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Govt delays LNG deliveries

SINGAPORE: Pakistan LNG has pushed back the delivery window of four liquefied natural gas (LNG) cargoes sought in a tender to December from October citing potential delays at its new import terminal, the company said on its website.

The latest notice is the second time that Pakistan has delayed the LNG deliveries.

It had initially launched a tender to buy the cargoes in early May, seeking to import supplies through September, but notified the market last month that it would delay the deliveries into October.

The latest tender will close on Sept. 11, according to the document.

The country currently imports LNG through a floating import facility.—Reuters.

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THE RUPEE

No major change

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KARACHI: The rupee sustained present levels against the dollar on the money market on Tuesday, dealers said.

INTER-BANK MARKET RATES: The rupee lost 25 paisas versus the dollar for buying at Rs 105.30 and 15 paisas for selling Rs 105.40, they said.

OPEN MARKET RATES: The rupee maintained overnight levels against the dollar for buying and selling at Rs 106.20 and Rs 106.40 respectively, however, it lost 15 paisas against dollar for buying and selling at Rs 120.40 and Rs 121.40 respectively.

Open Bid	Rs. 106.20
Open Offer	Rs. 106.40

In the second Asian trade, the dollar's advance against its major peers slowed on Tuesday as a rise in sovereign bond yields paused, with investors awaiting comments from Federal Reserve Chair Janet Yellen for fresh cues on policy direction.

The dollar was 0.1 percent higher at 114.190 yen following a rise to a two-month high of 114.300 overnight.

The euro was effectively flat at $1.1394 after inching down about 0.1 percent the previous day.

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

"The dollar is capped as the surge in German bund yields stopped overnight and in turn dragged down U.S. Treasury yields. The recent surge in bond yields appears overdone and we are seeing a bit of a correction," said Yukio Ishizuki, senior currency strategist at Daiwa Securities.

The dollar was trading against the Indian rupee at Rs 64.480, the greenback was at 4.296 in terms of the Malaysian ringgit and the US currency was available at 6.894 versus the Chinese yuan.

Bid Rate	Rs. 105.30
Offer Rate	Rs. 105.40

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RUPEE IN LAHORE: The Pak rupee moved both ways versus the greenback in the local currency market on Tuesday.

The greenback resumed trading on a mixed pattern following divergent trend in the market throughout the trading session. Consequently, it ended at Rs 106.00 and Rs 106.90 on buying and selling sides, respectively, as compared to Monday's closing rates of Rs 106.40 and Rs 106.70 respectively, local currency dealers said.

However, the local currency failed to sustain as it registered reduction against the pound sterling. The pound's buying and selling rates went up from the overnight closing trend of Rs 135.70 and Rs 136.60 to Rs 136.15 and Rs 137.00 respectively, they added.

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

The dollar opened at Rs 106 (buying) and Rs 106.20 (selling) against same last rate. It closed at Rs 106. (buying) and Rs 106.20 (selling) in the Second session.

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Money laundering

Notices issued to businessmen, others

SOHAIL SARFRAZ

ISLAMABAD: The Anti-Money Laundering Cell of the Directorate General of Intelligence and Investigation Islamabad has issued notices to 20 businessmen/individuals, including a few politicians, in major cases of money laundering committed through gift arrangements.

Sources said that 20 notices have been served within Islamabad in the first phase involving highest amount of gifts. Keeping in view increased number of money laundering cases, the expansion of the Anti-Money Laundering Cell is needed for which request for more officials has been made to the new FBR chairman.

These 20 cases are related to the period of 2016 and there are a total of 2,500 cases detected for the period of 2016. After completion of the exercise for 2016, the Anti-Money Laundering Cell would start issuing notices to the gift recipients prior to 2016.

Sources said notices have been issued under section 176 (notice to obtain information or evidence) of the Income Tax Ordinance 2001. The notices are seeking details about the donors, payment details and other information required.

The Cell is analyzing data of taxpayers including wealth statements/gift columns pertaining to 2016.

It is observed that due to absence of gift tax in the country, a large number of taxpayers are laundering their tax-evaded money through gifts received from their parents, siblings and spouses who are either out of tax net or have no known sources of income. During the routine scrutiny of bigwigs, the Anti-Money Laundering Cell of the Intelligence & Investigation - Inland Revenue observed that in many tax returns, declared incomes and taxes paid on these incomes are very nominal. However, the accompanying wealth statements of these individuals, which have been made compulsory to file by the FBR, show the net assets running into hundreds of millions of rupees and even higher. A trend has been observed which shows that in many cases the net assets have gradually increased in wealth statements over the period of only a few years, without any taxable income behind the accretion. In such cases, usually the reconciliation of net assets from previous years is made by claims of hefty gifts without disclosing any details of how and from where such gifts were obtained.

