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Four percent of global trade to pass through CPEC by 2020

DRAZEN JORGIC

Pakistan's debt and other repayments on China's "Belt and Road" initiative will peak at around $5 billion in 2022, but will be more than offset by transit fees charged on the new transport corridor, says the Pakistan government's chief economist. China has pledged to invest up to $57 billion in Pakistan's rail, road and energy infrastructure through its vast modern-day "Silk Road" network of trade routes linking Asia with Europe and Africa.

Officials expect a huge uptick in trade between the two nations once Pakistan's Arabian Sea port of Gwadar is functional and work on motorways is finished allowing goods to cross the Himalayas to and from China's western Xinjiang province. The China-Pakistan Economic Corridor (CPEC), a flagship "Belt and Road" project, has been credited with helping revive Pakistan's sluggish economy, but investors have raised concerns that Pakistan's currency could come under severe pressure once debt repayments begin and Chinese firms start taking profits home.

Nadeem Javaid, who advises Prime Minister Nawaz Sharif's government and works closely on the CPEC programme, told Reuters that such fears are misplaced as Islamabad would earn vast fees from charging vehicles moving goods from and to China. Javaid said the Gwadar-Xinjiang corridor should be operational from June next year, and Pakistan expects up to 4 percent of global trade to pass through it by 2020.

"The kind of toll tax, rental fees that the Pakistani system will gain is roughly $6-$8 billion a year," Javaid, chief economist at the Planning Ministry, said in an interview. "By 2020, I expect we will get this much momentum." He said China has huge incentives to transport oil and other goods bound for its western regions through Pakistan as the Gwadar-Xinjiang corridor shaves some 9,500 miles (15,000 km) off other traditional routes.

It doesn't take long to imagine the savings on the many millions of litres of fuel, he said. Predicting future trade is, of course, an inexact science, as is predicting toll income, and Pakistan's ambitious targets could unravel if its improved security situation deteriorates. Chinese officials have urged Pakistan to improve security, and Islamabad now restricts movement of foreigners to its vast western Baluchistan province that will host a key transport artery.

BALANCE OF PAYMENTS RISK? Investors, too, are watching Pakistan's ballooning current account deficit, which widened by more than 160 percent to $6.1 billion in the nine months to March, largely due to imports of machinery for big CPEC projects. Javaid said debt repayments and profit repatriation from CPEC projects will begin in 2019, totalling about $1.5-$1.9 billion, and rising to $3-$3.5 billion by the following year.

"It would be low in the beginning, and in 2022 it will peak at around $5 billion - not more than that," he said, adding the government does not think it likely that Pakistan will face a balance of payments crisis.

The last such crisis in 2013 saw Islamabad turn to the International Monetary Fund for help. Javaid said the CPEC should boost economic growth, which he expects to hit 5.2 percent in 2016-17. Exports should also pick up once CPEC power projects totalling 7,000 megawatts come online and reduce often crippling energy shortages. Deepening political and military ties between Pakistan and China have helped closer financial integration, too, with Chinese companies starting to buy Pakistani firms and land.

Javaid said the two countries have also discussed using a currency swap agreement between their central banks to create a mechanism to avoid any third currency in international transactions. "If some mechanism is going to be finalised on that, it will work as a buffer or a cushion that's going to basically avoid or prevent any kind of default that could happen in unforeseen circumstances," he said. But he added: "It's only a contingency arrangement in case something bad happens."

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Power sector receivables still hover around Rs 684 billion

MUSHTAQ GHUMMAN

Power sector's receivables still hover around Rs 684 billion as of March 31, 2017 even after a of Rs 44 billion Sindh Government write-off with the special effort of the then Secretary Water and Power, Younas Dagha, well-informed sources told *Business Recorder*. Official documents reveal that major defaulter is private sector as the amount of receivables against the private sector stood at Rs 505.5 billion as of March 31, 2017 against Rs 468.7 billion till June 30, 2016, which shows that Discos have failed in its recovery drive.

The sources said the total amount of receivables against federal and provincial governments, FATA, AJ&K, private sector and KE was Rs 684 billion as on June 30, 2016 has increased to Rs 690 as of March 31, 2017 even after writing off of Rs 44 billion to Sindh.

The amount of receivables against the federal which stood at Rs 4 billion till June 30, 2016 has increased to Rs 6.59 billion as of March 31, 2015. The amount of billing was Rs 30 billion from July 1, 2016 to March 31, 2017 but recovery stood at Rs 27.47 billion. Federal government comprises federal government departments, local bodies under federal government, autonomous bodies under federal government, defence and Water and Power.

The volume of receivables against AJ&K increased to Rs 76.45 billion as of March 31, 2017 against Rs 65.47 billion till June 30, 2016. According to sources, receivables against provinces have increased to Rs 128.32 billion as of March 31, 2017 against Rs 169 billion till June 30, 2016.

A break-up shows that the receivables against Punjab stood at Rs 1.84 billion on June 30, 2016 and have increased to Rs 2.16 billion whereas receivables against KPK increased to Rs 20.5 billion by March 31, 2017 as compared to Rs 19.4 billion as of June 30, 2017. This also includes Rs 18.6 billion assessed for KPK consumers for the period from September 5, 2008 to September 2010.

The amount of receivables against Sindh was Rs 73.44 billion as of June 30, 2016 which has now been slashed to Rs 16.2 billion after writing off Rs 44 billion by the federal government and if this amount is included in total receivables, losses have increased by one per cent instead of being reduced as is being claimed by the Water and Power Ministry.

The receivables against Balochistan government increased to Rs 6.4 billion till March 31, 2017 against Rs 4.94 billion as of June 30, 2016. The receivables against domestic consumers of FATA have increased to Rs 22.5 billion till March 31, 2017 as compared to Rs 30.6 billion as of June 30, 2016.

The amount of receivables has increased to Rs 172.8 billion as of March 31, 2017 against Balochistan agriculture tubewells from Rs 152.7 billion on June 30, 2016 as no agri consumer is willing to pay due amount of Qesco. The receivables against Karachi Electric (KE) which is now being purchased by a Chinese firm, have reached Rs 56 billion as of March 31, 2017 against Rs 46.24 billion as of June 30, 2016.

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Energy projects omitted:

Rs 28 billion infrastructure projects approved by Ecnec

ZAHEER ABBASI

The Executive Committee of National Economic Council (Ecnec) has approved infrastructure projects worth around Rs 28 billion but it seems that the Council has not considered energy projects, including Chashma nuclear power projects, despite being on the agenda list.

Sources said that dualisation of Sohawa-Chakwal Road project (revised) and improvement & widening of additional two lanes on either side of Thokar Niaz Baig Hudiara Drain Multan Road (N-5) were also on the agenda list but it remains unclear whether or not these projects were considered as nothing was mentioned in the official statement about them.

The meeting presided over by Finance Minister Ishaq Dar after detailed deliberations gave, in principle, approval to the Financial Inclusion and Infrastructure Project with the International Development Association (IDA) funding of $137 million (Rs 14.318 billion approx).

The Ecnec directed that a committee headed by secretary Planning and Development will rationalise the cost and scope of the project. The meeting was of the view that the objectives of this project are in line with the aims of the National Financial Inclusion Strategy, currently being implemented by the government to achieve universal financial inclusion in the country.

The Ecnec also approved the project for Lahore-Sialkot Motorway Link (4-lane) via Narang Mandi to Narowal at a cost of Rs 14.189 billion, with the instructions that the implementation must be ensured in the given time period. The project aims at construction and dualisation of 73.35-km new and existing road to provide connection of Lahore-Sialkot motorway with Narang Mandi, Baddomalhi and Narowal.

After thorough discussions, the Ecnec approved the project for the construction of Expressway on East Bay of Gwadar Port. The project will be financed through an interest-free loan from the government of China under the China-Pakistan Economic Corridor (CPEC).

The project envisages construction of 18.981-km 4-lane divided expressway with embankment for 6-lanes structures, integrating Gwadar port with Makran Coastal Highway as well as with its free zone and future container terminals.

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Trade deficit rises to $26.55 billion in July-April

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Pakistan's trade deficit rose to $26.55 billion during July-April period of the current fiscal year (2016-17), according to Pakistan Bureau of Statistics (PBS). The trade deficit is 40.12 percent higher when compared to $18.95 billion for the same period a year before, creating serious concerns of balance of payment problem in the days ahead. A package of Rs 180 billion unveiled by the government for exporters four months ago, on January 10, 2017, has not been able to make much difference.

The country's exporters have been identifying high cost of energy, exchange rate, pending refunds and government's borrowing as major factors for slide in exports. During a meeting of the National Assembly's Standing Committee on Finance, exporters had stated that these factors have made their products uncompetitive in the international market with other regional players.

Provisional trade data released by the PBS on Wednesday showed a decline of 2.29 percent in exports during July-April 2017 after exports dipped to $16.918 billion from $17.314 billion for the same period of last fiscal year. There was an increase of 19.88 percent in imports during the first 10 months of the current fiscal year after it increased to $43.473 billion from $36.265 billion for the same period of the last fiscal year.

Trade deficit of $3.193 billion during April 2017 was 51.69 percent higher from $2.105 billion for the same month a year ago. Imports have been $4.998 billion during the period under review, showing 30.8 percent increase as compared to $3.821 billion for April 2016 while exports have been $1.805 billion after a 5.19 percent increase from $1.716 billion for the same month a year before.

Trade deficit in April 2017 was $3.193 billion, which was 0.47 percent higher from $3.208 billion over the previous month of March 2017. An increase of 0.22 percent was noted in exports after exports increased from $1.801 billion in March 2017 to $1.805 billion in April 2017. However, a decrease of 0.22 per cent in imports was recorded after imports declined from $5.009 billion in March 2017 to $4.998 billion in April 2017.

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Schemes, projects approved by EDF board

MUSHTAQ GHUMMAN

The Board of Administrators of Export Development Fund (EDF) on Wednesday approved different schemes and projects worth millions of rupees each. Presided over by the Commerce Minister, Engineer Khurram Dastgir Khan also reviewed funding position of EDF as some of the schemes and projects are far from scheduled completion. Finance Ministry is holding billions of rupees as Export Development Surcharge (EDS) and the Board was informed that Rs 1.7 billion are available in EDF.

The Board also discussed current status of Pakistan Horticulture Development and Export Company (PHDEC), a subsidiary of Commerce Ministry based in Lahore. The Board decided to restructure and wind up the organisation and also decided to approve funding of Rs 20 million for the employees and other expenditures. Additional Secretary Ministry of Commerce, Mian Asad Hayyaud-Din recently stated before the committee that the organisation would be closed.

The Board also approved additional funds for SAARC Chamber of Commerce and Industry's building in Islamabad. Some of the Associations are opposing the project, saying that if it's SAARCs asset then why should Pakistan alone finance it? The Board approved additional funds of Rs 10.5 million for Uster HVI 1000 M (fiber classification and analysis system) by the Karachi Cotton Association.

