BUSINESS
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Pakistan, India join SCO

ASTANA, (Kazakhstan): Asian rivals India and Pakistan on Friday formally joined the Shanghai Cooperation Organisation, a security bloc spearheaded by China and Russia, despite bilateral tensions bubbling over Kashmir. Leaders of the largely symbolic body — including Russia's Vladimir Putin and China's Xi Jinping — formally signed off on the sub-continent duo's accession at the annual SCO summit in Kazakhstan's capital Astana.

Prime Minister Nawaz Sharif and Indian counterpart Narendra Modi shook hands and exchanged greetings late Thursday at the opening of the SCO meeting, although New Delhi said that no formal bilateral meeting between the two was planned. Modi on Friday hailed India's accession as a "landmark moment in the journey of the SCO" and pledged India would play a "constructive and active role" in the organisation that also includes ex-Soviet states Kyrgyzstan, Kazakhstan Tajikistan and Uzbekistan.

Sharif thanked the founding members for their "staunch support" for his country's entry into the organisation, which he hailed as "an anchor of stability in the region"..

Both Moscow and Beijing expressed optimism that the two neighbours' entry into the SCO could strengthen prospects for peace across the region.

Founded in 1996, the SCO is viewed as a vehicle for managing competing Chinese and Russia political, economic and military interests in the strategic region. China is championing ambitious infrastructure projects, including land and sea links touted as a revival of the ancient Silk Road trade route.

Russia, in turn, has focused on broadening its Eurasian Economic Union integration project involving former Soviet allies.—AFP

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July-May workers' remittances down 2pc

RECORDER REPORT

KARACHI: The inflows of workers' remittances maintained a downward trend declining by 2 percent during the first eleven months of this fiscal year.

Overseas Pakistani workers remitted $ 17.464 billion in first eleven months (July to May) of FY17, compared with $ 17.844 billion received during the same period in the preceding year, depicting a decline of $ 380 million.

During May 2017, the inflows of worker's remittances amounted to $ 1.867 billion, which is 21.36 percent higher than April 2017 and 3.77 percent higher than May 2016. Pakistan received some $ 1.538 billion in April 2017 and $ 1.799 billion in May 2016.

The detailed analysis revealed that major declined was witnessed in the inflows from US, UK and Saudi Arabia. Workers' remittances from US fell 3.22 percent to $ 2.178 billion in first eleven months of this fiscal year compared to $ 2.251 billion in same period of last fiscal year.

Similarly, inflows from UK decreased to $ 2.085 billion in July-May of FY17 against $ 2.270 billion in the corresponding period of last fiscal year, showing a decline of 8.13 percent. With 6.57 percent decline, inflow from Saudi Arabia stood at $ 5.032 billion in first eleven months of this fiscal year compared to $ 5.385 billion in the same period of last fiscal year.

The country-wise details for May 2017 show that inflows from Saudi Arabia, UAE, USA, UK, GCC countries (including Bahrain, Kuwait, Qatar and Oman) and EU countries amounted to $ 514.5 million, $ 427.25 million, $ 248.88 million, $ 239.2 million, $ 209.95 million and $ 51.19 million respectively compared with the inflow of $ 547.77 million, $ 380.74 million, $ 202.1 million, $ 240.62 million, $ 216.71 million and $ 41.64 million respectively in May 2016.

Remittances received from Norway, Switzerland, Australia, Canada, Japan and other countries during May 2017 amounted to $176.37 million together against $169.85 million received in May 2016.

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THE RUPEE

Steadier trend

RECORDER REPORT

KARACHI: The rupee held almost present levels against the dollar on the money market on Friday in the process session, dealers said.

OPEN MARKET RATES: The rupee was unchanged against the dollar for buying and selling at Rs 105.90 and Rs 106.10 respectively, they said.

The rupee however, gained 55 against the euro for buying and selling at Rs 118.25 and 119.50 respectively, they said.

INTER-BANK MARKET RATES: The rupee shed one paisa against the dollar for buying and selling at Rs 104.86 and Rs 104.87 respectively, dealers said.