This practice raised suspicion whether this was just another method to avoid payment of taxes through misreporting source of income. The agency also red-flagged these cases to analyse if the scheme of gift arrangement is being employed to launder the tax-evaded incomes, which is already causing irreparable loss to the national exchequer each year.

The amount of gifts claimed by these individuals is in tens of millions of rupees. In few cases, the gifts amounting to rupees one billion and higher have also been declared by individuals.

The data gathered by the Anti-Money Laundering Cell relating to tax year 2016 revealed that 2,785 individuals declared having received gifts in their wealth statements, aggregating over Rs 102 billion in tax year 2016 alone.

The search criteria covered the cases where minimum amount of gift received is ten million rupees or above. In three of these cases, individuals declared gifts of over rupees one billion, with the highest amount of the gift was Rs 1.7 billion. Eight individuals declared gifts amounting from Rs 500 million to Rs 1 billion, 49 individuals declared gifts worth between Rs 200 million and Rs 500 million. Likewise, 97 individuals declared having received gifts varying between Rs 100 million and Rs 200 million. 280 individuals declared gifts amounting between Rs 50 million and

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Rs 100 million. While, the number of individuals who reported gifts worth between Rs 10 million and Rs 50 million was 2348.

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SBP analyses decline in textile exports

RIZWAN BHATTI

KARACHI: The State Bank of Pakistan (SBP) has urged the textile industry to invest more in upgrading physical and human capital to produce high-quality products at competitive prices.

The SBP in its recent report said that decline in textile exports is mainly explained by lower quantum exports of low value-added products like cotton and fabric, as global cotton prices rebounded in the period under review.

Exports of some high value-added items, such as bedwear and readymade garments, increased in Jul-Mar FY17; encouragingly, their better performance was largely a result of higher quantum, mainly due to a recovery in demand from the key EU market.

According to SBP, nonetheless, in terms of price factor, the gains in export values are still not appearing. In fact, Pakistan's high value-added exports to advanced economies face tough competition from regional competitors. Therefore, to make products more attractive, exporters slash their prices and in this way, exporters tend to maintain their product share in the international market.

In the EU market as well, Pakistani exporters have received lower unit prices for clothing items (both knitted and woven clothes), as compared to their regional competitors.

Textile sector performance is despite ample policy support available to the textile industry, which includes the Drawback of Local Tax and Levies (DLTL), tax rebates, and export finance schemes, etc.

In fact, the textile industry has been making good use of record-low interest rates and other policy incentives this year: imports of textile machinery and fixed investment borrowing by the sector have both recorded healthy increases during this fiscal year.

More recently, the federal government has announced an export incentive package of Rs 180 billion to support the five key exporting industries. However, these measures have yet to translate into a broad-based improvement in textile exports, the SBP said.

"The real benefits of this financial support will be realized when the exporters make the required efforts to increase their efficiency, improve product quality, explore new markets and keep track of changing customer preferences in their key markets. Also, they have to invest more in upgrading physical and human capital so that they could offer high-quality products at competitive prices," the SBP concluded.

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Trade deficit up by 36.32pc in 2016-17

ZAHEER ABBASI

ISLAMABAD: Pakistan's trade deficit remained $ 32.578 billion for the just concluded fiscal year of 2016-17, up by 36.32 percent as compared to $ 23.898 billion trade deficit a year before, according to Pakistan Bureau of Statistics (PBS).

The PBS which reports monthly trade balance uploaded provisional trade figures for the fiscal year 2016-17 on Tuesday and reported that there was a decline of 1.63 percent in exports during the fiscal year while imports have shown a growth of 18.67 percent.

The country's exports were $ 20.448 billion during the last fiscal year of 2016-17, significantly lower than expectations and even less from $ 20.787 billion for a year before, while on the other hand imports have increased to $ 53.026 billion from $ 44.685 billion from fiscal year 2015-16.

Pakistan's exports have declined to $ 20.448 billion during the last four years from over $ 25 billion. The decline in exports coupled with other factors led to an increase in the current account deficit, a major concern for the country.

Trade deficit of $ 2.622 billion was recorded in June 2017 compared to $ 2.792 billion for the same month a year ago, reflecting a decline of 6.09 per cent.

However an increase of 16.16 percent was reported in exports and decline of 2.16 percent in imports which narrowed the trade deficit in June. Exports in June 2017 were increased to $ 1.92 billion from $ 1.646 billion for the same month a year ago and imports to $ 4.534 billion from $ 4.438 billion.

Trade deficit in June 2017 was recorded at $ 2.622 billion, lower by 24.33 per cent from $ 3.466 billion over May 2017.

According to PBS, exports increased to $ 1.912 billion in June 2017 from $1.652 billion in May 2017, reflecting an increase of 17.52 percent.