The Board approved consultancy fee of $4500 to M/s Morris, Manning & Martin LLP hired for cases of anti-dumping and countervailing duty imposed by the US Department of Commerce. WTO wing of Commerce Ministry has sent a proposal/ working paper detailing US Department of Commerce (USDOC) initiation of anti-dumping duty (an anti-dumping duty is a protectionist tariff that a domestic government imposes on foreign imports that it believes are priced below fair market value) and countervailing duty (an import tax imposed on import of circular welded carbon-quantity steel pipe from Pakistan). USDOC has imposed a preliminary countervailing duty of 64.8 percent and anti-dumping of 11.8 percent on steel pipes from Pakistan.

M/s International Industries Limited a manufacturer of steel, had hired a US based law firm M/s Morris, Manning & Manning & Martine LLP for the case. The firm has revealed that total cost involved in connection with CVD is $90,000. The IIL had requested for reimbursement of 50 percent cost ie $45000 (Rs 4,725,000 @ Rs 105/ $).

Section 4 (viii) authorises EDF Board to approve expenditure related to engagement of consultants in connection with export development activities. EDF Board had been approving funds for engagement of consultants in past as well which include: (i) consultancy fee for anti-dumping cases against Pakistan exporters; (ii) hiring of a law firm by APTMA to defend imposition of safeguard duty measurers by Turkey on import of cotton; (iii) M/s Sidley Austin Brown & Wood LLP, Brussels for GSP; (iv) M/s Thompson Cobb, Bazilio & Associates PC, Washington DC ; and (v) hiring of consultants M/s DLA Piper, UK) to assist in trade negotiations with the European Union.

The Board approved financial support to Footwear Training Institute(FTI) Charsada (KPK) in addition to upgradation of Fan Development Institute Gujrat with a funding of Rs 16.73 million.

The Board also approved continuation of child labour elimination program in soccer ball industry Sialkot with a funding of Rs 19.6 million. The Board, however, deferred an item regarding allocation of funds for procurement of land for future expansion of School of Fashion Design Lahore. The Board also approved millions of rupees for hiring of consultants and staff aimed at strengthening of regional trade offices and EDF Secretariat.

The Board approved funding for Pakistan Readymade Garments Manufacturers and Exporters Association to get membership of International Apparel Federation (IAF). Ijaz Khokhar chief PRGMEA in a letter to Commerce Minister had sought 7500 pounds per annum for the membership fee of the IAF for five years. IAF is a world's leading federation for Apparel Manufacturing Association garments companies apparel retailers and the supporting industry. IAF's membership includes apparel Associations from more than 40 countries representing over 150000 companies who provide products and services to the apparel industry through their associations. Earlier, the Association had protested to the Commerce Ministry for not including its request in the agenda of EDF Board. Textile apparel is the highest value added sub-sector, the highest revenue earner and the highest taxpayer segment in Pakistan.

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Outstanding export loans:

SBP allows settlement through interbank market

RIZWAN BHATTI

In order to ensure the timely realization of export proceeds, the State Bank of Pakistan (SBP) has delegated powers to banks (Authorised Dealers) for settlement of outstanding export loans amounting to upto USD 50,000/- themselves through interbank market. As per Para 7(v), Chapter 6 of the Foreign Exchange Manual-2016 all FE-25 Loans against exports can only be settled through realization of export proceeds or remittances from abroad.

In cases where export proceeds were not realized for any reason including non-performance of export contracts or circumstances leading to cancellation of export contracts after partial performance etc, such loans remained unsettled. Resultantly, Authorised Dealers were constrained to retain the above foreign exchange liabilities on their books of accounts.

In order to address these difficulties and to facilitate exporters /Authorised Dealers, the State Bank has relaxed the existing policy regarding settlement of subject outstanding loans against exports by delegating powers to Authorised Dealers to settle outstanding export loans valuing upto USD 50,000/- or equivalent in other foreign currencies themselves through interbank market. The settlement of outstanding loans exceeding the above limit will, however, require prior approval of the State Bank.

Authorised Dealers (ADs) were approaching State Bank of Pakistan for permission to adjust the outstanding loans through interbank market. ADs generally cite various reasons for their inability to settle the loan in line with prescribed procedure including non-performance of export contracts/non-shipment of goods by the exporters, cancellation of the underlying contracts before shipment, non-receipt of proceeds from foreign buyer within the prescribed time period, circumstances leading to cancellation of export contracts after partial performance, or rejection/return of consignment by foreign buyer etc

Accordingly, it has been decided that, henceforth, ADs will extend the FE-25 Loans against exports by strictly observing all risks and financial soundness of borrower. ADs have been asked to assess the ability of the borrower to repay loan through repatriation of export proceeds in addition to assessing his repayment capacity in PKR. In this respect, ADs shall keep in their record the assessment report for each case prepared by a bank for inspection by the SBP Inspection Team, as and when required. This report should be assessed by risk management department, audited by internal audit department and duly approved by the management as per the bank's policy.

Banks will be required to assess repayment capacity of the borrower, working capital needs, export history and market reputation of the borrower. ADs will also ensure that the loans should be settled in line with the prescribed regulations. However, if the loan is not settled as per the prescribed timelines, ADs will recover a penalty from the concerned exporter at the rate of one percent per month.

In case of non-shipment, penalty will be recovered from the date of extension of the loan till settlement of the FE-25 loan. While, in case of settlement of the loan after the period prescribed by the State Bank, penalty shall be recovered for delayed period only.

However, SBP has mentioned that in any case, the penalty will not be exceeded 10 percent of the amount of loan. To this effect, the ADs should get consent/agreement signed by the borrower at the time of extending the loan. The amount of penalty shall be deposited alongwith calculation/working sheet to SBP.

The settlement of FE-25 loans and other overdue cases under the said scheme, where the amount of loan exceeds USD 50,000/- or equivalent in other foreign currencies, will be allowed by SBP through interbank

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market on a case to case basis. ADs may approach the Exchange Policy Department, SBP along with details of the transaction and certified copies of underlying documents, justification for intended settlement of export loan through interbank market and a certificate from bank's internal audit department that the loan was disbursed after satisfying with the financial health and repayment capacity of the borrower in line with rules and regulations governing FE-25 Loans.

Further, the bank has exhausted all efforts/means to get the loan settled by the exporter in line with the prescribed instructions and recommendations of the bank for settlement of loan through interbank market. As regards outstanding loans amounting to USD 50,000/- or below, the respective AD may settle the loan itself through interbank market subject to observance of these guidelines. This provision will be applicable on outstanding loans granted previously as well as on loans to be granted after issuance of this circular.

While, in case the exporter fails to settle the loan amount as per the prescribed procedure, ADs may convert underlying foreign exchange liability into PKR after recovery of penalty.

The SBP's approval for settlement of FE-25 loan through interbank market will not affect adjudicating proceedings, if in progress, with the Foreign Exchange Adjudication Department, SBP-BSC against exporter/AD in connection with repatriation of export proceeds from abroad.

ADs have been asked for maintaining complete record of transactions related to settlement of FE-25 loans with a view to presenting the same to SBP Inspection Team for inspection, as and when called for. SBP has also made it clear that if at any stage, it is established that the exporter has misutilized the loan, he will not be eligible to avail such facility in future. In addition, violation of any rule/regulation/instruction on the part of AD would attract a suitable regulatory action under the related provisions of the Foreign Exchange Regulation Act, 1947.

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THE RUPEE: Moves both ways

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The rupee-dollar parity rates moved both ways in relation to the dollar on Wednesday in the process of trading, dealers said. The rupee gained three paisas versus the dollar for buying and selling at Rs 104.81 and Rs 104.83 respectively, they said. In the third Asian trade, the dollar slid and the perceived safe-haven yen gained after US President Donald Trump abruptly fired FBI Director James Comey in a move that shocked Washington and piqued investors' aversion to risk.

INTER-BANK MARKET RATES: Comey had been leading his agency's investigation into alleged Russian meddling in the 2016 US presidential campaign and possible collusion with Trump's campaign. Democrats immediately accused Trump of having political motives. Any US political uncertainty tends to weigh on the dollar, as a divided Congress could derail Trump's promised tax reform and stimulus steps.

The dollar index, which tracks the greenback against a basket of six major currencies, slipped 0.2 percent to 99.415, moving away from Tuesday's three-week high of 99.688. The Comey news is being treated as a risk-off event, and the headlines were sparking the dollar's move down," said Bart Wakabayashi, branch manager for State Street Bank and Trust in Tokyo.

The dollar was trading against the Indian rupee at Rs 64.620, the greenback was at 4.345 versus the Malaysian ringgit and the UD currency was at 6.906 in relation to the Chinese yuan.

OPEN MARKET RATES: The rupee lost 20 paisas against the dollar for buying and selling at Rs 105.70 and Rs 105.90 respectively, however it appreciated by 25 paisas in terms of the euro for buying and selling at Rs 114.50 and Rs 116.00 respectively, they said.

Open Bid	Rs. 105.70
Open Offer	Rs. 105.90

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

Bid Rate	Rs. 104.81
Offer Rate	Rs. 104.83

RUPEE IN LAHORE: The Pak rupee registered reduction versus the major currencies including the US dollar and the British pound in the local currency market on Wednesday.

The dollar was resumed trading on a positive note and kept on declining owing to the short supply in the market. As a result, it further appreciated to Rs 105.85 and Rs 106.05 on buying and selling sides, respectively, as compared to the overnight trend of Rs 105.70 and Rs 105.90 respectively, they added.

Likewise, the local currency also followed the same pattern against the pound sterling. The pound's buying and selling rates rose from Tuesday's closing rates of Rs 135.90 and Rs 136.90 to Rs 136.40 and Rs 137.00 respectively, they said.

RUPEE IN ISLAMABAD AND RAWALPINDI: The rupee remained firm against the dollar at the open currency markets of Islamabad and Rawalpindi here on Wednesday. The dollar opened at Rs 105.90 (buying) and Rs 106 (selling). It closed at the same. Pound Sterling opened at Rs 135 (buying) and Rs 135.50 (selling). It closed at the same rate.

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Ending audit proceedings:

FBR may prescribe two-year time limit

MUHAMMAD ALI

The Federal Board of Revenue (FBR) may prescribe a two-year time limit to end audit proceedings under Sec 177 of the Income Tax Ordinance 2001 in upcoming budget 2017-18; it was learnt here. According to sources, the said proposal was discussed during budget meeting held in Islamabad and the FBR was strongly urged to prescribe a two-year time limit to end audit proceedings under Sec 177 of the Ordinance.

They said that presently there was no time limit for completion of audit under said section and once the audit was started by tax authorities, in some cases, it remained pending for unreasonable time. Furthermore, if nothing is found as against the prejudice of the interest of revenue, no order is being passed by the tax authorities, they added.

Keeping the said problem in view, it is therefore recommended during budget meeting that audit proceedings may be concluded within the time limit of two years from the selection of case for audit and once the proceedings are concluded and a show cause is issued, it should be made mandatory to pass an order within a year of issuance of the show cause notice, sources said.