In the fourth Asian trade, the pound fell sharply after British Prime Minister Theresa May's Conservative Party appeared set to fall short of an expected majority in a general election.

Sterling was down 1.5 percent at $1.2764 after sliding to as low as $1.2693, down about 2 percent and the weakest since April 18.

An updated BBC forecast predicted May's Conservatives would win 318 of the 650 seats, eight short of a majority, while Corbyn's left-wing Labour would take 267--producing a "hung parliament" and potential deadlock.

"The focus for the broader currency market will now shift towards the Federal Reserve's policy meeting next week. The dollar was trading against he Indian rupee at Rs 64.253, the greenback was at 4.264 in terms of the Malaysian ringgit and the US currency was 6.800 versus the Chinese yuan

The dollar was trading against the Indian rupee at Rs 64.350, the greenback was at 4.264 in terms of the Malaysian ringgit and the US currency was at 6.794 versus the Chinese yuan. Inter bank buy/sell rates for the taka against the dollar on Thursday: 80.59-80.60 (previous 80.59-80.60).

Open Bid	Rs. 105.90
Open Offer	Rs. 106.10

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

Bid Rate	Rs. 104.86
Offer Rate	Rs. 104.87

RUPEE IN LAHORE: The Pak rupee remained under pressure for the second consecutive day against the US dollar in the local currency market on Friday.

According to currency dealers, the dollar commenced trading on a positive note amidst fresh buyers' interest in the market.

At the close, it further appreciated to Rs 106.00 and Rs 106.25 on buying and selling sides, respectively, as compared to the overnight closing trend of Rs 105.95 and Rs 106.10 respectively, they added.

On the contrary, the national currency recovered its day earlier losses as it registered appreciation versus the pound sterling. The pound's buying and selling rates slid from Thursday's closing trend of Rs 136.60 and Rs 137.40 to Rs 134.40 and Rs 135.60 respectively, they said.

RUPEE IN ISLAMABAD AND RAWALPINDI: The dollar gained strength against the rupee at the open currency markets of Islamabad and Rawalpindi here on Friday.

The dollar opened at Rs 105.95 (buying) and Rs 106.10 (selling) against last rate of Rs 105.90 (buying) and Rs 106 (selling). It closed at Rs 105.95 (buying) and Rs 106.10 (selling).

Buying and selling rates of British Pound is Rs 136.50 (buying) and Rs 138.50 (selling).

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IPPs, PSO: MoF agrees to raise Rs41bn to clear payables

MUSHTAQ GHUMMAN

ISLAMABAD: Finance Ministry has reportedly agreed to raise Rs 41 billion from consortium of banks aimed at clearing payables of Independent Power Producers (IPPs) and Pakistan State Oil (PSO), after the Water and Power Ministry refused to impose a new surcharge on consumers, well-informed sources told Business Recorder.

Both the IPPs and PSO have already issued warnings to the government for undue delay in payment of overdue receivables which can hinder their operations.

The Economic Coordination Committee (ECC), in its meeting held on June 7, 2017 under the chairmanship of Finance Minister, Ishaq Dar, approved a proposal of Water and Power Ministry for provision of a government guarantee by the Ministry of Finance for repayment of loan as well as interest, for a syndicated term finance facility for the power sector amounting to Rs. 41 billion. The amount will be utilized for the purposes of funding the repayment liabilities of the Distribution Companies (DISCOs), through arrangement between Power Holding Private Limited and Discos.

Ministry of Water and Power claims that power sector has shown marked improvement in its performance in the past two years. The recoveries which remained in the range of 88%-89%, have now crossed 93% consecutively in 2015 and 2016, the highest in the history of the sector. Similarly, the T&D losses which were around 19% in 2014 came down to 17.8% in Dec 2016. These two accounts by themselves have provided a positive cash flow to the power sector totaling Rs. 116 billion in the past two years. Gencos which were making a cumulative loss of Rs. 7.785 billion in 2013-14, not only overcame their losses but reported a profit of Rs. 5.772 billion in 2015-16.