Imports declined to $ 4.534 billion in June 2017 from $ 5.092 billion in May 2017, showing a decline of 10.96 percent over previous month of May 2017.

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Remittances FY17

And so it happened. Annual remittances to the country for FY17 took a first plunge in 13 years. The yearly figure for these foreign inflows stood at $19.3 billion, down by 3.08 percent year-on-year. Last year, the expatriates remitted $19.9 billion, a growth of 6.38 percent (in FY16).

This column has been revising its projections for remittance for FY17 based on seasonality as well as the monthly fundamentals; the latest in May 2017, it estimated full-year number to be $19.5 to $19.7 billion given that this year's Ramadan inflow still had to come. However, June 2017 numbers have been low out of the blue. The past ten-year history at least shows that money sent home by the remitters has always been up in June on a year-on-year basis (see Chart-Percentage change in June remittances).

June remittances down by over 11 percent year-on-year, can be an important factor in lower than estimated FY17 remittances as it was expected that inflows would be higher due to month of Ramadan falling largely in June. Usually, those particular months in which bulk of Ramadan falls witness a sharp spike in remittance inflows. However, this narrative took a turn this time around with June 2017 figures dragging the annual remittances.

Overall, FY17 foreign receipts from the overseas Pakistanis have witnessed a decline from all major markets. To be precise, remittances from Saudi Arabia, UAE, UK, and USA were down by 8.35, 1.27, 9.36 and 3.22 percent in FY17 versus those in FY16.

Channel checks with experts suggest that the growth in remittances will remain lukewarm in the coming fiscal year as well because of subdued oil prices and light labour markets in the GCC world, which accounts for the bulk of inward remittances.

SBP in its latest quarterly report also highlights that the decline in remittances has been observed from all major corridors, including Saudi Arabia, UAE, US and UK. However, it raises hopes by pointing out that the decline of remittances from Saudi Arabia is expected to be compensated by a gradual pick up in inflows from other GCC countries, going forward; the likes of Expo 2020 in Dubai, FIFA World Cup 2022 in Qatar and Kuwait's recent decision to lift visa restrictions for Pakistanis will have positive impact on remittance inflows. Moreover, it also stressed that the government is planning to launch Pakistan Development Fund for the Pakistani diaspora in order to channelize their remittances more effectively, which might boost remittances like PRI did.

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Moot on ‘Ino Cotton Grow Initiatives’ opens at NTU

KHALID ABBAS SAIF

FAISALABAD: One Day Conference titled “Ino Cotton Grow Initiatives” kicked of at National Textile University (NTU) here on Tuesday in which 15 eminent Delegates from Germany and similar number from Pakistan participated and held meaningful deliberations.

Welcoming the distinguished guests, Dr. Zafar Javaid, Registrar NTU, said that without any doubt the Cotton is most important textile fiber world-wide as 40 percent of global textile production is from Cotton, 50 percent from synthetic and 2 percent from cotton products of global merchandise but there are effects of water depletion on the other hand it effects water quality. He added that in many of major textile processing areas downstream riparian can be easily assessed from the river/stream. He said that irrigated cotton is mainly grown in Mediterranean and other warm climate regions, where fresh water is already in a short supply. Irrigated cotton cultivation is mainly located in dry regions: Egypt, Uzbekistan and Pakistan.

Dr. Zafar Javaid further said that Pakistan is the fourth largest cotton seed producer in the world as average production (85 percent) is in Punjab and 9.5 percent to global market from Sindh. He said that Pakistan was on higher side of blue water consumption and stood at number 4 in 8 big countries.

He said that largest gross dilution volume exporters are China, USA and Pakistan, implying that international trade in cotton products is having largest impact on water quality in these countries. He added that the cotton products imported from Pakistan put a large pressure on Pakistan’s scarce blue water resources. In china and even more so in India, the cotton is produced with lower inputs of blue water so that cotton products from China and India should put less stress per unit of cotton product on the scarce blue water than in Pakistan.

Dr. Javaid opined that it might be one of the major motivating factors that have augmented the traditional sense of responsibility in our German friends and as a result we are sitting here to pave our way forward to cater for this vital issue.

Concluding, he thanked all distinguished guests from Germany and Pakistan and wished them big success and extended a very passionate and warm welcome to them. He also appreciated, Dr. Wasim Ibrahim, Chief Organizer and Dr. Hafsa Jamshaid, Coordinator, of this International Conference.

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MCCI chief urges uniform trade policy for textile, non-textile sectors

RECORDER REPORT

MULTAN: The businessmen of Southern Punjab has urged upon the government for uniform policy to promote textile and non-textile exports which are 40 percent of all exports. The government should not neglect the value-added industry of textiles.

President, Multan Chamber of Commerce & Industry (MCCI), Khawaja Jalaluddin Roomi, while lauding the decision of the government to revise trade policy to make it business-friendly, said the three-year policy should be improved on all the levels so that it could help exporters improve quality and quantity of the exports which were going down for some time.