A proviso 'sub-section (6)' is proposed to be added in section 177 of the Ordinance. The proposed sub-section (6) of section 177: "Provided that no order shall be passed under section 122(1) or 122(4) as the case may be, after a period of 2 years from the date on which the case was selected for audit by the Board under section 214 (c) or by commissioner under sub-section (1) or within one year of issuance of final show cause notice under sub section (9) of section 122, whichever is later".

It is also recommended that order for amended assessment proceedings may be concluded within the time limit of one year from the issuance of show cause notice under section 122(5) or 122(5A) of the ordinance as there was no time limit to pass an order after issuance of show cause notice under section 122(5) and 122(5A) of the Ordinance and in some cases, the pendency remains for unreasonable time, sources maintained. For the purpose, the FBR has urged to add two provisos 'sub-section (4) & sub-section (5B) in the section 122 of the ordinance. Sources said that these sub-sections restrict authority concerned to pass order within period of one year from issuance of final show cause notice under sub section (9) of section 122.

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Sale of remaining 20 percent shares of PSX to public approved

AHMED MALIK

The board of directors of Pakistan Stock Exchange (PSX) has approved the sale of remaining 20 percent shares of PSX to general public through initial public offering (IPO). In its meeting held on Wednesday, the PSX board decided that the shares would be offered to general public during the last week of the next month (June 2017). The PSX board has decided that the floor price of these shares would be Rs 28.00 per share while the strike price would be determined after receiving of bids.

The board also has also approved the nine months audit accounts of PSX. The 40 percent shares of PSX have already been sold to the Chinese Consortium while 40 percent stake was given to the members of the stock exchange.

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Investment portfolio:

IFC VP meets Dar at PM's office

RECORDER REPORT

IFC's Vice President of Portfolio Management, Saran Kebet-Koulibaly, called on Minister for Finance Senator Ishaq Dar, at the Prime Minister's Office on Wednesday. Kebet-Koulibaly was accompanied by Patchamuthu Illangovan, Country Director World Bank, Mouayed Makhlouf, IFC Regional Director for Middle East and North Africa, and Shabana Khawar, Principal Country Officer, IFC.

The Finance Minister welcomed Kebet-Koulibalyto Pakistan, who is visiting Pakistan for the first time. He said the partnership with IFC had strengthened in recent years. The Minister highlighted his meeting with the CEO of IFC, Philippe Le Hou�rou, in April during the spring meetings of the World Bank and IMF in Washington DC. He said the Government of Pakistan and IFC had agreed, in principle, to set up the proposed Pakistan Infrastructure Bank (PIB), with 20% equity stake each. He said, once established, PIB would complement the government's infrastructure initiatives by enhancing private financing and investment for infrastructure projects in the country.

The Minister for Finance also highlighted the partnership between the Government of Pakistan, KfW and DFID in the Pakistan Microfinance Investment Company (PMIC), which has been established recently. Kebet-Koulibaly thanked the Minister for Finance for his leading role in strengthening the trust and partnership between IFC and the Government of Pakistan. She apprised the Minister of the fact that IFC has been engaged with international investors and multilateral development partners, including Asian Development Bank, for participation in PIB. She highlighted that the response from investors on PIB had been very encouraging. Kebet-Koulibaly highlighted that she had felt a strong sense of optimism regarding Pakistan's business and economic outlook during her ongoing visit.

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July-April workers' remittances down three percent

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Inflows of worker's remittances continued to weaken and declined by 3 percent during the first 10 months of this fiscal year (FY17). Overseas Pakistani workers remitted $15.596 billion in July-April of FY17, compared with $16.044 billion received during the same period in the preceding year. The detailed analysis revealed that a major decline was witnessed in the inflows from US, UK and Saudi Arabia.

Workers' remittances from the US fell by 6 percent to $1.929 billion in first 10 months of this fiscal year compared to $2.048 billion in the same period of last fiscal year. Similarly, inflows from UK decreased to $1.847 billion in July-April of FY17 against $2.030 billion in the corresponding period of last fiscal year, showing a decline of 9 percent.

With 6.62 percent decline, inflow from Saudi Arabia stood at $4.517 billion in first 9 months of this fiscal year compared to $4.565 billion in the same period of last fiscal year. During April 2017, the inflow of workers' remittances amounted to $1.539 billion, which is 9.2 percent lower than March 2017, in which some $1.656 billion were received. The inflows during April 2017 were also some 7 percent less than April 2016.

The country-wise details for April 2017 show that inflows from Saudi Arabia, UAE, USA, UK, GCC countries (including Bahrain, Kuwait, Qatar and Oman) and EU countries amounted to $439.13 million, $344.01 million, $199.69 million, $191.62 million, $175.18 million and $41.89 million, respectively compared with the inflow of $488.78 million, $345.99 million, $189.88 million, $221.88 million, $199.53 million and $39.85 million, respectively in April 2016. Remittances received from Norway, Switzerland, Australia, Canada, Japan and other countries during April 2017 amounted to $147.09 million together against $170.55 million received in April 2016.

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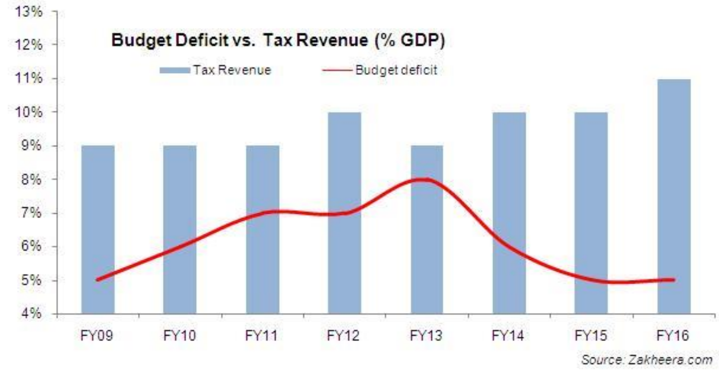
PML (N) Economic Report Card



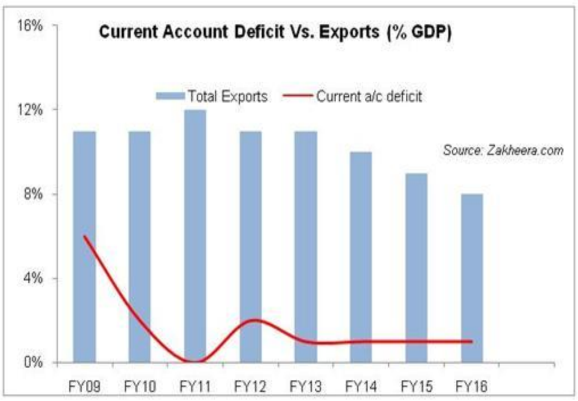
Dar will soon be presenting his fifth budget running. He started the first by passing the buck of circular debt on the outgoing PPP government. That gave him some breathing space to work on energy structure. He came with a kind of withholding formula, or discrimination between filers and non-filers to instill tax structural reforms, or broad based fiscal reforms. He stuck to sticky currency as a tool for formalizing exchange rate markets structures.

To date, the only 'structure' PML(N) has succeeded at is 'infrastructure'. Four years gone by; Dar has little to no leverage to play. What are the most vital economic indicators for sustained economic recovery? Exports and investments. The sorry state of affairs in both theses areas is well documented.

In the previous tenure (FY08-13), exports to GDP averaged 10.8 percent of GDP. The same in the first three years of this government has averaged 9 percent of GDP. The export problem has exacerbated in FY17 and exports may hover around 7 percent of GDP. One may argue that low commodity price cycle plummeted exports. The argument holds truth as imports are also down. The overall trade balance in FY16, in terms of GDP was similar to that in FY13.

That said, importance of exports cannot be undermined as the sector not only generates foreign exchange but creates jobs as well. In 1992, Nawaz's pro exports and pro business policies won the heart of exporting industrial belt of Punjab. The legacy helped the PMLN sweep in cities such as Faisalabad, Gujranwala and Sialkot during 2013 elections.

Things have changed and vibes are not good amongst exporters and industrialist in the belt. The refund issues and FBR's harassment are compelling SME businesses to bring informality in dealings. This kills the dream of becoming big, as informality kills the ability to scale up.



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The tax to GDP ratio improved from 9.3 percent in FY13 to 11.5 percent in FY16, the growth is primarily driven by sales tax on services collection by provincial tax bodies. One the flip, FBR is chocking on its limits to generate taxes. Higher forms of indirect taxation and problems in input adjustments are forcing businesses to make informal transactions, even if they have intentions to stay clean.

The tax policies are punitive, regressive and complex in approach. This only works to an extent and beyond that the system becomes counterproductive. The FBR seems to have touched its limits, and it may become counterproductive soon. The need is to use technology and make the tax compliance system easy and direct. Do not expect with-holding agents to collect taxes from vendors, as more than 90 percent of businesses are dealing with vendors in small category, and it is tough for medium-sized companies to collect taxes from them. The policies entice medium-sized companies to become informal. This is a dangerous trend.

The fiscal deficit on average has come down from 6.6 percent of GDP in FY09-13 to 5.2 percent of GDP in FY14-16 and is expected to be around 4.6 percent of GDP in FY17. The numbers are better; but not enough to create private credit space for the economy to sustain over 5 percent growth. The current account deficit averaged at 2.2 percent of GDP in PPP regime and the number is better at 1.1 percent of GDP in first three years of the incumbent government.

Most macro indicators were improving till last year including fiscal, balance of payment and inflation; but are worsening now. The economic growth was hollow and the bonanza may end with reversal in commodity prices, and demand driven economy may continue to grow on Chinese money and other external flows.

Debt has been easier for Dar to fetch and he seems least concerned on pricing as long as dollars are pumping in to keep reserves growing. The debt to GDP ratio inched up from 66.5 percent of GDP to 68.8 percent of GDP from FY13 to FY16. The public external debt went down by 50 bps to 25.8 percent of GDP from the time PMLN assumed government. But the ratio would have been different had the currency floated with its real value.

The external debt increased from $60.9 billion to in June13 to $74.1 billion in Dec16 - an increase of $14.2 billion. The foreign exchange reserves are up by $11.5 billion in the same fourteen quarters. This makes the external scorecard negative.

In terms of growth, investment to GDP was low when Nawaz took over, and has remained unchanged at 15 percent of GDP in the past four years. Without investment, growth will remain hollow. How long can the government run taxi schemes, or provide gas to industry, or expect fertilizer to provide growth momentum? Now the real private sector driven growth has to surface in textile, construction, and other businesses, it looks an arduous task given the stubborn tax policies.

Last but not the least is the energy gap. Clearing circular debt while oil price was low was a blessing and allowed the government curtails power shortage, and preference was given to industries. Government took two years to come up with power generation expansion plans - it kicked the private sector out, and took the onus of RLNG plants itself and left the rest for CPEC.

