for new technology but they waited for the government to provide some support. During this wait and see policy Bangladesh, Vietnam, India and China imported huge quantity of basic textile machinery. These four countries in fact were the main importers of yarn and fabric from Pakistan. Now these countries, particularly India and Vietnam are exporting yarn. The yarn imports from India to Pakistan have increased tenfold in last four years and yarn exports from Pakistan to India have declined to zero.

THE NEWS
Wednesday, 9th August, 2017

Textile minister's statement hailed

KARACHI: The Union of Small and Medium Enterprises (Unisame) has felicitated and appreciated the concern of the new minister for commerce and textiles Pervaiz Malik for increasing exports and taking all stakeholders on board, a statement said on Tuesday.

Unisame invited the attention of the minister that unless high impact steps are taken for the promotion and development of the majority sector, there will not be any substantial change. Unisame president Zulfikar Thaver said a few high impact steps are needed to bring about rapid and fast-track export promotion such as an SME Export Promotion Bureau equipped with the SME Gallery, which displays all SME products made in Pakistan with e-commerce facilities and online business, he said, adding that this bureau could offer marketing support to the SME exporters.

Likewise, an SME Fund for the SME entrepreneurs with the access to finance should also be established, Thaver said, adding that a SME-specific bank could manage the funds. Thirdly, he suggested that for uninterrupted energy, all alternative energy devices and systems must be subsidised.

Thaver regretted that the Unisame recommendations sought by Ahsan Iqbal during his tenure at the ministry of economic affairs remained unimplemented. He demanded immediate increase in the scope and size of the Small and Medium Enterprises Development Authority (Smeda) and a technical institute for technological support. Value addition is the key to increase in exports, he added.

THE NEWS
Wednesday, 9th August, 2017

PBS likely to complete rebasing of inflation indices by next year

KARACHI: Pakistan Bureau of Statistics (PBS) is all set to complete the exercise of renewing the base year for calculating the key inflation numbers once the census results are finalised, a senior official said on Tuesday.

“The bureau is busy in finalising census results so one job can be performed at a time,” the official told The News. Government completed census of population and housing in May after delay of a decade. Last census was held in 1998.

“Provisional statistics have already been completed,” the official said rejecting the perception that rebasing exercise slowed down due to funds paucity. “Project cost is not an issue,” the official said. “Funds are there.”

Another official said the bureau is likely to complete the rebasing of inflation indices before the next budget of 2018/19. He said the PBS’s team has engaged all the provincial bureau of statistics, production ministry and Oil Companies Advisory Committee to renew statistical tables.

PBS has three wholesale price index, consumer price index (CPI) and sensitive price indicator to gauge movement of prices every week and month. The current base year for comparing prices of goods and services is the fiscal year of 2007/08.

Yet, the base year has become outdated due to shift in consumer preferences and consumption of new products. Government planned to change the base year after a decade and therefore next rebasing of inflation indices was due in the current fiscal year of 2017/18.

Economist Ashfaque Hasan said rebasing usually leads to reshuffling in weight. Hasan stressed the need of meticulous comparison in the rebasing exercise to give real picture of prices.

“A couple of years ago, food inflation had a 42 percent weight in the CPI basket, but now it came down to 34 percent,” Hasan said, referring to CPI basket that tracks prices of around 500 products.

He added that the rebasing is carried forward every five years in some countries. Analysts, however, agreed that rebasing of inflation indices is not likely to cause any impact on the inflation numbers.

Chief Economist Saad Hashmy at Topline Securities said it is a routine exercise, “which will have a minor impact on inflation numbers.”

The official said the government also planned to formulate different CPI for rural as well as urban areas to reject the perception that CPI is tilted towards urban markets. Hasan, who served as economic advisor to ministry of finance, advocated the division of CPI in terms of rural and urban areas. “There are several countries with separate CPI for rural and urban areas as well as an aggregate CPI, (although) urban centres have well-functioning markets and bazaars,” he said.

THE NEWS
Wednesday, 9th August, 2017

'Sindh arranges 50 percent funds for K-IV project'

KARACHI: Sindh government has arranged funds for the greater water project K-IV that would provide 260mgd (million gallons per day) to Karachi in the first phase by the end of June 2018.