He said Strategic Trade Policy Framework announced by the government was aimed at expanding exports to $35 billion within three years by improving export competitiveness but it had largely remained unimplemented. The most of the proposals of trade policy remained on paper bringing exports down to almost $20 billion which were $25 billion in 2013, he said.

He cited that now, the policy was being revised and all the stakeholders would also be taken on board before finalising the draft which would be submitted to the cabinet for the approval. Roomi said that most of the initiatives such as product design, technology upgrade, branding and certification failed in case of the textile sector and non-textile products due to friction and lack of support by the concerned authorities.

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Firmness prevails on cotton market

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KARACHI: Firmness prevailed on the cotton market on Tuesday as prices picked up on increasing demand by mills, dealers said.

The official spot rate gained Rs 50 to Rs 6150, they said. In the ready session, around 2800 bales of cotton changed hands between Rs 6300 and Rs 6350, they said.

In Sindh, seed cotton prices were at Rs 3200-3300 and in Punjab rates were at Rs 2800-3200, dealers said

Cotton analyst, Naseem Usman said that prices of fine quality were picking up and it looked that if supply position not improve, rates likely to go up further.

A number of mills become operational, so that volume of business also was improving with the passage of time, other analysts said.

Adds Reuters: ICE cotton futures slipped nearly 2 percent on Monday in the biggest one-day percentage drop in over two weeks as speculators kept selling their net long positions on expectations of higher new crop.

The December cotton contract on ICE Futures settled down 1.3 cents, or 1.90 percent, at 67.29 cents per lb, to register its biggest percentage drop since June 22. It traded within a range of 67.21 and 68.77 cents a lb.

Total futures market volume rose by 3,906 to 22,174 lots. Data showed total open interest gained 1,191 to 210,391 contracts in the previous session.

The following deals reported: 1000 bales of cotton from Shahdadpur sold at Rs 6350, 400 bales from Hyderabad, 800 bales from Tando Adam and 600 bales from Sanghar all finalised at Rs 6300/6350, they added.

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 10.07.2017**	**Difference Ex-Karachi in Rupees**
37.324 Kgs Equivalent	6,150	135	**6,285**	**6,235**	+50/-
40 Kgs	6,591	145	**7,736**	**7,682**	+54/-

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ICE cotton edges up

NEW YORK ICE cotton futures edged marginally higher on Tuesday 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.

Cotton contracts for December settled up 0.38 cent, or 0.56 percent, at 67.67 cents per lb. It traded within a range of 66.72 and 67.79 cents a lb.

Prices suffered their biggest one-day percentage drop in over two weeks in the previous session as speculators kept selling their net long positions on expectations of higher new crop.

"The market settled around a comfortable range ahead of the WASDE report. You had liquidation of longs over the past two sessions and (markets) managed to find some sort of support to consolidate ahead of the big event," said Anestis Arampatzis, risk management consultant with INTL FCStone.

"The overall market sentiment is pointing towards a mild increase in the global production, an increase in the US exports while also a marginal decrease in the US production, beginning and ending stock."

The Thomson Reuters CoreCommodity CRB Index, which tracks 19 commodities, was up 0.68 percent. Total futures market volume fell by 3,442 to 19,806 lots. Data showed total open interest fell 658 to 209,733 contracts in the previous session.

"The market has been consolidating between the 66.00-69.00 cents range under light volume... A break on either direction should be anticipated on the near term. The WASDE report along with Thursday's export sales figures could be the decisive factors on nearby price action," Arampatzis said. Certificated cotton stocks deliverable as of July 10 totalled 101,897 480-lb bales, down from 106,137 in the previous session.—Reuters

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New York cotton

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The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
Jul'17	67.56	68.29	66.97	68.15	14:45 Jul 11	68.15	0.43	125	67.72
Oct'17	67.20	67.79	66.72	67.67	14:45 Jul 11	67.67	0.38	17548	67.29
Dec'17	67.50	67.50	67.27	67.27	14:45 Jul 11	67.27	0.08	4604	67.19

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The way forward

M Ziauddin

It is very hard to fathom any economic logic in keeping the rupee over-valued other than rendering relatively less burdensome hard currency loan repayments in rupee terms.

And it is even more difficult to comprehend why our successive governments have consistently failed to understand that by keeping the rupee over-valued you are only subsidizing imports that invariably balloon the trade deficit forcing Pakistan to borrow ever more to fund the expanding deficit that perhaps would not have occurred in the first place had the rupee remained linked to its true value.

Perhaps with the attention of the Finance Minister riveted to the immediate concerns of the Panama Papers and the absence of a politically savvy permanent head of the regulator, the non-political economists sitting in the State Bank of Pakistan did what the economic logic was dictating them to do on that particular Wednesday – they allowed the rupee to plunge by 3.1 percent in the opening hours of interbank trade on July 5.