However, nobody took distribution seriously – there were no reforms in discos. There is nothing on integrated energy ministry and no meaningful expansion in transmission and distribution network has taken place. The proof is in the pudding - this summer demand is not met and heat is testing public tamper. It’s a thin time line of ten months for the government to mend the system and fulfill the promises of a load shedding free country. It is doable but not easy by any stretch of imagination.

And did someone say privatization?

BUSINESS
RECORDER
Thursday, 11th May, 2017

Goods transporters strike:

Exporters suffer Rs 6 billion loss a day

ANWAR KHAN & MUHAMMAD ALI

The continuing strike of the goods transporters left at least 10,000 cargo containers clogged at seaports and inflicted Rs 50 million demurrages on importers, sources told on Wednesday. Exporters reckon around Rs 6 billion of loss a day from the transporters' strike, asking the premier to step in to resolve the issue that grew following the Sindh High Court orders to ban the heavy traffic in the city around the clock.

"The strike continues into the second day and will carry on till the transporters demands," Spokesman for Pakistan Goods Transporters Alliance, Agha Jawad Raza told Business Recorder, saying the transporters have suffered at Rs 4 billion of loss after taking their carriers off the road.

"In the wake of strike, 10,000 cargo containers are stuck at all four terminals of seaports at present," senior vice chairman, All Pakistan Customs Agents Association (APCAA), Arshad Jamal told Business Recorder, fearing the terminals will become chocked with more discharges of import cargo from vessels if the strike continues further.

"Amid transporters' strike and unavailability of transport, export worth Rs 6 billion has affecting on daily basis. Export consignments are ready for shipments but containers and transport is not available to exporters and factories," Chairman Pakistan Apparel Forum, Muhammad Jawed Bilwani told *Business Recorder*.

Arshad Jamal blamed the Sindh government for the chaos that unleashed with transporters' inevitable strike, saying that the provincial authorities have no plans for spending of infrastructure cess to develop exclusive routes to the harbour for cargo supplies. He said that the Sindh government accumulates Rs 100 million of infrastructure cess from importers and exporters every day.

With the Sindh High Court's orders to ban heavy traffic movements in the city, he said, the transport fair has scaled up between Rs 15,000 and Rs 20,000 per 20-feet container at Karachi ports. Similarly, cargo supply charges mounted to Rs 30, 000 from Rs 12, 000 at Port Qasim. The transportation cost now grows by 150 percent in the city. "Terminals are facing high yard density surging to an alarming scale," he showed concerns, saying that "the strike has widely disturbed the harbours' operations". He anticipated the terminals will lose space with soaring congestion from import cargo if the strike continued into coming days. "Even the transporters' demands are met; the terminals operations will take some time to normality".

"One round of negotiations with Sindh Transport Minister, Nasir Shah, who sought six hours till 11 pm to respond to the transporters demands," Agha Jawad said, adding that the minister promised to involve the Chief Minister Sindh to resolve the issue. He said that there are 60,000 registered goods carriers which all are off the road because of strike against the court's directives.

"The next round of talks is expected at 11 pm to discuss the matter," he said, adding that the transporters are stuck to their primary demands including the transfer of a case, which imposed a ban on the heavy traffic movements in the city on a 24-hour basis, to any other court for a review. The second is the removal of DIG traffic from his post.

"Prime Minister of Pakistan to take immediate cognizance of extreme disturbance in handling export containers on daily basis and their inaccessibility to reach at the ports of Karachi due to transporters' strike and unavailability of transport," Javed Bilwani appealed keeping in view the delaying exports shipments.

Fearing the alarming situation for the export-oriented sector in the wake of transporters strike, he said that the industry may reach its closure for cancellation of global orders from delayed shipping. "If export shipment containers could not reach timely at ports, the vessels will leave the Karachi ports without loading containers, leading to heavy financial losses to exports and loss of orders which will also tarnish the image of Pakistan in the eyes of countries around the globe"

BUSINESS

RECORDER

Thursday, 11th May, 2017

Nandipur Power Project:

Exchequer suffers Rs 113 billion loss due to ministry's negligence

ABDUL RASHEED AZAD

The national exchequer suffered financial loss of Rs 113 billion in Nandipur Power Project due to negligence of top officials of Ministry of Law and Justice. This was stated by Director National Accountability Bureau (NAB) Mohammad Rizwan, while briefing the Public Accounts Committee (PAC) of the Parliament, which met here on Wednesday under the chairmanship of Syed Khursheed Ahmed Shah.

The chairman committee directed the principal accounting officer (PAO), Ministry of Water and Power, to arrange a detailed presentation regarding overall losses and power generation. The committee reviewed and discussed the audit reports of Ministry of Water and Power for the year 2013-14. The director NAB said that the country faced massive financial losses due to inordinate delay of over two years by the Ministry of Law and Justice in giving clearance to the equipment imported for the Nandipur Power Plant.

The NAB explained that Law Ministry did not give post facto legal opinion to the agreement related to financing to the power project and the file remained stuck up with the ministry from April 7, 2009 to August 24, 2011. Subsequently, the cost of the project escalated by billions of rupees, he added.

Rizwan, however, said that the commission constituted by the Supreme Court on Nandipur Power Project estimated Rs 113 billion loss, while as per the calculation of audit report, the loss was Rs 36 billion. When the committee members asked the director NAB to name those officials who caused such a huge loss, Rizwan replied that he did not remember the names but could inform the panel after reconciling the record.

Senator Azam Swati of Pakistan Tehreek-e-Insaf on the reply of the NAB official got annoyed and remarked that the investigating agency is in the habit of protecting offenders and corrupt people. He said that four years have been passed but the agency could not complete the inquiry into the huge financial losses to national kitty, adding that NAB's attitude shows the Bureau in this case is defending the culprits; otherwise the responsible people would have been behind the bars.

Syed Naveed Qamar of Pakistan People Party Parliamentarians, who served on senior positions including finance minister during PPPP-led government during 2008-13, said that this matter was reported to the then prime minister time to time but to no avail. The NAB official said that the matter was resolved when the president of Axiom Bank, one of the financers, met with President Asif Ali Zardari and upon the directions of the President, the Law Ministry furnished the legal opinion.

Swati said that as the NAB is in league with the corrupt elements, therefore, the suspects go free. He also said that the courts also delay punishing the offenders that is why the white collar crimes are on the rise. He suggested that there should be officers like Hussain Asghar in the anti-corruption bodies if the government wants a corruption-free society.

When Mushahid Hussain asked the reason for the delay, the NAB official said that since the bureau was interrogating the ex-PM, ex-ministers and the judicial officers posted in the law ministry as section officers and joint secretaries and could not get their reply in time, therefore, the matter has lingered on for years.

He, however, assured the committee that inquiry will be completed in the next eight weeks and after that formal investigation would be started. The committee directed the secretary water and power to arrange a detailed presentation on power sector after two weeks.

BUSINESS
RECORDER
Thursday, 11th May, 2017

Shahbaz approves gas-based 1200 megawatts power plant

RECORDER REPORT

An important meeting of the Provincial Cabinet was held here on Wednesday in the chair of Punjab Chief Minister Mian Shahbaz Sharif. The meeting accorded approval to the setting up of new 1200 megawatt gas based power plant in the province. The meeting also approved the establishment of safe city projects in six major cities of the province. The safe city projects would be set up in Multan, Bahawalpur, Faisalabad, Rawalpindi, Gujranwala and Sargodha.

These projects would be implemented in phases; and later on, safe city project would also be initiated in Sahiwal. The Provincial Cabinet approved the agreement between Punjab government, agriculture department and Akhuwat for providing interest free loans to small and landless farmers. The Punjab government would set up a revolving fund with an amount of Rs 2 billion for the purpose.

The meeting also approved amendments in different laws including Punjab E-Stamp Rules 2016, Punjab Sales Tax on Services (Amended) Ordinance 2016, Fort Munro Development Act 2016 and PEEDA Act, 2016. The meeting approved the establishment of Punjab Mental Health Authority under the Punjab Mental Health Ordinance, 2001. The meeting also approved minutes of proceedings of 22 to 27 meetings of Standing Committee for Finance and Development of the Cabinet. The Provincial Cabinet commended the efforts of the Chief Minister Mian Shahbaz Sharif for receiving arrears of net hydel profit from the Centre. Cabinet paid rich tributes to the efforts of Prime Minister Nawaz Sharif and Chief Minister Punjab Shahbaz Sharif for rapid completion of energy projects.

After the approval of amendments in PEEDA Act, 2006, the inquiry would have to be finalised in 60 days, instead of 90 days. Meanwhile, the retired employee has been granted the right to appeal.

In his address to the Provincial Cabinet, Shahbaz Sharif said the Punjab government has decided to set up a new gas power plant of 1200 megawatt on its own. This project has been envisaged keeping in view the energy needs of the country, as well as the energy challenges of the future. A suitable piece of land would be identified near to the southern Punjab districts of Rahim Yar Khan or Muzaffargarh, for the establishment of electricity producing project from the gas. Like all other development projects, this energy project will also be completed speedily by working day and night on it. This project would become a source of development of Pakistan, especially the Punjab, as well as prosperity of the people. The electricity produced by the gas power project would be environment-friendly as well as cheap. He said that the energy projects are harbinger of speedy development of the country and prosperity; therefore, the PML-N government, under the leadership of Prime Minister Nawaz Sharif, has been striving hard for the fast-track completion of energy projects, and quite a number of projects are in the final phase of their completion.

He said that 717 megawatt electricity is being included in the national grid through 1180 megawatt Bhikhi Power Plant. Meanwhile, additional 400 megawatt electricity would be produced in November, December from this power plant. Similarly, the 1320 megawatt Sahiwal Coal Power Project would start producing electricity from May 20 in the first phase; and this project would provide 660 megawatt electricity to the national grid in the first phase. The second phase of this project would be completed at the end of June. He pointed out that the Sahiwal Coal Power Project would break record of speedy completion, not only in the whole of the world, but that of China, as well.

BUSINESS
RECORDER
Thursday, 11th May, 2017

Experts doubt government's ability to tax richer, bring traders to tax net

HAMID WALEED

Tax experts have expressed doubt over the government ability to tax the wealthier, bring traders in the tax net and avoid retrogressive measures like advance tax on industry and let it grow and offer jobs to the unemployed youth. They said the fiscal policymakers tailor the revenue estimates in line with the expenditure that the government has to finance throughout the fiscal year, they added.

It may be noted that the fiscal planners have been claiming of phenomenal revenue growth since 2013 point out that despite 3 to 4 percent GDP growth. They have pointed out that they were able to take the revenue collection from Rs 1.8 trillion in 2013 to Rs 3.2 trillion in 2015-16.

But the tax experts are of the view that the claims of fiscal planners do not match with the factual position, as they have enhanced the standard rate of Sales Tax from 15 percent 17 percent to non-payment of due Sales Tax, broaden the scheme of withholding tax on the sales tax side and enhanced the sales tax rate on POL especially on diesel which went up as much as 48 percent against the standard rate of 17 percent.