Chairman for Planning and Development Board, Muhammad Waseem, in an interview with The News said that funds for this project were to be released by the federal and provincial governments with a 50:50 percent ratio, and finally the federal government has earmarked Rs9 billion.

"Sindh has already included that amount in the budget," he said. The K-IV project would have visible impact on Karachi's water requirements by June 30, 2018. It would be developed in three phases, two each of 260mgd and one 130mgd in the end. "It will be a milestone in Karachi's development history," he said.

Currently, Karachi is getting 635mgd water from K-I, K-II, and K-III projects along with Hub Dam. Besides, it is receiving 65mgd from Haleji Lake. "We are also rehabilitating water supply to the city from Dhabeji pumping station, which will add another 100mgd in the system," Waseem said.

The planning board chief said development work in the province was at peak, as 41 big roads would be completed by the end of December. Karachi's development is in addition to it. A total of 16 development projects have been included this year in Karachi alone.

Submarine underpass would be completed in 3-4 months, which was delayed because some party had received 'stay order' from the court against mixing of construction material at the site, which would have reduced the time period of the works.

Sindh government is also working on Karachi Neighbourhood Improvement Project (KNIP) with the World Bank Co-operation. Under which several streets and roundabouts in the old city area would be beautified.

Talking on the sewerage system of the city, Muhammad Waseem said sewerage development plan 'S3' required around Rs8 billion in 2007-8. The federal government was requested to provide 50 percent funds, but they refused.

"China can give up to Rs20 billion grant for any project, which is important for the general public and we will negotiate with them," he said.

He said they have also approached the federal government to provide half of the expenditure for five combined treatment plants for the industrial areas, as these industries were pying taxes to the federal government.

"We are working on getting funds sanctioned from Export Development Fund (EDF) for such purpose," he said. "Hazardous waste will be treated in these effluent treatment plants." He said the work on treatment plants could be started in next 3-4 months if all goes well and funds are received in time. "We are keeping our fingers crossed. A big requirement of this city will be completed with these treatment plants."

Besides K-IV project and combined effluent treatment plant, progress of transport projects will also be a milestone in Karachi's development history, he said. Waseem said that it was for the first time in the history of Sindh province, that 93 percent development funds, or Rs194.29 billion from Rs225 billion allocated in the Budget 2016-17, were utilised.

THE NEWS
Wednesday, 9th August, 2017

Cotton improves

Karachi

Active trading continued at the Karachi Cotton Exchange on Tuesday, while spot rates rose Rs50/maund.

The spot rates increased to Rs6,450/maund (37.324kg) and Rs6,912/40kg. Ex-Karachi rates also rose to Rs6,595/maund and Rs7,067/40kg after an addition of Rs145 and Rs155 as upcountry expenses, respectively. An analyst said higher demand in the market resulted in an increase in the spot rates. “Prices are likely to remain tight in the coming days,” he said.

KCE recorded 12 transactions of around 21,000 bales at a price of Rs6,500 to Rs6,700/maund. Transactions were recorded from Mirpurkhas, Sanghar, Hyderabad, Kotri, Shahdadpur, Tando Adam, Moro, Burewala, Haroonabad, Pakpattan, Vehari and Sahiwal. New York cotton market recorded mixed trend on its futures. October futures rose 0.23 cents/pound to 71.22 cents/pound and December futures dropped 0.07 cents to 70.55 cents/pound.

The Nation on Web
The Nation
Wednesday, 9th August, 2017

Malik vows to enhance exports

Our Staff Reporter

ISLAMABAD - Federal Minister for Commerce and Textile Pervaiz Malik has vowed to enhance the country's tumbling exports by resolving the trader's issues.

"It is priority of the incumbent government to boost the country's exports," the newly appointed minister said after assuming the charge on Tuesday. Malik said that the government would take all appropriate measures aimed at expediting the finalisation of Preferential Trade Agreements (PTAs) and Free Trade Agreements (FTAs) with different countries. He further said that the government would also expedite the process of paying tax refunds to the exporters, which is one of the main issues of the business community. Sources informed The Nation that the minister was also briefed on three years Strategic Trade Policy Framework under which the government had set unrealistic exports target of $35 billion by June 2018.