By midday the dollar had risen to Rs108.50 before settling at Rs108.25 by close. This was the largest single drop in the currency in nine years, according to Bloomberg, and as the day progressed there was no clarity on how far it might go in the days ahead.

But the rupee plunge – as dramatic as it was – stood for just one day. By July 6, it was trading at a more 'acceptable' Rs105.7 to the US dollar. This had happened only after the country's finance minister called an emergency meeting, discussed the situation and then met some more officials on the day to stage-manage the recovery. The rupee strengthened 2.35%, or Rs2.54, and traded at Rs105.70 to the US dollar in the inter-bank market on Thursday. And to ensure that his 'desire' would prevail no matter what the economic logic dictated the finance minister appointed a retired civil servant (essentially a generalist and politically savvy) to head the SBP.

Independent economists and global lending agencies believe the rupee has remained overvalued for nearly a decade. This, they said, has hurt Pakistan's exports, which have become more expensive, and also resulted in greater imports that have become relatively cheaper due to the strong currency resulting ultimately in widening of trade and current account deficits.

The one rule of thumb that is normally employed to determine the rough real strength of a country's currency is to adjust it in accordance with the difference between the domestic rate of inflation which is estimated to be 5.5 per cent currently and the average rate of inflation in the countries (about 2 per cent) the currencies of which are used in the basket for calculating the rupee parity.

The difference between the two rates (5.5%-2%) comes to about 3.5% and adjusting for the usual errors in estimation and calculations, the SBP economists on that historic Wednesday reached the economically logical conclusion that the rupee needed to be devalued by about 3.1%. Thus, the rupee plunged to Rs 108.

There are many reasons for the trade deficit to widen to a record $30 billion in the first 11 months of the last fiscal year. One of them is an overvalued rupee.

The fresh statistics showing such a huge gap between earning and expenditure in the foreign trade sector have deepened concerns about long-term sustainability of the external sector, which the government is maintaining by borrowing from foreign countries and commercial banks.

Cheap imports have started hurting the import-substitution industries, according to experts. A strong rupee against the US dollar has made the imports cheaper.

Owing to the swelling trade deficit, the balance of

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payments of the country is now projected to worsen to levels never anticipated by the finance ministry. In its budget documents, the ministry has now revised the current account deficit projection to $8.4 billion for the last fiscal year, which again appears to be at the lower end. The actual C/A deficit number is said to be over $10 billion.

Independent economists say the ballooning of trade deficit has finally exposed vulnerabilities of Pakistan's economy as financing such a huge gap in the midst of slowing foreign remittances and low foreign direct investment has become a challenge for the government.

Exports are not picking up despite the offer of two incentive packages to the exporters. However, these packages have remained partially funded, causing resentment among exporters.

There is a consensus among independent economists that exports must be at least 10% of GDP for sustainability of the country's external sector.

Pakistan's exports are plummeting not only because of a overvalued rupee or little or no demand for our raw commodities and low value-added products, this slide owes its existence to the fact that we lack enough exportable surpluses in items which are in demand globally and/or regionally. In fact, we don't make such items at all. And minus China we have next to negligible trade relations with regional countries.

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

So what do we do now? Continue living with such a depressing scenario and suffer the imminent consequences or try looking for ways to break the shackles of the model in vogue?

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

One way of overcoming these shortcomings is to go around the world with a hat in hand. This we have been doing since independence, but have done nothing with all the dole received so far, other than to create false affluence. More of the same is not going to make us behave differently. The other way of extricating ourselves from this impossible situation is to emulate the economic models that were adopted by countries like the Asian Tigers, China or even India to come out of their appalling poverty. This would need a lot of belt tightening and that too for at least a quarter of a century. This is impossible to do for a nation raised on dole all these years.

Pakistan's economy has always remained dole-driven and import-based. Dole-driven because our big businesses, landed aristocracy and professionals have consistently refused to pay taxes on their incomes, making it next to impossible for successive governments to balance the budget without internal and external borrowings.

Most of the time foreign loans are obtained at highly concessional rates and at times, as outright grants but with conditions so framed as to make the recipient return to the donor at least 99 cents from every aid-dollar received. And the economy is overwhelmingly import-based because our manufacturers continue to feel more comfortable in low-value added exports.

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The burgeoning gap between flagging export proceeds and steeply rising import payments is also covered with foreign dole.

The swelling dole, which is actually debt with strings attached, further worsens the balance of payments position because of the soaring burden of debt repayment on the budget, forcing successive governments to incur ever more condition-ridden debt.