Water and Power Ministry has also argued before the ECC that all achievements as well as historic drop in oil prices helped to keep the power sector's circular debt within the range of Rs. 320-330 billion from Dec 2014 till June 2016. These two years (2014-15 and 2015-16) were the only fiscal years in more than a decade, when no losses of the power sector were paid out of the federal budget which used to be on an average of Rs. 200 billion annually. This brought down power sector's burden of subsidies on the national budget from 2.4% of GDP in 2012-13 to around 0.4 % of the GDP in 2014-15.

The other stream of cash flow into the power sector are the subsidy payments out of Federal Budget, which are announced by the Government from time to time, with the aim of providing relief to low income groups, less developed regions and to allow competitive cost of production to industries and agriculture. A large part of subsidy payment is also reduced through imposition of Tariff Rationalization Surcharge (TRS) on high end consumers. There have been reconciliation processes going on between the Ministry of Water and Power and the Finance Division over some subsidy claims and arrears which are expected to be settled in the coming months.

In addition, sector financials are held up due to regulatory issues relating to capacity payments and on account of court cases. In order to provide an interim relief and to keep the circular debt within manageable limits, it was agreed between the Ministry of Water & Power and Ministry of Finance in a meeting held on May 29, 2017 to seek a loan from the commercial banks which will serve as an interim arrangement till settlement of subsidy accounts and reduction of outstanding capacity payment issues.

Power Holding (Private) Limited is a public sector

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entity without assets and will be responsible for arranging a loan amounting to Rs.41 billion which will be utilized for the purpose of funding repayment liabilities of Discos through arrangement between Power Holding Private Limited and Discos.

The sources said the apportionment of the financing facility will be made to the Discos according to their respective liability towards power purchasers. Ministry of Finance will provide a government guarantee for repayment of loan as well as interest, for the facility amounting to Rs.41 billion, arranged through a consortium of local banks. According to the summary, the servicing of mark-up, principal repayments and all other amounts becoming due and payable in respect of the subject facility will be the responsibility of Finance Division as at present no financial space is available for imposition of surcharges as such cases are pending in the Supreme Court .

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Slow business on cotton market

RECORDER REPORT

KARACHI: Some needy spinners took little interest in fresh deals on the cotton market on Friday, dealers said.

The official spot rate was unchanged at Rs 6800, they said. In the ready session, nearly 1000 bales of cotton change hands comprising 200 bales from Shahdadpur done at Rs 7000 and 637 bales from Faqirwali at Rs 6800, they said.

According to the market sources, cotton market is lack of buying interest ahead of arrivals of new crop.

Cotton analysts, Naseem Usman said that expectations of better than expected cotton production seems to be difficult as sowing badly affected due to unavailability of irrigation water, shortage of power and gas supplies in industries.

Adds Reuters: ICE cotton futures rose on Thursday after positive weekly export sales data and as investors covered their short positions ahead of the monthly crop supply-and-demand report from the US government on Friday.

Cotton contracts for December settled up 0.42 cent, or 0.58 percent, at 73.1 cents per lb. It traded within a range of 72.5 and 73.12 cents a lb.

The US spot corn futures hit their highest level in nearly a year on Thursday and Minneapolis spring wheat neared a two-year top on worries about hot and dry weather stressing crops in the northern Plains and Midwest.

Net upland sales for the 2016-17 crop last week totalled 82,700 running bales, down 26 percent from the previous week, weekly export sales data from the US Department of Agriculture showed on Thursday.

Total futures market volume rose by 7,016 to 31,810 lots. Data showed total open interest fell 1,560 to 233,238 contracts in the previous session.

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 08.06.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,800	135	**6,935**	**6,935**	NIL
40 Kgs	7,288	145	**7,433**	**7,433**	NIL

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Cotton rises on positive export sales, short covering

NEW YORK: ICE cotton futures rose on Thursday after positive weekly export sales data and as investors covered their short positions ahead of the monthly crop supply-and-demand report from the US government on Friday.

Cotton contracts for December settled up 0.42 cent, or 0.58 percent, at 73.1 cents per lb. It traded within a range of 72.5 and 73.12 cents a lb.