PHMA chief pins hopes on Mailk

Staff Reporter from Lahore: The Pakistan Hosiery Manufacturers Association (PHMA) Chairman Adil Butt has felicitated the newly-appointed Minister for Commerce And Textile Pervaiz Malik, stating that the value-added textile industry is ready to work closely with the government with a view to enhance the exports and revive growth momentum.

"It is unfortunate that the ministry continued to operate without its minister for a long time, which is one of the major reasons for decline in value-added textile exports," he said. It was really surprising that the PML-N government could not appoint a full time textile minister despite the fact that the party was known as pro-business whose first priority should have been economic revival after law and order, he added. "But there was no textile minister so far while the export sector particularly textile sector had been left to suffer and all the macro and micro issues of the trade and commerce were not being addressed," he regretted. Adil said that growth of value-added textile industry was a must to steer the industry out of worse situation and contribute to the exports of the country.

He also observed that the domestic industry should let grow while enjoying the right to avail opportunities against the competitors.

The PHMA chairman hoped that the new minister would take measures to further revitalise the economy of Pakistan. "PHMA appreciates the decision of Prime Minister Shahid Kahqan Abbasi to appoint such an experienced person on this important post to promote exports. Malik belongs to business community and his cooperation and coordination is always appreciable in this regard, he added. He expressed the optimism that Malik would work for promotion of export taking the whole trade and industry onboard.

The Nation on Web

The Nation

Wednesday, 9th August, 2017

Govt clears sales tax refunds worth Rs23b

Imran Ali Kundi

ISLAMABAD - The government on Tuesday cleared sales tax refunds worth of Rs23 billion as it announced in the budget for the ongoing financial year 2017-18.

“All the refunds are transferred to the taxpayers’ accounts,” said Finance Minister Ishaq Dar in a ceremony held at Federal Board of Revenue (FBR). During the ceremony, Dar pushed the computer button to electronically transfer tax refunds. The ceremony was also attended by FPCCI President Zubair Tufail and other representatives of chambers and trade bodies. The FBR chairman, members of FBR and other tax officers were also present on the occasion.

The minister further said that clearing tax refunds would help the business community. During the budget speech for the year 2017-18, Dar had announced that taxpayers’ long outstanding demand for payment of refunds will be addressed soon and the sales tax refunds against refund payment orders (RPOs) issued up to April 30, 2017, shall be paid in two stages. Firstly, payments against RPOs involving amount up to Rs1 million were to be paid by July 15, 2017; and in the second stage refund against RPOs of amount more than Rs1 million were to be paid by August 14, 2017.

Dar said that refund payments up to Rs1 million were paid on July 15, 2017, whereas payments against RPOs exceeding Rs1 million are being issued today, well before the date earlier announced. He said that total refund including refund issued in the first phase come out to Rs26.43 billion covering 10,439 RPOs.

The minister said that these refund payments would not only cover exporters but all other claimants in all sectors of economy, adding that the refund would also resolve the liquidity problems being faced by the taxpayers. He said that to fulfil the commitment FBR is forwarding electronic payment advice to State Bank of Pakistan (SBP).

It is pertinent to mention here that for the first time refund payments were made through direct electronic transfer to claimants’ bank accounts through SBP in November 2016. Since November 2016, sales tax refund has been credited directly into the account of the taxpayers within 24 hours. State Bank of Pakistan has again been directed to make arrangements in this regard so that the amount of refund should be credited directly into the account of the taxpayers within 24 hours.

The minister emphasized cordiality in FBR-Business community relationship, saying that it was vital for good revenue generation, which in turn is essential for economic growth as envisaged by the government. Dar also urged the business community to play their role by investing in new areas, setting up industry and paying taxes to enhancing the pace of development in the country.