Let us now take a look at our comparative advantages: 1) We are an agricultural country; 2) We are a market of about 200 million people; 3) Pakistan is located at the crossings of trade routes from Casablanca in Africa to Kashgar in West China's Xinjiang Uyghur autonomous region and from Thailand in Southeast Asia to Turkey beyond the Middle East; 4) China and Pakistan are all set to build a 3,000-kilometre economic corridor connecting Kashgar in China to the southwestern Pakistani port of Gwadar with road and rail. And one cannot also rule out the possibility – in a couple of years – of overland transit trade route through Pakistan linking India with Afghanistan and beyond to Central Asia.

These advantages can be exploited to the maximum if we become a warehouse/trans-shipment economy rather than continue to hanker for an industrial economy, which we have been trying all these 70 years to achieve but without any success.

This new model would require a well-thought-out trade policy that would allow almost free-of-duty entry of raw materials, intermediaries and equipment in knockdown condition to be warehoused in Pakistan and then forwarded to final destinations after the required value addition. Such a regime would also require letting the rupee appreciate/depreciate on its own without any artificial crutches.

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

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Trade deficit widens by 37pc to $32.5bn

Mubarak Zeb Khan

ISLAMABAD: Pakistan's trade deficit in merchandise edged up nearly 37 per cent to an all-time high of $32.58 billion in 2016-17 because of falling exports and rising imports.

When the PML-N came to power in 2013, the country's annual trade deficit was $20.44bn. It has been on the rise since then.

On a monthly basis, the trade deficit stood at $2.63bn in June, showing a decline of 6pc from a year ago, according to data released by the Pakistan Bureau of Statistics (PBS) on Tuesday.

An official of the Ministry of Commerce said the rising import bill of capital goods, petroleum products and food products was the sole reason for the increase in the trade deficit. Exports fell despite an incentives package announced by the prime minister to help boost foreign sales of Pakistani goods.

As a result, the higher-than-expected trade deficit is now posing a threat to the country's balance of payment. According to PBS data, the overall import bill rose 18.7pc to $53bn for 2016-17. In June alone, it increased 2.16pc to $4.54bn on an annual basis. The import bill was $44.95bn in 2012-13.

Exports fell 1.63pc year-on-year to $20.45bn in 2016-17. They grew 16.16pc in June, 5pc in April and 3pc in March. Excluding these three months, exports recorded negative growth in the rest of the last fiscal year.

Exports are in decline although the government claims that it is providing the industry with round-the-clock power supply since November 2014. Similarly, the government is also providing export-oriented industries with a concession of Rs3 per unit in the electricity tariff since 2016.

Talking to Dawn, Commerce Minister Khurram Dastgir said exports witnessed impressive growth in June, but avoided commenting on the rising import bill.

Under a three-year strategic trade policy unveiled last year, the government set an annual export target of $35bn for 2018. To boost exports, the prime minister announced the Rs180bn package for textile, clothing, sports, surgical, leather and carpet sectors. The impact of this package on the country's exports has yet to be seen.

The Ministry of Commerce recently decided to make changes in the trade policy framework. Now the ministry wants to implement it in 11 months, which seems next to impossible.

Under Strategic Trade Policy 2015-18, the Ministry of Commerce notified five cash support schemes to improve product design, encourage innovation, facilitate branding and certification, upgrade technology for new machinery and plants, provide cash support for plant and machinery for agro-processing and give duty drawbacks on local taxes.

Exporters have yet to submit claims for the subsidy due to "flaws in these schemes".

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Cotton prices rise on short supplies

The Newspaper's Staff Reporter

KARACHI: Rising demand for cotton from spinners amid slow phutti arrivals (seed-cotton) pushed prices higher on Tuesday. The undertone remained firm and outlook optimistic, brokers said.

Currently, the biggest issue confronting the cotton trade was a demand-supply gap which has been pushing phutti as well as cotton prices higher, they added.

As more and more ginning units are coming into operation, there is a sudden rise in phutti demand which was pushing prices higher. As a result, cotton prices have also moved higher due sustained demand from spinners.

The phutti price in Sindh is being quoted between Rs3,250-3,300/40kg and in Punjab in the range of Rs2,800-3,100/40kg. However, phutti arrival in Punjab is still very slow.

The other major issue confronting cotton was low yield being recorded by ginning units due to rain as there is higher moisture content in the phutti. Though most of the spinners have adopted wait and see policy but needy units are striving hard to get hold of new crop cotton, brokers maintained.

Meanwhile, market reports suggested that polyester fiber prices have increased from Rs223 to Rs225 per kg. This is an indication of expected rise in petroleum prices in coming days.

The Karachi Cotton Association (KCA) spot rates were revised upward by Rs50 to Rs6,150, per maund (37.32kg).