On the income tax side, they said they have imposed withholding taxes of assorted kinds by almost 50 percent, created the slabs of filers and non-filers, introduced withholding of due income tax refunds taking huge advances from corporate sectors and imposed withholding tax on cash withdrawal.

On the Customs side, they added, at least 40 tariff lines were made dutiable which were earlier duty free, imposed one percent customs duty on all items which were not dutiable and enhanced the customs rate from 5 to 6 percent. According to tax experts, the impact of such numerable tax measures obviously resulted in more than Rs 1.4 trillion, which is not the right way to collect the revenue because it lacks the prime objective of plugging tax-gaps.

One cannot deny the fact that the government needs revenue to run the state machinery but another economist has pointed out that the state machinery is being run through domestic as well as massive loans under the CPEC package. In case the benefit of Rs 1.4 trillion generated revenue extra has been spent on development of infrastructure, the tax planers have pointed out that the motorways, flyovers and metro buses are the prime example of developing infrastructure.

One could agree with this viewpoint but then this is the hardware of infrastructure whereas all success stories focused on initially developing software. Pointing out further, it is pertinent to mention that software of economy stems from harnessing the capability of population per se living on poverty line mainly in rural areas as well as in interior of Sindh and Balochistan.

They said 72 percent of the revenue is collected as indirect taxes/withholding taxes and their incidence is always passed one to the end consumer. Another impact of these measures is the closure of industry that leads to deprivation of people from whatever opportunities were available for doing some job.

They said the question is whether this is the priority of the government to invest in human development sectors or continue to play with visible economic measures to attract the voters. The government may give some priority to poor people and make some genuine efforts for taxing the informal economy and taxing the income rather collecting the taxes from poor people by way of further increasing the rates of withholding taxes, they added.

BUSINESS
RECORDER
Thursday, 11th May, 2017

No business activity on cotton market

RECORDER REPORT

Both mills and spinners showed no buying interest on the cotton market on Wednesday during the day, dealers said. The official spot rate was unchanged at Rs 6700, they said. In ready session, not a single deal reported till our going to the Press, they said. Cotton analyst, Naseem Usman said that farmers and growers urged to cultivate cotton on the cotton areas of Nawbshah and Khairpur instead of rice or any other crop. Besides, Pakistan to suspend import of cotton from India to encourage local cotton. According to the market sources, spinners were not looking active towards new deals. They observed that despite incentive package, most of the buyers were on the sidelines. Punjab government announced incentives package to spinners recently to grow more cotton. According to scheme, several districts selected and growers holding over five acres of land would be given gifts worth Rs 14 million on achieving higher yield.

Reuters adds: ICE cotton futures halted a two-session decline on Tuesday, helped by short-covering ahead of a monthly crop supply and demand report from the US government. The US Department of Agriculture's World Agricultural Supply and Demand Estimates (WASDE) report is due on Wednesday. The July cotton contract on ICE Futures US settled up 0.24 cent, or 0.31 percent, at 77.43 cents per lb. It traded within a range of 77.07 and 77.82 cents a lb. Total futures market volume rose by 3,544 to 25,130 lots. Data showed total open interest fell 1,948 to 259,387 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 09.05.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,700	135	**6,835**	**6,835**	NIL
40 Kgs	7,180	145	**7,325**	**7,325**	NIL

BUSINESS

RECORDER

Thursday, 11th May, 2017

Cotton futures fall after WASDE report

RECORDER REPORT

ICE cotton futures fell over 1 percent on Wednesday and hit a four-week low, hurt by a partly bearish monthly crop supply and demand report from the US government and liquidation by speculators. ICE cotton contract for July settled down 0.94 cent, or 1.21 percent, at 76.49 cents per lb. It touched a session low of 76.36 cents a lb, a bottom since April 13.

"Part of the decline is we had large speculative positions in the market. ... They're not seeing any type of improvement in their position so they're starting to sell out some of their holdings," said Keith Brown, principal at cotton broker Keith Brown and Co in Moultrie, Georgia. The monthly World Agricultural Supply and Demand Estimates (WASDE) released by the US Department of Agriculture on Wednesday was probably neutral to a little negative, Brown added.

US cotton output is seen at 19.2 million bales and ending stocks forecast at 5 million bales for the 2017/18 crop year, compared with an estimated 17.17 million bales production and 3.20 million bales end-year inventories projected for 2016/17, as per the WASDE report.

Projections for world stocks for the 2017/18 crop year showed a decline by about 2.4 million bales, as consumption was seen exceeding output for a third straight season, the report added. "The market has allowed the more bearish-than-expected 2017/18 USDA supply and demand (estimates) to override the more bullish-than-expected 2016/17 report," said Louis Rose, co-founder and director of research and analytics at Rose Commodity Group.

The July cotton contract on ICE Futures US settled down 0.94 cent, or 1.21 percent, at 76.49 cents per lb. It traded within a range of 76.36 and 77.57 cents a lb.

Total futures market volume rose by 9,212 to 34,482 lots. Data showed total open interest fell 1,563 to 257,824 contracts in the previous session. Cotton planting in India, the world's biggest producer of the fibre, is likely to rise by 15 percent in the 2017/18 marketing season to a three-year high as farmers switch away from other crops, likely boosting cotton production and exports. China is expected to produce 4.88 million tonnes of cotton in the 2017/18 crop year beginning in September, up from 4.72 million tonnes a year ago, the agriculture ministry said on Wednesday.

New York cotton

RECORDER REPORT

The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
Jul'17	77.53	77.57	76.36	76.49	14:45 MAY 10	76.49	-0.94	15523	77.43
Oct'17	-	73.50	73.50	73.50	14:45 MAY 10	73.50	-0.85	-	74.35
Dec'17	73.08	73.12	72.26	72.33	14:45 MAY 10	72.33	-0.71	8267	73.04

DAWN
Thursday, 11th May, 2017

Remittances dropped 2.8pc in 10 months

SHAHID IQBAL

KARACHI: Remittances fell 2.79 per cent to $15.59 billion in the first 10 months of the current fiscal year, the State Bank of Pakistan (SBP) reported on Wednesday.

The current flow of remittances is insufficient to bridge the widening trade deficit, which is now higher than the country's export proceeds.

Pakistan received remittances amounting to $16.04bn in July-April of the preceding fiscal year.

Although remittances registered a decline during the 10 months, they are said to be higher than what many analysts expected. They feared a drastic drop in remittances due to a precarious political and economic situation in the Middle East.

Inflows dropped from the Middle East, particularly Saudi Arabia, during the period under review. The 10-month decline in remittances was $448 million. The decrease in inflows from Saudi Arabia alone was $320m.

Inflows from the United States and United Kingdom declined 5.8pc and 9pc, respectively, although their combined contribution to remittances was $3.77bn.

Remittances from Saudi Arabia ($4.51bn), UAE ($3.47bn) and GCC countries ($1.88bn) collectively contributed $9.86bn. Inflows from this region constitute more than 63pc of the total remittances.

Declining inflows pose a challenge to the economy as the trade deficit is higher than exports recorded in the first nine months of 2016-17.

The present and past governments found it easy to bridge the trade deficit through remittances, which continuously rose for the last 10 years. As a result, the government became complacent and made no strategy to deal with declining inflows.

The oil price slump that drastically cut the income of oil-rich countries, like Saudi Arabia, gave rise to the fears of massive job cuts for overseas Pakistanis. So far, job cuts in Saudi Arabia have remained at a manageable level.

However, the record-high trade deficit of $23bn in nine months eroded the confidence of policymakers who have been depending on remittances and foreign exchange reserves accumulated through borrowing from the international market.

The country's reserves have been falling at a monthly average of half a billion dollars since October 2016.

This has forced the government to borrow more heavily.

The government has failed to increase exports. It has held the international market responsible for poor exports, citing lack of demand and low prices.

However, neighbouring countries, like India and Bangladesh, increased their exports during the same period. Bangladesh has even set an export target of $50bn for 2021.

DAWN
Thursday, 11th May, 2017

Ecnec okays Rs143bn development projects

KHALEEQ KIANI

ISLAMABAD: The Executive Committee of the National Economic Council (Ecnec) and Central Development Working Party (CDWP) on Wednesday cleared a total of nine development projects with an estimated cost of about Rs143 billion.

In a meeting presided over by the Minister of Finance Ishaq Dar, the council approved two projects with a total estimated cost of Rs28.5bn. These include the Gwadar Airport Project worth Rs17.6bn and the World Bank-funded Financial Inclusion and Infrastructure Project worth Rs14.32bn ($137 million).

A committee led by Secretary Planning and Development was directed to rationalise the cost and scope of the financial inclusion project.

The committee noted the project's objectives were in line with the aims of the National Financial Inclusion Strategy currently being implemented by the government to achieve universal financial inclusion in the country. The project was cleared by the CDWP.

A committee was also constituted to design another project and work out cost estimates of Expressway at Gwadar Port so that formal negotiations with China could begin for loan and implementation.

The committee held detailed discussions on the construction of an expressway on the east bay of Gwadar Port. The project will be financed through an interest free loan from the Chinese government under the China Pakistan Economic Corridor (CPEC).

The project envisages construction of 18.981 km 4-lane divided expressway with embankment for 6-lanes structures, integrating Gwadar Port with the Makran Coastal Highway as well as with the free zone and future container terminals.

The committee approved the Lahore-Sialkot Motorway Link (4-lane) via Narang Mandi to Narowal at a cost of Rs14.2bn with the instructions that the implementation must be ensured in the given time period. The project aims at construction and dualisation of 73.35 km of new and existing road to provide connection of Lahore-Sialkot motorway with Narang Mandi, Baddomalhi and Narowal.

CDWP clears seven projects

Separately, the CDWP led by Planning and Development Minister Ahsan Iqbal cleared a total of seven projects with an estimated cost of Rs143.5bn. These include two projects of about Rs2.6bn the CDWP approved. It referred the remaining five projects to Ecnec for approval because of their higher financial impact.

Under the current mechanism in vogue, the CDWP has the powers to approve projects with less than Rs3bn cost. It also has the mandate to examine projects of higher costs on technical grounds and refer them to the Ecnec for formal approval.

As such, the CDWP approved two projects of Rs2.6bn including the Rs486m project to set up a National Centre for Artificial Intelligence. Mr Iqbal instructed the project cost should be rationalised to a maximum of Rs200m. He said the project would help train future teachers of international caliber and move Pakistan forward in the fields of technology and research fields.

Another project of the HEC worth Rs1.6bn for Establishment of New Generation Geodetic Datum of Pakistan was also approved by the CDWP.

The project is expected to encourage research and innovation in the areas of economy and society and its linkages would promote cooperation between science and technology, public institutions and government agencies.