“The export sales were good from the lower end, the market looks oversold and was due for a bounce. Prices were also supported by the rally in grains,” said Jobe Moss, a broker with MCM Inc in Lubbock, Texas.

The US spot corn futures hit their highest level in nearly a year on Thursday and Minneapolis spring wheat neared a two-year top on worries about hot and dry weather stressing crops in the northern Plains and Midwest.

Net upland sales for the 2016-17 crop last week totalled 82,700 running bales, down 26 percent from the previous week, weekly export sales data from the US Department of Agriculture showed on Thursday.

“The shipments are well ahead of the weekly pace required to meet the USDA’s 14.5 million-bale export target.Sales cancellations were again negligible and looks like the USDA has overvalued the December crop progression,” said Louis Rose, co-founder and director of research and analytics at Rose Commodity Group.

Total futures market volume rose by 7,016 to 31,810 lots. Data showed total open interest fell 1,560 to 233,238 contracts in the previous session.

Certificated cotton stocks deliverable as of Wednesday totalled 449,299 480-lb bales, up from 445,351 in the previous session.—Reuters

New York cotton

RECORDER REPORT
The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
May’17	76.48	76.49	75.55	75.61	14:20 Jun 09	-	-0.94	16717	76.55
Jul’17	74.79	74.79	74.13	74.13	14:20 Jun 09	-	-0.92	16	75.05
Oct’17	72.93	73.19	72.26	72.52	14:20 Jun 09	-	-0.58	13790	73.10

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Power sector

Little or no improvement

Farhat Ali

"Alhamdolillah highest-ever generation recorded at 3 pm today 17the May 17. Hydel: 5240MW, Gencos: 2901MW, IPPs: 9574MW, total :17,720 MW" the Federal Minister of Water and Power, Khawaja Asif is reported to have tweeted. This surpassed the earlier record set in June last year during Ramazan when it had touched 17,430MW. The demand was still recorded at over 21,000MW translating into an average power deficit of around 3,000 to 5000MW.

According to a ministry spokesman, not a single megawatt of forced load-shedding was conducted in the entire country despite a steep rise in demand. Normally, power shortfall in peak summer season tends to hover around 6,000MW, translating into increased hours of load-shedding on a daily basis. And as per another official, there were zero power outages in areas with high recoveries and low transmission and distribution losses.

The minister's tweet triggered a public outcry as it brought no change on ground and public continued to suffer the same 8 to 12 hours of load shedding. People questioned the wisdom behind this tweet.

It is argued that the issue is not the amount of power generated but the issue is the amount of the power which can be evacuated and disbursed to the consumers. What is in between the power generated and disbursed is the problem area.

Pakistan could generate 25,000MW of power considering the fact that in 2013 the installed power generation capacity was 21,000MW and reportedly 5000MW of power has been added to the national grid in the last 4 years.

The Minister identified, to some extent, the real issues:

In April 2017, Water and Power Minister confirmed a massive electricity shortfall of 5,420 megawatts, but attributed the unscheduled loadshedding to higher than normal temperatures. He said the circular debt excluding due payments to gas companies stood at Rs 385 billion as of March 31, 2017 compared with Rs 441 billion (all inclusive) debt cleared by his government at the very outset in 2013. He further stated that between 4,000MW and 4,500MW of power supply would be available to the system by the end of this month. This would help bridge this additional (demand-supply) gap, but the normal gap of three-four hours will remain there. He said it was true that loadshedding in some areas ranged between 10 and 12 hours and this would continue because these were high-loss and low-revenue areas because of theft.

The government has gone a step further to de-electrify some areas by removing their transformers because of theft, he added. Issue of overbilling to consumers was also highlighted.

He claimed the disconnection exercise was already creating the desired impact as those who suffered disconnections were now applying for installation of meters and making payments.