Most of the deals materialised on the ready counter were quoted at higher rates due to high demand for cotton and slow arrival of phutti. The following deals were reported to have changed hands: 400 bales from Hyderabad done at Rs6,300 to Rs6,350; 800 bales, Tando Adam, at Rs6,300 to Rs6,350; 600 bales, Sanghar, at Rs6,300 to Rs6,350 and 1,000 bales, Shahdadpur, at Rs6,350.

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	6,150	135	6,185
40 Kgs	6,591	145	6,736

DAWN
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MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	105.60	105.80	106.20	106.40
UK	136.02	136.28	136.40	137.40
Euro	120.32	120.54	120.40	121.40
S.Arabia	28.16	28.21	28.15	28.35
UAE	28.75	28.80	28.85	29.10
Japan	0.9246	0.9263	0.9179	0.9379

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.88	6.13
Six months	5.89	6.14
One year	5.96	6.46

LIBOR

Special US dollar bonds for July 10

Three months	1.30411 %
Six months	1.46211 %

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June exports increase to $1.912bln as traders swoop on rebates

KARACHI: The country's exports rose 16.16 percent year-on-year and surged 17.52 percent month-on-month to $1.912 billion in June as exporters appeared to have made a last-ditch effort to arrest the export decline in the end of fiscal year of 2016/17, official data showed on Tuesday.

Pakistan Bureau of Statistics (PBS) data showed that imports decreased 10.96 percent to $4.534 billion in June over May, while imports increased 2.16 percent in June as compared to the same month a year earlier.

Exporters attributed the increase in June exports to the rush of exporters to benefit from condition-free rebate scheme which ended on June 30. In January, the government announced Rs180 billion incentive package to rejuvenate sagging exports. The one and half year package will end on June 30, 2018 and it includes duty drawback rate of seven percent for textile garments, six percent for textile made-ups, five percent for processed fabric and four percent for grey fabric.

The package has, however, stipulated rebate claims to at least 10 percent increase in textile exports by the end of the current fiscal year. The government believed that the condition would add $2.5 to 3 billion in the country's exports by June-end 2018.

A leading textile Jawed Bilwani said the increase might stem from exporters' alacrity to benefit from the ending scheme. Research analyst Adnan Sami Sheikh at Topline Securities Limited weighed in. "To take advantage of condition-free rebates, exporters likely to boosted exports," Sheikh said.

Leather exporter Fawad Ijaz Khan advocated that the condition should be waived to improve share of non-textile sector in the export basket, dominated by textiles accounting for more than 60 percent of total exports. The package also comprises of incentives for sports goods, leather and footwear.

Bilwani said value-added exporters have already filed Rs9.5 billion of claims under duty drawback and out of that the central bank disbursed only three billion rupees. He estimated that the total quantum of export claims must be around Rs28 billion.

In June, gap between exports and imports sharply widened 24.33 percent month-on-month and increased 6.09 percent year-on-year to $2.622 billion, according to PBS. Trade deficit, however, swelled 36.32 percent to $32.578 billion in July-June as imports rose 18.67 percent to $53.026 billion, while exports fell 1.63 percent to $20.448 billion.

Trade data showed that imports usually are getting a shot from growing demand of machinery for infrastructure developments, while increasing consumer appetite also results in rise in food and electronics import bill.

Yet, consistent decline in exports is cause of concern for the textile industry. Bilwani, who also heads Apparel Forum representing textile value-added sector, said exporters are unable to properly capitalise on government incentives due to high cost of production.

"Our input rates are high when compared with those of India or Bangladesh," he said. The government, he added, should separately treat textile industry when it comes to electricity and gas tariffs. "So, we can compete with others."

THE NEWS
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Stocks plummet 4.7 percent on JIT report

KARACHI: Stocks plummeted 4.7 percent in their worst crash in eight years as shell-shocked investors -- their nerves shattered from JIT report on Panama corruption case – are fearful that the issue is mutating into a full-blown political crises, dealers said.

“Equities witnessed a bloodbath as political noise reached a new decibel and benchmark KSE 100 Index plunged by as much as 4.63 percent, down most since February 2009 when Sharif brothers were declared ineligible by Supreme Court to contest elections or hold public offices,” Elixir Securities said in a report.

Analyst Ahsan Mehanti at Arif Habib Corp said July is usually a positive month for the market because of earnings season and “market can surge from this point once political noise subsides.”

“Market can see a rebound if ruling party announces challenging the JIT (joint investigation team) report in the Supreme Court,” he added. “It will curtail the political noise.”

The Pakistan Stock Exchange’s benchmark KSE 100-share Index closed lower 4.65 percent or 2,153.23 points to 44,120.58 points.

The highest index of the day remained at 46,273.81 points, while the lowest level of the day was recorded at 44,117.17 points. KSE 30-share Index also fell 4.98 percent or 1,200.53 points to 22,899.35 points.