DAWN
Thursday, 11th May, 2017

Banks allowed to settle export loans of up to $50,000

THE NEWSPAPER'S STAFF REPORTER

KARACHI: The State Bank of Pakistan (SBP) on Wednesday allowed banks to settle outstanding export loans valuing up to $50,000 (or equivalent in other foreign currencies) themselves through the interbank market.

The existing foreign exchange regulations allow authorised dealers, i.e. banks, to use foreign currency deposits for extending foreign currency trade loan facility to exporters and importers.

These regulations, however, allow settlement of such loans against exports only through the realisation of export proceeds or remittances from abroad.

In cases where export proceeds were not realised for any reason, including non-performance of export contracts or circumstances leading to cancellation of export contracts after partial performance, such loans remained unsettled.

Authorised dealers, therefore, were supposed to retain the above foreign exchange liabilities on their account books.

However, the settlement of outstanding loans exceeding the above limit will still require approval of the State Bank.

DAWN
Thursday, 11th May, 2017

India's cotton area to hit 3-year high as prices rally

REUTERS

MUMBAI: Cotton planting in India, the world's biggest producer of the fibre, is likely to rise by 15 per cent in the 2017-18 marketing season to a three-year high as farmers switch away from other crops, likely boosting cotton production and exports.

Higher output in India could kill a rally that pushed global cotton prices to their highest in three years this month.

"This year farmers received higher prices, so they are going to raise the area under cotton. We are expecting around a 15pc increase," said Mekala Chockalingam, chairman of the state-run Cotton Corporation of India (CCI), the biggest cotton buyer in the country.

Domestic cotton prices rose 19pc from a year ago to 41,300 rupees ($639) per 356 kg candy, following the rally in overseas prices. A candy is a traditional measure of mass in India. A 15pc rise in crop area would lift India's cotton planting to around 29.9m acres in the marketing year starting on Oct 1, highest since the 2014-15 year.

That compares to 10.5m hectares in the current marketing year, the lowest in seven years.

"We have lost area in the last few years. We will recover that lost area as long as the monsoon is normal," said Nayan Mirani, president of Cotton Association of India.

Most Indian farmers start planting cotton — a crop that requires lots of moisture — with the onset of monsoon rains in June, although some with irrigated fields start as early as May.

India looks likely to receive above average monsoon rainfall as concern over the El Nino weather condition has eased, the chief of India's weather office said on Tuesday.

Oilseeds and pulses compete with cotton in key producing areas like the western states of Maharashtra and Gujarat.

Prices of oilseeds and pulses plunged as much as 60pc due to bumper production this year, which will force many of them to switch to cotton, said Chirag Patel, chief executive officer at Jaydeep Cotton Fibers Pvt Ltd, a leading exporter.

DAWN
Thursday, 11th May, 2017

Lint prices steady amid slow trading

THE NEWSPAPER'S STAFF REPORTER

KARACHI: The cotton market remained devoid of activity on Wednesday as spinners holding large stocks of cotton yarn were conspicuous by their absence.

The textile industry has reduced its activity due to the smuggling of yarn and fabrics from India and China. According to reports, containers loaded with cotton yarn and fabrics are being imported via Dubai from India and China, brokers said.

The textile industry says it is already faced with liquidity crunch and high cost of doing business.

Customs intelligence recently tracked down 18 containers loaded with cotton yarn and fabrics of Indian origin which were imported via Dubai. Another 88 containers loaded with Indian fabric brought in by the same importer are reported to be on way from Dubai.

According to estimates, the cost of yarn and fabrics in 106 containers stood at around $700 million.

Meanwhile, the Sindh government has also taken measures to produce more cotton this season by imposing a ban on rice cultivation in Khairpur and Benazirabad (Nawabshah) district. Earlier, Section 144 was imposed in district Ghotki and Sanghar on the cultivation of rice.

The Karachi Cotton Association left its spot rates unchanged on Wednesday. No deals were officially reported on the ready counter.

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	**6,700**	**135**	**6,835**
40 Kgs	**7,180**	**145**	**7,325**

DAWN
Thursday, 11th May, 2017

MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.50	104.70	105.70	106.00
UK	135.33	135.59	135.25	137.00
Euro	113.84	114.06	114.50	115.70
S. Arabia	27.86	27.92	28.05	28.25
UAE	28.45	28.51	28.60	28.85
Japan	0.9186	0.9204	0.9000	0.9300

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

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

LIBOR

Special US dollar bonds for May 9

Three months	1.18200%
Six months	1.44517%

THE NEWS
Thursday, 11th May, 2017

'Pakistan's Silk Road repayments to peak at around $5bln a year'

ISLAMABAD: Pakistan´s debt and other repayments on China´s "Belt and Road" initiative will peak at around $5 billion in 2022, but will be more than offset by transit fees charged on the new transport corridor, says the Pakistan government´s chief economist.

China has pledged to invest up to $57 billion in Pakistan´s rail, road and energy infrastructure through its vast modern-day "Silk Road" network of trade routes linking Asia with Europe and Africa.

Officials expect a huge uptick in trade between the two nations once Pakistan´s Arabian Sea port of Gwadar is functional and work on motorways is finished allowing goods to cross the Himalayas to and from China´s western Xinjiang province.

The China-Pakistan Economic Corridor (CPEC), a flagship "Belt and Road" project, has been credited with helping revive Pakistan´s sluggish economy, but investors have raised concerns that Pakistan´s currency could come under severe pressure once debt repayments begin and Chinese firms start taking profits home.

Nadeem Javaid, who advises Prime Minister Nawaz Sharif´s government and works closely on the CPEC programme, told Reuters that such fears are misplaced as Islamabad would earn vast fees from charging vehicles moving goods from and to China.

Javaid said the Gwadar-Xinjiang corridor should be operational from June next year, and Pakistan expects up to 4 percent of global trade to pass through it by 2020.

"The kind of toll tax, rental fees that the Pakistani system will gain is roughly $6-$8 billion a year," Javaid, chief economist at the Planning Ministry, said in an interview.

"By 2020, I expect we will get this much momentum.

"He said China has huge incentives to transport oil and other goods bound for its western regions through Pakistan as the Gwadar-Xinjiang corridor shaves some 9,500 miles (15,000 km) off other traditional routes.

It doesn´t take long to imagine the savings on the many millions of litres of fuel, he said. Predicting future trade is, of course, an inexact science, as is predicting toll income, and Pakistan´s ambitious targets could unravel if its improved security situation deteriorates.

Chinese officials have urged Pakistan to improve security, and Islamabad now restricts movement of foreigners to its vast western Baluchistan province that will host a key transport artery.

Investors, too, are watching Pakistan´s ballooning current account deficit, which widened by more than 160 percent to $6.1 billion in the nine months to March, largely due to imports of machinery for big CPEC projects.

Javaid said debt repayments and profit repatriation from CPEC projects will begin in 2019, totalling about $1.5-$1.9 billion, and rising to $3-$3.5 billion by the following year.

"It would be low in the beginning, and in 2022 it will peak at around $5 billion - not more than that," he said, adding the government does not think it likely that Pakistan will face a balance of payments crisis.

The last such crisis in 2013 saw Islamabad turn to the International Monetary Fund for help.

Javaid said the CPEC should boost economic growth, which he expects to hit 5.2 percent in 2016-17. Exports should also pick up once CPEC power projects totalling 7,000 megawatts come online and reduce often crippling energy shortages.

Deepening political and military ties between Pakistan and China have helped closer financial integration, too, with Chinese companies starting to buy Pakistani firms and land.

Javaid said the two countries have also discussed using a currency swap agreement between their central banks to create a mechanism to avoid any third currency in international transactions.

"If some mechanism is going to be finalised on that, it will work as a buffer or a cushion that´s going to basically avoid or prevent any kind of default that could happen in unforeseen circumstances," he said. But he added: "It´s only a contingency arrangement in case something bad happens."

THE NEWS
Thursday, 11th May, 2017

Remittances down 2.79 percent in 10 months

KARACHI: The remittances sent home by overseas Pakistani workers declined 2.79 percent to $15.596 billion in the first 10 months of the current fiscal year as compared to $16.044 billion during the same period of the last year, the State Bank of Pakistan reported on Wednesday.

Analysts say a persistent slowdown in the remittal flows does not augur well for the underlying balance of payments position, whereas dwindling exports, weakening remissions, and lower-than-anticipated external inflows blew up the current account deficit to a staggering $6.130 billion level in the nine months of FY17.

"It's truly a matter of concern that the country's current account deficit was running at 2.6 percent of gross domestic product in July-March FY17," an analyst said.

According to another expert, one of the main reasons for this slowdown is a sharp fall in the number of new migrant workers travelling to Gulf Cooperation Council (GCC), where fiscal pressures are mounting due to low oil prices, widening fiscal deficits, rising populations, political turmoil, etc.

The figures published by the SBP showed that inflow of remittances from Saudi Arabia to Pakistan decreased 6.62 percent to $4.517 billion in July-April FY17, while remittances from United Arab Emirates also fell 2.29 percent to stand at $3.468 billion.

"The depreciation of pound sterling against the US dollar along with tough regulatory controls in the US on money transfers also dented the remittances," an industry official said. Another analyst added that the phenomenon of "new normal of slow growth" in low and middle income countries is also taking toll on the remittance flows to the South Asia region including Pakistan.

Analysts see the growth of remittances to remain subdued close to last year's level of $19.9 billion. However, the government has set $20.2 billion remittances target for the FY17. The central bank expects inflows to reach $19.5-20.5 billion during the current fiscal year.

Despite, some downside risks to the overall remittances outlook, the SBP's sees the recent decision of Kuwait government to lift restrictions on issuing visas to Pakistani nationals as "encouraging and positive" for increasing remittance inflows down the line.

THE NEWS
Thursday, 11th May, 2017

Ministry, IPPs to discuss payment issues today

LAHORE: The officials of the ministry of water and power and the management of 13 independent power producers (IPPs) will discuss the payment issues on Thursday (today). In a recent move, the IPPs have withdrawn the sovereign guarantee encashment demand as a goodwill gesture after getting assurance from the government to resolve the issue, it is learnt.

Sources said ministry of water and power secretary Yousaf Naseem Khokhar and representatives of IPPs will meet in Islamabad to settle various issues between the government / power purchaser and the IPPs, including the overdue verified and audited amounts due to IPPs under the power purchase agreement.

Among others, joint secretary, power and finance, Zargham Eshaq Khan; managing director, Private Power and Infrastructure Board (PPIB), managing director, National Transmission and Despatch Company (NTDC), Dr Fiaz Ahmad Chaudhry and chief financial officer, Central Power Purchase Agency (CPPA), Rehan Akhtar will also attend the meeting.

“Convening this meeting is a step in the right direction by the government, as it shows its resolve to settle the issues with the IPPs,” a source said. “Power shortage was already becoming an issue and the increase in power production is a must to avert a crisis. The IPPs are a major contributor to national grid and the issues with them must be resolved amicably,” he added.