The minister reportedly brushed aside speculation that the unscheduled loadshedding was because of non-payments to independent power producers (IPPs). The minister said total payables to the IPPs stood at Rs 163 billion, including Rs 56 billion payable to Pakistan State Oil (PSO). Another Rs 54 billion was payable to the IPPs as capacity charges, but after setting aside PSO dues payable by the IPPs, the total outstanding amount against the government stood at Rs161 billion. Of this, Rs 69 billion was under litigation between the government and the IPPs on account of interest payments, leaving behind a liability of Rs 92 billion. Rs 92 billion was not payable in cash, but power purchase agreements with the IPPs provided credit limits that the IPPs could draw from banks and the government was bound to pay through tariff Kibor plus four per cent interest on these credits.

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Discussing shortfalls, he said hydropower generation had remained lower over the past couple of weeks while a number of plants generating about 1,200MW were shut for maintenance.

From the above one can discern that the issues confronting the power sector are power theft, non-payment of bills by consumers, conduct of IPPs, Circular debt, over billing to consumers, power plant shutdowns for maintenance at the time of peak demand. However, the severity of these issues is far greater than stated above.

The circular debt's and power outage's issue continues to create nightmares for the government. Last month, the government acquired a loan of Rs 41 billion from commercial banks to make payments to IPPs, distribution companies and state-owned fuel supplier-Pakistan State Oil (PSO).

Last month, it had been reported that the circular debt figure had crossed Rs 400 billion, and this loan of Rs 41 billion will help bring it down to Rs 360 billion, but the stock of debt will rise to a staggering figure of Rs 415 billion. To offload the LNG circular debt of PSO, the Ministry of Petroleum and Ministry of Finance are arranging a Rs 29 billion syndicated financing facility.

The IPPs Advisory Council (IPPAC) has claimed that till May 15th the figure of payables reached Rs 191 billion and if the payment isn't made at once, they may have to cease their operations. The government is already facing the daunting prospect of fixing the menace of power outages during Ramazan, while the Independent Power Producers (IPPs) have once again cited cash flow restraints which could lead to power plants shutdowns.

But the Ministry of Water and Power disputes this figure saying that only Rs121 billion are owed to IPPs as outstanding payments. The ministry official admitted that IPPs were facing a cash crunch, but it didn't mean that the IPPs started issuing threats to the government, he said.

IPPs had withdrawn their sovereign guarantee encashment demand last month and held a meeting to settle outstanding payment issues and disputes. The Water and Power ministry has already requested the Ministry of Finance to release Rs 50 billion immediately to pay outstanding dues of IPPs, which would include a payment of Rs 10 billion to state-owned fuel supplier PSO which itself is struggling due to mounting receivables. IPPs have already held two consultative meetings with the Water and Power Secretary, Yousaf Naseem Khokhar but to no avail.

As Pakistan State Oil's receivables cross Rs 300 billion, it has been learnt that the Ministry of Finance is gearing up to release Rs 45 billion in order to ease the circular debt crisis. Out of this Rs 45 billion, only Rs 10 billion have been earmarked for PSO. Rs 35 billion will be given to Independent Power Producers (IPPs). The payment crisis has created a volatile situation for PSO, as it may default on payment to its creditors. Power companies owe Rs 257 billion to PSO, government Rs 9.6 billion on price differential claims, Pakistan International Airlines Rs 16 billion and Sui Northern Gas Pipelines (SNGPL) Rs 18 billion for LNG supplies. PSO will be needing Rs 165 billion for providing fuel to private IPPs during the ongoing summer season.

If the government is unable to release more funds for PSO, the company will be unable to place anymore import orders, which will further worsen the power crisis and lead to curbs on fuel supply.

One must by now understand that idle announcements of some increases in power generation capacity is meaningless unless things change on ground. The summer of 2018 in my view will be no better than that of 2017, if not worse. The whole power sector has to be reorganized starting with good governance.

(The writer is former President, Overseas Investors Chamber of Commerc

DAWN
Saturday, 10th June, 2017

Central Development Working Party approves Rs62bn projects

The Newspaper's Reporter

ISLAMABAD: The Central Development Working Party (CDWP) on Friday approved seven projects costing over Rs61.9 billion, and forwarded four mega projects to Executive Committee of National Economic Council for approval.