Talking about tax collection target, Dar said that he believed in difficult targets, which have resulted in sharp increase in revenue collection. Tax collection has enhanced to Rs3362 billion during last financial year 2016-17 from Rs1900 billion in 2013 when incumbent government took the charge, representing 73 percent growth. He vowed to enhance the country’s tax-to-GDP ratio to 15 percent. Dar said that the PML-N government has been sensitive to the issues faced by the business community arising from stuck up refunds.

On the occasion, FBR Chairman Tariq Pasha said they are working to enhance the tax collection and tax base of the country under the leadership of the finance minister.

He said that the timely and easy transfer of refund money to the exporter's account would encourage them to work hard to increase the country's exports.

The Nation on Web
The Nation
Wednesday, 9th August, 2017

PM for using gas, domestic coal to produce energy

Abbasi for reducing usage of thermal power sources, working on water storage projects on fast track basis

Fawad Yousafzai

Islamabad - Prime Minister Shahid Khaqan Abbasi on Tuesday directed power and petroleum divisions to formulate a roadmap to reduce usage of thermal power sources and focus on natural gas and domestic coal for energy production.

The prime minister also directed the water resources division to work on planning for water storage projects on a fast track basis. “There is no room for a non-optimal solution in our energy framework”, said Prime Minister Abbasi while chairing a meeting on the energy sector.

The meeting was attended by Minister of State for Power Abid Sher Ali, Minister of State for Petroleum, Jam Kamal Khan and senior officials. Secretaries of power and petroleum divisions briefed the prime minister on energy sector projects and the load management plan.

Soon after assuming power, the prime minister had announced the merger of the ministry of petroleum and ministry of power into newly formed energy ministry with two constituent divisions namely power division and petroleum division. Similarly, the Ministry of Water Resources with one constituent division namely water resources division was formed.

The business of the existing division of water and power and petroleum and natural resources shall be distributed between the two new divisions accordingly. Currently, the prime minister is holding the portfolio of the energy ministry.

While elaborating the rationale behind the distribution of work among ministries, the prime minister stated that water security was an important concern for the government and the people of Pakistan. “A dedicated ministry for water resources is required to handle these issues and to cater for improved management of water resources, a separate ministry is essential,” the prime minister said.

As regards the creation of a new ministry of energy, Prime Minister Abbasi said that it was necessary to remove firewalls between the petroleum and power sectors which were otherwise linked to a common objective of energy security in Pakistan.

The prime minister said that the government was striving to achieve a balanced mix for the country’s energy requirements. The maximum utilization of Thar coal reserves should be ensured to provide affordable energy to consumers, the PM said.

“There is no room for the non-optimal solution in our energy framework,” emphasized the PM.

The prime minister reiterated the commitment that measures for eliminating loadshedding were on track and ‘our focus is ensuring a bright future for Pakistan’.

The Nation on Web

The Nation

Wednesday, 9th August, 2017

Rebasing of inflation likely before next budget

APP

ISLAMABAD - The rebasing of inflation indices is likely to be completed by June 2018 as the Pakistan Bureau of Statistics (PBS) has already initiated the process to accomplish it as soon as possible.

So far, the base 2007-08 is being utilised for evaluating inflation including Consumer Price Index (CPI), Wholesale Price Index (WPI) and Sensitive Price Indicator (SPI), which has been getting obsolete due to arrival of many new products in the market that are utilised by the people.

The inflation base is being formulated on the basis of survey, Industrial Census and Census of Manufacturing Industries (CMI). "All these activities culminate in rebasing," a top official said. He said that CMI was already in field and under process adding that the field work is expected to be completed by June 2018 and hopefully the new base would be operational from the next fiscal year (FY2018-19).

The PBS has already sent the relevant forms across the country and has been involving in exercise with the help of provincial industries and labour departments. It is pertinent to mention here that the country is still using base of 2007-08 to evaluate inflation. This base was scheduled to be changed in year 2015-16 and thereafter every ten years. However, the process was delayed due to the population census which has recently been concluded all across the county.

"Due to census, the process of rebasing was delayed," the official added.

The PBS also aims to re-base the rural CPI because the questions were being raised by economists and researchers that the CPI has an urban bias. For removing this bias they would be now releasing a rural CPI, an urban CPI and a total CPI.