The 13 independent power producers (IPPs) of the country have invoked sovereign guarantees of government of Pakistan to recover unpaid overdue invoices of more than Rs48 billion (of the total outstanding of Rs414 billion at that time) by submitting the final notice to the government through PPIB on March 2, 2017.

THE NEWS
Thursday, 11th May, 2017

Cotton stable

Karachi

No trading activity was witnessed at the Karachi Cotton Exchange on Wednesday, while spot rates remained unchanged.

The spot rates remained unchanged at Rs6,700/maund (37.324kg) and Rs7,180/40kg. Ex-Karachi rates also stood firm at Rs6,835/maund and Rs7,325/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.

An analyst said the condition of textile industry is vulnerable because of nonpayment of refunds worth billions of rupees by the government. Besides, illegal dumping of cloth by India affected the market badly.

“Around 18 containers of Indian cloth coming via Dubai were seized by the authorities, while over 100 containers have landed safely,” he added.

Pakistan has registered export orders of 135,261 bales of 2015/16 and 2016/17 crops from August 1, 2016 till April 15, 2017, whereas a total of 115,116 bales have been shipped during this period.

THE NEWS
Thursday, 11th May, 2017

SBP eases foreign currency trade loans policy

KARACHI: The State Bank of Pakistan (SBP) on Wednesday relaxed its policy regarding settlement of outstanding trade loans being offered by the banks out of their fresh foreign currency deposits, a circular said.

"In order to address these difficulties and to facilitate exporters / authorised dealers, the State Bank has relaxed the existing policy regarding settlement of subject outstanding loans against exports by delegate powers to authorised dealers to settle outstanding export loans valuing up to $50,000 (or equivalent in other foreign currencies) themselves through interbank market," the SBP said. "The settlement of outstanding loans exceeding the above limit shall; however, require prior approval of the State Bank."

The existing foreign exchange regulations allow authorised dealers (banks) to use foreign currency deposits for extending foreign currency trade loan facility to exporters and importers. These regulations; however, allow settlement of such loans against exports only through realisation of export proceeds or remittances from abroad.

In cases where export proceeds were not realised for any reason, including non-performance of export contracts or circumstances leading to cancellation of export contracts after partial performance, etc, such loans remained unsettled. Resultantly, the banks are constrained to retain the above foreign exchange liabilities on their books of accounts.

THE NEWS
Thursday, 11th May, 2017

Farmers demand construction of dams to overcome water shortage

LAHORE: Farmer representatives have stressed the need to construct water reservoirs on an urgent basis to overcome water shortages that is hitting hard the growers of Southern Punjab, Sindh and Balochistan provinces.

Owing to day-by-day squeezing water storage capacity, availability of canal water is on the decline, especially during late Rabi and early Kharif periods, said Ayub Khan Mayo, president of the Pakistan Muttahida Kissan Mahaz (PMKM) said, while talking to newsmen on Wednesday.

Keeping in view this precarious situation, he claimed, India, America and other countries are trying to create discord among farmers of four provinces of Pakistan over distribution of water.

Pakistan is already hit hard by shortage of water and Indus River System Authority (IRSA) has also failed in fairly distributing water among federating units including Punjab, Sindh, Khyber Pakhtunkhwa and Balochistan, he observed.

The water regulation body also miserably failed in highlighting the issue of constructing new water reservoirs in the country, especially on River Indus. Under the 1991 Water Apportionment Accord, all provinces had agreed to build dams.

Now it is the responsibility of the IRSA management to take up issue of dams' construction, which will benefit all, he opined. If water distribution issue among the farmers is not addressed properly, there is greater likelihood of a fight among provinces on water sharing. Therefore, urgent steps are needed to address this issue.

There are also differences among provinces of Pakistan on the issue of power generation and distribution as scourge of load-shedding is once again spiraling out of control, Mayo said and adding the root cause of this acrimony and over all low growth of economy, bad output of agriculture, poor performance of industrial sector is not giving priority to construction of dams and hydropower projects in the country, he maintained.

The water reservoir projects for conserving 12 million acres feet water was approved by Ecnec in 2003 but no work could bot initiated in this regard.

On the other hand, PMKM President said, there are sites available in Pakistan where 104,000 megawatt of electricity could be generated with storage of water. The initial documentation including feasibility study of water and hydropower projects having capacity of 40,000mw were also ready for construction but nothing concrete has been done in this connection.

Present rulers and politician are also responsible for this fiasco, he said and adding their failure has resulted in severe shortage of water and electricity. The institutions concerned have not been able to initiate work on such project despite spending more than Rs 80 billion so far, which is unfortunate, he commented.

Therefore, PMKM President said, on the eve of budget announcement, farmers of Pakistan would gather in Islamabad on May 22, 2017 to hold a convention in order to highlight their plight, especially regarding adverse effects of mounting water and power shortfall.

Farooq Bajwa, founding member of Farmers Associated Pakistan also stressed the need to give priority to construction of dams.

The federal government should make a comprehensive plan with the consultation of provinces to start work on new water reserviours for the benefit of all. Otherwise, he said, it would be too late as shortage of water is increasing day by day mainly due to changing climatic conditions.

He was of the view that water was one of the most misunderstood sectors by our rulers. We need to understand true potential of water resources and plan accordingly in order to meet requirements of all besides getting maximum output of crops.

THE NEWS
Thursday, 11th May, 2017

ICAP proposes structural reforms in tax system

ISLAMABAD: The Institute of Chartered Accountants of Pakistan (ICAP) has called for structural reforms to broaden the tax base and simplify the complex system of determining tax liabilities.

Speaking at a seminar on budget proposals 2017/18, the speakers said, at present, various alternative modes of determining the effective tax liability of a taxpayer are in place. They said the corporate sector, which is the most documented segment of the economy, has been neglected due to extreme tax collection measures taken by the government in order to meet annual budget targets.

Tax expert Ejaz Hussain Rathore said although tax evasion needs to be tackled with strong measures; however, compliant taxpayers should be extended supportive interface by the tax department.

The present corporate tax rate of 31 percent for the tax year 2017 and 30 percent for the tax year 2018 and onwards was one of the highest in the region, he added. He suggested the tax should be reduced to bring it at par with other competitive economies and to provide incentives for strengthening the organised and documented sector, adding in order to promote corporatisation the small companies should be brought at par with the association of persons and individuals by providing the threshold turnover of Rs50 million for the purposes of withholding agent under Section 153.

Another tax expert Asif Kasbati proposed that in order to promote, encourage and incentivise export of services, the income from export of all types of services should be exempted in line with the IT-enabled services.

Alternatively, export of services should be subject to reduced rate of tax as in the case of export of goods, he added. The experts said the taxpayer should be allowed a compensation for disputed tax demand recovered, but later deleted in appeals.

This would bring fairness in the process of collection and payment of the tax system, and also enforce accountability for the Federal Board of Revenue (FBR) field force. The decision of Alternative Dispute Resolution Committee (ADRC) should be made binding on the FBR, and only in the case of serious reservations, the Federal Board of Revenue may be allowed to appoint another committee for the review of the decision of the ADRC, they added.

Islamic modes of financing should be treated at par with the financing obtained from conventional financial institutions for the purpose of computation of income tax liability in order to provide tax neutrality treatment to customers of Islamic financial institutions, the experts added.

THE NEWS
Thursday, 11th May, 2017

Poland’s trade with Pakistan reached Rs48bln in 2016: envoy

ISLAMABAD: Polish Ambassador to Pakistan Piotr Opalinski on Wednesday said his country's trade volume with Pakistan stood at around Rs48 billion during the year 2016.

In a brief interview with APP, he expressed confidence that Poland’s trade volume with Pakistan, which was 400 million euros last year, would increase in the coming days, as it is an attractive destination for foreign investment in diverse fields.

The ambassador, who also has sufficient command to speak in Urdu language, said the two countries are enjoying good friendly and brotherly relations and these would further augment with each passing day.

He said, "Pakistan and Poland have been enjoying cordial relations since Pakistan came into being." Opalinski said that a Polish oil and gas company, PGNiG, is operating in Pakistan since 1997, which has planned to step up its exploration and production activities and take the business volume to $100 million per annum.

The company, which is celebrating its 20th anniversary in Pakistan, would drill 14 more oil and gas exploration wells in hydrocarbon potential areas and play an important role in meeting Pakistan's growing energy needs, he added.

The Polish oil and gas company, PGNiG has so far invested over $125 million in Pakistan, he said, adding that the daily production from the Rehman field stood at 24mmscfd from four producing wells, which would be increased up to 90mmscfd gas with full field development. The increase in production required advanced technologies (horizontal wells, multiple transverse hydraulic fracturing) for which an investment of more than $300 million would be made.

"PGNiG is in active pursuit to increase it footprints in the Pakistani's upstream oil and gas sector and is also interested to develop the shale gas deposits here," hesaid. In addition to investment in the oil and gas sector, efforts are in hand to enhance cooperation in the defence and defence production sectors, the envoy added.

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Thursday, 11th May, 2017

Business Confidence Index on downward trajectory

Salman Abduhu

LAHORE - The Overseas Investors Chamber of Commerce and Industry (OICCI) shared the results of its Business Confidence Index (BCI) Survey - Wave 14 - on May 10, 2017.

The survey showed an overall positive Business Confidence Score (BCS) of 13 percent, a 4 percent decline over the previous BCS of 17 percent reported in November 2016 (Wave-13). This is also significantly lower than the highest ever BCS of 36 percent recorded in a similar survey of April 2016.

In the latest BCI survey, only the services sector has gained in confidence by 4 percent, while the business confidence score of the manufacturing and retail sectors declined by 9 percent and 4 percent, respectively. Key factors responsible for the fall in business confidence were significant drop in capital investment plans for the next six months, as well as an unstable business situation in the region and the country during the past six months. These views of the respondents in the latest survey were mainly due to continuing challenges in the area of energy, security and government policies, leading to relatively lower demand for products.

The sentiments of the leading foreign investors, represented by OICCI members, who were included in the current survey randomly, also declined by 9 percent as compared to last November 2016 survey, but with a BCS of 37 percent, in the April 2017 survey, they continue to maintain significantly more positive sentiments than the remaining respondents. This is a positive indicator for future FDI inflow which can further improve with proactive settlement of issues of the foreign investors.

Commenting on the BCI results, OICCI President Khalid Mansoor said, “Downward trend in the business confidence, including amongst foreign investors, is very disturbing considering the current improved economic parameters, government focus on improving the energy and security situation, and the positive fall out expected from the ongoing CPEC projects.”

BCS of various business sectors reflect that Financial services (58pc), Chemical/Cement (27pc), Non-metallic (23pc) and Real Estate (21pc) are most booming sectors, whereas Tobacco (-38pc), Petroleum (-13pc) and Textile (-2pc) have emerged as most restrained sectors. The BCS of automobile industry nose-dived from positive 42 percent in the previous wave to a mere 4 percent in the latest BCS - wave 14 - survey.