It recommended Ecnec to approve two projects worth Rs43.5bn in communication and transport sectors and two projects for widening of additional two lanes on either side of 11-kilometre Thokar Niaz Baig Road to Hudyiara Drain Multan Road costing Rs10.3bn.

The CDWP meeting, headed by Minister for Planning Ahsan Iqbal, also approved upgradation and widening of Jaglot-Skardu Road at the cost of Rs33.13bn.

Under the project, the National Highway Authority will upgrade 164-km highway, which would provide better travelling facilities to the people of Gilgit-Baltistan. The planning minister directed that work on the project should commence without any delay.

The CDWP also approved remodelling of Warsk Canal System in Peshawar and Nowshera Districts worth Rs12.1bn. The project will entail improvement in the canal system of Kabul River.

The CDWP also approved setting up of a technical training institute by the Special Communication Organisation (SCO) in Gilgit-Baltistan to provide modern training facilities for the youth.

The meeting was informed that the optic fibre project under China-Pakistan Economic Corridor (CPEC) will be completed by December, which will herald the beginning of a new era in Gilgit-Baltistan. Simultaneously, work should also begin for the setting up of a software park, said Mr Iqbal.

The CDWP approved the Punjab Tourism and Economic Growth project which would involve an expenditure of Rs5.7bn and will be completed with assistance from the World Bank.

It also further approved a technical training centre for the youth of Fata and Khyber Pakhtunkhwa. Under the project, 110 youth will be imparted technical training, and it will cost Rs78.6 million.

In higher education sector, CDWP approved Rs276.4m for Pakistan Productivity, Quality, and Innovation Initiative.

DAWN
Saturday, 10th June, 2017

Cotton trading slows

The Newspaper's Staff Reporter

MULTAN: Trading on the cotton market remained slow on Friday due to depressed demand and limited unsold stocks held by ginners.

Although the new cotton season has started, cotton picking has failed to get momentum so far, cotton brokers said.

Shortage of irrigation water, unavailability of qualitative seed, high prices of inputs and loadshedding were the major reasons behind the slow trading, they said.

They said that in India the quality of cotton has improved, production was rising and the inputs cost were falling. Some Pakistani farmers have arranged the seed of some Indian varieties for sowing.

The price of phutti (seed cotton) was Rs3,575 in Umerkot, Rs3,625 in Badin, Rs3,600 in Degree and Rs3,625 in Mirpur Khas.

Major deals on the ready counter were: 200 bales from Sadiqabad at Rs6,900 per maund (around 37 kilograms), 200 bales from Tando Adam at Rs7,000, 200 bales (new crop) from Bahawalpur at Rs6,975, and 632 bales from Faqirwali at Rs6,800.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2015-16 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/32" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL			
Rate For	**Ex-Gin Price**	**Upcountry Expenses**	**Spot Rate Ex-Karachi**
37.324 Kgs Equivalent	**6,800**	**135**	**6,935**
40 Kgs	**7,288**	**145**	**7,433**

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MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.70	104.90	105.90	106.10
UK	133.43	133.69	135.80	137.10
Euro	117.18	117.40	118.25	119.50
S.Arabia	27.92	27.97	28.25	28.45
UAE	28.51	28.56	28.90	29.10
Japan	0.9493	0.9511	0.9532	0.9732

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.90	6.15
Six months	5.91	6.16
One year	5.97	6.47

LIBOR

Special US dollar bonds for June 8

Three months	1.22811 %
Six months	1.41544 %

THE NEWS
Saturday, 10th June, 2017

Remittances up 21.36 percent to $1.867 billion in May

Erum Zaidi

KARACHI: Workers' remittances fell 2.13 percent to $17.463 billion during 11 months of the current fiscal year, but the last month saw almost one-fourth rise month-on-month in inflows ahead of Eid-al-Fitr.

The State Bank of Pakistan (SBP) data showed on Friday that the country received $17.843 billion in remittances from expatriates in the July-May period of 2015/16. In May, remittances from expatriate Pakistanis amounted to $1.867 billion, up 21.36 percent over April and 3.77 percent over the same month a year earlier.