BCS of metro cities of Karachi/Lahore/Islamabad combined, declined and recorded a positive of 10 percent only, as compared to 19 percent in the previous survey, mainly due to fall in BCS of Lahore to a negative 3 percent from positive 26 percent in the previous survey. BCS for Karachi on a standalone basis declined to positive 10 percent vs 17 percent, whereas for Islamabad/Rawalpindi it registered a significant improvement and posted a BCS of 33 percent vs 19 percent previously. The BCS of non-metro cities of the four provinces improved to a positive 20 percent compared to 8 percent recorded in November 2016.

Mansoor urged the authorities to address issues of policy implementation, lack of coordination among federal and provincial authorities, tax anomalies and settlement of the long pending tax refunds through proactive engagement with key stakeholders. The survey conducted through field interviews in all four provincial capitals, Islamabad and key business towns across the country, is based on feedback from representatives of all business segments in Pakistan, including retail, and covers roughly 80 percent Gross Domestic Product of the country.

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Thursday, 11th May, 2017

Govt to set up Pakistan Infrastructure Bank: Dar

Our Staff Reporter

ISLAMABAD - Finance Minister Ishaq Dar has said that the government is establishing Pakistan Infrastructure Bank (PIB) that would complement the government's infrastructure initiatives by enhancing private financing and investment for infrastructure projects in the country.

He further said that government of Pakistan and International Finance Corporation (IFC) have agreed, in principle, to set up the proposed Pakistan Infrastructure Bank (PIB), with 20 percent equity stake each. Dar expressed these remarking during a meeting with IFC's Vice President of Portfolio Management, Saran Kebet-Koulibaly. Kebet-Koulibaly was accompanied by Patchamuthu Illangovan, Country Director of World Bank; Mouayed Makhlouf, IFC Regional Director for Middle East and North Africa and Shabana Khawar, Principal Country Officer, IFC.

Dar welcomed Kebet-Koulibaly to Pakistan, who is visiting Pakistan for the first time. He said that the partnership with IFC has strengthened in recent years. The minister highlighted the partnership between the government of Pakistan, KfW and DFID in the Pakistan Microfinance Investment Company (PMIC), which has been established recently.

Kebet-Koulibaly thanked the minister for his leading role in strengthening the trust and partnership between IFC and the government of Pakistan. She apprised the minister of the fact that IFC has been engaged with international investors and multilateral development partners, including Asian Development Bank, for participation in PIB. She highlighted that the response from investors on PIB has been very encouraging.

Kebet-Koulibaly highlighted that she has felt a strong sense of optimism regarding Pakistan's business and economic outlook during her ongoing visit. She emphasized the commitment of IFC to further expand its presence and investment portfolio in Pakistan. She acknowledged that participation in PIB will play an important role in this regard.

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SBP relaxes policy to facilitate exporters

Our Staff Reporter

KARACHI - To facilitate exporters and authorised dealers, the State Bank of Pakistan (SBP) has relaxed the existing policy regarding settlement of outstanding loans against exports.

The SBP has delegated powers to authorised dealers to settle outstanding export loans valuing up to $50,000 (or equivalent in other foreign currencies) themselves through interbank market. The settlement of outstanding loans exceeding the above limit shall, however, require prior approval of the SBP.

It is pertinent to mention here that the foreign exchange regulations was allowing the authorised dealers (banks) to use foreign currency deposits for extending foreign currency trade loan facility to exporters and importers. These regulations, however, allow settlement of such loans against exports only through realisation of export proceeds or remittances from abroad.

In cases where export proceeds were not realised for any reason including non-performance of export contracts or circumstances leading to cancellation of export contracts after partial performance etc, such loans remained unsettled. Resultantly, authorized dealers were constrained to retain the above foreign exchange liabilities on their books of accounts.

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Thursday, 11th May, 2017

Trade deficit swells to historic $26.6b

Imran Ali Kundi

ISLAMABAD - Pakistan's trade deficit widened to historic level of $26.6 billion during ten months (July-April) of the current financial year due to the massive increase in country's imports.

The trade deficit, gap between exports and imports, enhanced by 40.1 percent and reached $26.6 billion during July-April FY2017 from $18.95 billion of the corresponding period of the last year. It was highest ever trade imbalance during ten months of a financial year.

The trade deficit had exceeded the level of $20.5 billion set by the government for the ongoing financial year. Pakistan's imports are continuously enhancing as against contraction in exports. Pakistan's current account deficit would enhance due to massive increase in trade deficit and decline in remittances. The increase in current account deficit could hit the country's foreign exchange reserves. The International Monetary Fund (IMF) had observed that the current account deficit is expected to reach 2.9 percent of GDP in FY2016/17 owing to a higher trade balance—in part reflecting increased imports of capital goods and energy—and stagnant remittances.

The latest figures of Pakistan Bureau of Statistics (PBS) showed that imports increased by 19.88 percent to $43.47 billion during July-April of FY2017 from $36.7 billion of the last year. However, the exports tumbled by 2.29 percent to $16.92 billion in ten months of the current fiscal year from $17.31 billion of the same period of the previous year. Therefore, trade deficit was recorded at $26.6 billion during July-April 2016-17.

"Import bill is increasing due to surge in imports of power generating machinery, construction and mining and agriculture machinery, which is an investment," said an official of the ministry of commerce. He further said that exports of the country had started enhancing from last couple of months due to the incentives package announced by Prime Minister.

The economists believed that Pakistan's imports would exceed $50bn for the first time in its history. They said that government should review its trade policy to control the trade deficit, otherwise, the foreign exchange reserves would erode in no time.

The PBS data showed that Pakistan's exports enhanced by 5.19 percent to $1.81 billion in April 2017 from $1.72 billion of April 2016. Similarly, the imports also recorded an increase of 30.88 percent and reached $5 billion in April 2017 from $3.82 billion in the same period of the last year. Therefore, the trade deficit was recorded at $3.19 billion in April 2017 as against $2.11 billion of April 2016, showing a growth of 51.69 percent.

The Nation on Web

The Nation

Thursday, 11th May, 2017

Govt likely to again neglect water sector in upcoming budget

Fawad Yousafzai

ISLAMABAD - The water sector seems to be neglected again in the coming fiscal as the government is likely to allocate only Rs35 billion in the Public Sector Development Programme (2017-18) for the water sector, against the demand of Rs144 billion made by the Ministry of Water and Power, it is learnt reliably here.

The PSDP allocation during the coming fiscal is likely to be about Rs3.3 billion more than the PSDP 2016-17 allocation of Rs31.7 billion, official documents available with The Nation revealed. The executing agencies and Ministry of Water and Power has demanded Rs11.224 billion for the flood control programme but the ministry has allocated Rs800 million.

Similarly, for 10 dams' projects the Ministry of Water and Power has demanded Rs30.7 billion for various irrigation/multi-purpose dams projects, however, the allocations recommended by the planning ministry for the next budget will be around Rs2,800 million. Rs1000 million were allocated For Nai Gaj dam, Dadu, against the demand of Rs10 billion, Rs10 million were allocated for Naulong dam, Balchistan, against the demand of Rs5.3 billion. For Kurrum Tangi dam stage-I, located in North Waziristan, Rs 200 million were allocated against the demand of Rs3495 million. Similarly for Kurrum Tangi dam stage-II, located in North Waziristan, Rs100 million were allocated against the demand of Rs6000 million.

For Kachhi Canal project phase-I, located in Balochistan, Rs13 billion were allocated against the demand of Rs17.2 billion. While for the Rainee Canal Project (Phase-I and II) Ghotki,Sukkur and Khairpur Sindh Rs500 million were allocated against the demand of Rs6.3 billion.

For Right Bank irrigation and Drainage Project (RBOD-I) Rs900 million were allocated, Rs1200 million were allocated for RBOD-III. For RBOD-II, the demand was Rs11 billion but the allocation will be Rs6.5 billion.

For the remedial measures to control water logging due to Muzaffargarh and TP Link Canal, Kot Addu, Distrcit Muzaffrgarh Rs800 million were allocated against the demand of Rs4 billion. For the federally funded projects in Sindh, Rs8 billion were allocated against the demand of Rs23.56 billion. For the projects in Punjab, Rs1.9 billion were allocated against the demand of Rs19.5 billion. For Balochistan projects, Rs3 billion were allocated against the demand of Rs14 billion, while for KP projects, Rs9.5 billion were demanded, however, only Rs1.7 billion were allocated. For the revamping/rehabilitation of irrigation and drainage system of Sindh, Rs500 million were allocated against the demand of Rs3000 million. Besides local PSDP funding, some projects will also get foreign exchange component during the current fiscal.

Meanwhile, an official of the ministry confided that despite marked the most water stress country the allocation is meagre. On the Metro bus project of one city, the government is spending Rs50 billion but for the water system of the entire country they have just allocated Rs35 billion.

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CDWP approves projects of Rs143.5b

Our Staff Reporter

ISLAMABAD : The Central Development Working Party (CDWP) on Wednesday approved seven projects of worth Rs143.5 billion, including five projects costing Rs140 billion, which were referred to the Executive Committee of the National Economic Council (Ecnec) for approval.

The meeting was chaired by Minister for Planning, Development and Reform Ahsan Iqbal and was attended by senior officials of the Higher Education Commission (HEC) and ministries concerned.

The CDWP approved National Centre of Artificial Intelligence project in principle and asked to rationalise the cost. In addition, HEC project titled Establishment of New Generation Geodetic Datum of Pakistan was also approved which was worth Rs1.5 billion. This project will encourage research and innovation in the field of economy which will help creating a bridge between technology, public institutions and government agencies.

The CDWP referred five projects of worth Rs140 billion to Ecnec, which includes Prime Minister's Youth Training Scheme of worth Rs26 billion, Punjab Agricultural Productivity Improvement of worth Rs67 billion, Extension of Water Resources in Faisalabad worth Rs13 billion, Gwadar Airport Project worth Rs17.5 billion and Financial Inclusion and Infrastructure projects of worth Rs14.3 billion.

The Nation on Web
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Thursday, 11th May, 2017

Remittances decline by $448m in 10 months

Our Staff Reporter

KARACHI - Overseas Pakistani workers remitted $15596.28 million in first ten months (July to April) of FY17, compared with $16044.25 million received during the same period in the preceding year, thus showing a decline of $448 million.

During April 2017, the inflow of remittances amounted to $1538.61 million, which is 9.2% lower than March 2017 and 7.11% less than April 2016.

The country wise details for the month of April 2017 showed that inflows from Saudi Arabia, UAE, USA, UK, GCC countries (including Bahrain, Kuwait, Qatar and Oman) and EU countries amounted to $439.13 million, $344.01 million, $199.69 million, $191.62 million, $175.18 million and $41.89 million respectively compared with the inflow of $488.78 million, $345.99 million, $189.88 million, $221.88 million, $199.53 million and $39.85 million respectively in April 2016.

Remittances received from Norway, Switzerland, Australia, Canada, Japan and other countries during April 2017 amounted to $147.09 million together as against $170.55 million received in April 2016.