Remittances usually receive a boost during Ramazan and ahead of Eid festival as Pakistani expatriates from Middle East, USA, UK and European countries send more money home to their families to meet Umrah and festival-related spending.

"May was a good month and so would be June due to Ramazan," a senior banker said. "Total remittances for May and June should be between $3.5-4 billion; hence, the final figure for June-end should be around $19-19.5 billion."

SBP forecast remittances at $19.5-20.5 billion for the current fiscal year, ending June 30. Remittances stood at $19.9 billion during the last fiscal year. Bilal Khan, an economist at Standard Chartered Bank said the inflows would remain flat. "Our expectation is that inward overseas workers' remittances will end-FY17 almost flat on the previous year at around $19.8 billion."

Foreign exchange firms witnessed an upsurge in remittances during the ongoing month of Ramazan. "Remittances recorded through exchange companies saw 10-15 percent increase during the first 10 days of this Ramazan," said Zafar Paracha, general secretary at Exchange Companies Association of Pakistan. Remittances from Saudi Arabia, which is the main source, rose to $514 million in May compared with $440 million in April. In May 2016, the inflows were $548 million.

Analysts painted a bleak picture for the times ahead due to unfavourable labour market conditions in the Gulf region, the pound sterling's depreciation against the dollar and tougher regulatory controls in US. "(Remittance) inflows will stall next year unless migrant labour dynamics in oil-rich countries, which are affected by depressed oil prices, get improved," said an analyst.

The government is, however, upbeat on the outlook. "The development activities under Saudi Arabia's vision 2030, which provides a roadmap for kingdom's development and economy for next 15 years, the FIFA world Cup 2022 in Qatar and Expo 2020 in Dubai will create more labour demand," the government said in its 'Pakistan Economic Survey 2016/17' document.

Analysts said increasing cost for sending money home is also a major hurdle for Pakistani expatriates, and believed to be negatively impacting such flows. "Yes, convenience and cost, both are the major stimulants for the sender and the beneficiary to send and receive remittances through legal sources," a banker said. "Cost for sending money is increased and it should be brought down."

Earlier, the sender could have sent money home up to $100 under Pakistan Remittance Initiative (PRI) free of cost as the central bank paid rebate for these services to the banks, but now the threshold is $200.

Industry sources said SBP cleared outstanding rebate payments under PRI, owing to banks, till September 2016. Rebate claims for October and November are expected to be cleared by the end of this week, said a source.

Analysts said remittances routed through illegal sources could be much larger than usually thought as many senders bypass banks and money transfer companies. Transfers through unofficial channels could be worth up to $20 billion, according to various estimates.

The routing of remittance funds through unregulated channels, such as Hawala and Hundi is not widely productive for the economy. It's also creating issues for the money transfer industry in the country.

A senior banker, however, said since the stricter regulations against anti-money laundering and terrorist financing are discouraging unorganised channels, "we might actually see an upsurge in formal remittances."

Despite a slowdown in growth remittances still remain one of the largest sources of foreign exchange earnings for Pakistan.

THE NEWS
Saturday, 10th June, 2017

Cotton unchanged

Karachi

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

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

An analyst said slow activity was recorded in the market because of the end of the season, while traders are ready to embrace the new crop, whose scattered picking or harvesting has started in some areas of Sindh. "However, major activity is likely to start after Eid," he said.

Karachi Cotton Exchange recorded only two transactions of around 850 bales amid price of Rs6,800 to Rs7,000/maund. Faqirwali's 632 bales were sold at Rs6,80/maund and 200 bales of Shahdadpur exchanged hands at Rs7,000/maund.

The Nation on Web
The Nation
Saturday, 10th June, 2017

FPCCI to govt

Make budget business friendly or face music

INP

KARACHI - Although the Federation of Pakistan Chambers of Commerce & Industry (FPCCI) does not believe in strike/shutdown of business premises, however, it may take extreme action in case if its set of vital demands is not accepted before passing of the Finance Bill from the National Assembly.

This was stated by Zubair F Tufail, FPCCI President, while addressing a press conference at Federation House Karachi on Friday.

The FPCCI president elaborated that after a series of meetings and consultation with its member trade bodies throughout the country, the FPCCI had identified eleven (11) harsh and irritant measures of the Finance Bill and proposals thereon have already been forwarded to the Prime Minister Nawaz Sharif and Finance Minister Ishaq Dar for their amicable resolution before it is passed by the Parliament, likely on June 14, 2017.

The FPCCI chief disclosed that the entire business community of the country including Pakistan Business Council (PBC), Overseas Investors' Chamber of Commerce & Industry (OICCI); American Business Council; All Pakistan Textile Mills Association (APTMA) etc., have also rejected the Finance Bill 2017 and urged the government to remove the harsh and irritant measures from it.

Zubair F. Tufail said that the Finance Bill has totally disappointed the entire business community and lamented that it was prepared by the Federal Board of Revenue (FBR) considering only interest of the revenue collection by ignoring the private sectors' aspiration for creating an enabling atmosphere for the promotion of trade and industrial activities. Referring to the Federal Finance Minister Senator Muhammad Ishaq Dar's budget Speech, the FPCCI president urged him to honor his promise of paying all pending Income Tax and Sales Tax Refunds and the Refund Payment Order (RPOs) issued till April 30, 2017 should be released/paid before August 14, 2017, as exporters were facing severe cash flow crunch due to stuck-up of their refund claims with the FBR which forced them to shut various production units.

The FPCCI president said one of the harsh measures announced in the budget was increase in turnover tax. He informed that the rate of turnover tax was 0.5 percent but the government gradually has increased it to 1.25%. The business community strongly reacted to this increase because this tax was paid by those units, which had already posted annual losses.

FPCCI president said electricity and gas tariffs for the export sector were high as compared to the regional markets, making local products uncompetitive in the international markets. The FPCCI demanded 25 percent reduction in tariffs of electricity and gas with immediate effect.

The FPCCI lamented to the continuation of Super Tax on corporate sector and high net-worth individuals, and said it should not be implemented in tax year 2018. Tufail said super tax was introduced in tax year 2016 to generate funds for operation Zarb-e-Azb against terrorist activities in the country. However, in the Finance Bill 2017 it was proposed to continue for third consecutive year. He said foreign companies had planned their investment, but such taxes had demoralized them. He said the FPCCI rejected the continuation of super tax.

The President of FPCCI said that the business community also rejected two percent further tax on sales to unregistered persons as it is a burden on registered persons as unregistered persons are not paying and registered persons spend billions of rupees on purchase of flying invoices.

He disclosed that although the Chairman FBR in the meeting of National Assembly Standing Committee on Finance had agreed that the present large spread of withholding tax between commercial and industrial importers of raw material would be narrowed in the Finance Bill but did not keep his words.

The FPCCI President also said commercial importers should be exempted from Sales Tax and Income Tax audits, as they pay 17% sales tax plus 3% value addition tax and 6% income tax in advance at port stage.

A 10% tax to be levied on undistributed after tax profits must be withdrawn. It is also a unanimous demand of the FPCCI, Pakistan Business Council, The OICCI and the

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American Business Council, he informed.

The FPCCI president urged the government to continue with the fixed tax regime for builders and developers in the next fiscal year, instead of the proposed normal tax regime for this sector in Finance Bill 2017.

Regarding raids on taxpayers' premises, he said that FBR officers should not raid on any taxpayers' premises, unless 15 days notice was issued for the payment or a reply by the taxpayer was received by the FBR. "If FBR was not satisfied with the reply, action may be taken but after informing the concerned trade association or chamber," the FPCCI president demanded.

He also sought suspension of Circular No.14 of October 6, 2011. S.M. Muneer, leader of the business community and former chief executive of Trade Development Authority of Pakistan (TDAP), said the country had no priority for exports. Due to several difficulties Faisalabad -the hub of textile industry – has become a graveyard of industries, he added. He said all the business associations had rejected the budget, and if the government did not accept the demands, then the FPCCI would have no choice other than supporting the stakeholders' in their anti-government decision.