Turnover shrank 50 million shares to 185.16 million shares. Trading value dropped to Rs9.89 billion from Rs12.81 billion, while market capital fell to Rs9.05 trillion from Rs9.45 trillion in the last session.

Of 367 companies, 17 closed in black, 340 in red and 10 remained unchanged. Only two stocks on the benchmark Index defied the bearish trend and traded positive, five remained unchanged, while 92 names closed in red, out of which 62 closed at their respective lower price limits.

Mehanti said panic selling was witnessed as investors feared over the outcome of JIT and filing of reference against prime minister in National Accountability Bureau. He added that falling remittances and widening current and trade deficits aggravated the woes.

Market opened gap down and traded deep in red throughout the day as investors became skeptical of the stability of current political setup. “We see value buyers to remain very cautious with choppy trading in days ahead as courts hear the case against Sharif family on July 17,” said Elixir Securities.

Selling pressure remained persistent throughout the day and across the board. Bank heavyweights closed near their lower circuits, cumulatively contributing 403 points decline to the benchmark index.

Analyst Arhum Ghous at JS Research said the conviction of Chairman Securities and Exchange Commission of Pakistan on matters of record tampering under political influence also added fuel to the fire.

“We expect volatility in the market to persist until clarity emerges on the fate of Sharif family,” Ghous said. “That said a cautious approach is advised to avoid headwinds.” Highest increase was recorded in Colgate Palmolive by Rs40 to close at Rs2,340/share, followed by Al-Abbas Sugar that rose Rs8.90 to end at Rs204.90/share.

Major decrease was noted in shares of Bata (Pak) by Rs167 to end at Rs3,173/share, followed by Philip Morris Pak that fell Rs143.26 to close at Rs2,721.94/share.

Significant turnover was recorded in stocks of K-Electric Ltd, TRG Pak Ltd, Aisha Steel Mill, Bank of Punjab, Engro Polymer, Summit Bank, Dost Steels Ltd, Fauji Cement, Azgard Nine and Maple Leaf Cement.

K-Electric Ltd remained the volume leader with 17.40 million shares with a drop of 39 paisas to close at Rs6.44/share. It was followed by TRG Pak Ltd with 9.68 million shares with a decrease of Rs1.88 to end at Rs35.84/share.

Turnover in the future contracts fell to 41.20 million shares from 59.75 million shares traded in the previous session.

THE NEWS
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Bank deposits up 19pc in June, highest in six years

KARACHI: Bank deposits rose 19 percent to Rs11.9 trillion in June, highest in six years, aided by higher money supply growth, a brokerage report said on Tuesday.

Bank deposits stood at Rs10.060 trillion in the same month of the last calendar year. “We attribute this [higher deposits] to a 17 percent year-on-year broad money (M2) growth in June 2017,” Umair Naseer, an analyst at Topline Research, said. “Deposit growth remained higher than expectation and could act as a catalyst in supporting profitability of the banks in times of tough net interest margins (NIMs).”

The analyst further said, “High deposit growth rate, expected reversal in interest rates from 2018 and reducing loss ratio bodes well for the sector.”

The increase in banking sector deposits was a welcome sign considering a deceleration in deposit growth observed during the last two years due to multiple factors like monetary easing and, consequent fall in minimum saving rate, increase in withholding tax rate on banking transactions, and preference of depositor towards alternative modes.

The pick-up in growth after witnessing a deceleration was also an indicator that the banking sector remained the preferred avenue for customer savings. The report stated that bank advances also grew in tandem as it increased 21 percent to Rs6.1 trillion.

“Such growth in advances was last seen in June 2006. This phenomenal growth is due to additional liquidity available with banks, unattractive yields prevailing on government securities, and improving macros,” the report said.

“Despite this above average growth, advance to deposit ratio (ADR) of the sector stood at 52 percent which is still well below the levels seen in 2008 when ADR of the sector stood at 84 percent,” it added.

Investments on the other hand grew Rs8 to Rs8.1 trillion as investment to deposit ratio (IDR) declined to 68 percent in June 2017 versus 71 percent in May 2017. The report said breakdown of broad money numbers showed that government has borrowed Rs1.4 trillion (June 30 to June 23, 2017) from the central bank as against net retirement of Rs382 billion in the same period last year. Borrowing from central bank was inflationary in nature and if it persisted for long, it could lead to higher inflation and interest rates (positive for banks). It could also reduce the crowding out affect of private sector credit.

THE NEWS
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Chinese firms keen to develop special economic zones

ISLAMABAD: Chinese companies are exploring the possibilities of relocating their major industries in special economic zones (SEZs) in Pakistan.

"Chinese companies are willing to develop SEZs in Pakistan. We must have a long term mechanism for industrial cooperation," said Du Zhenli, a director general at China International Engineering Consulting Corporation, on Tuesday.

Zhenli, who is leading a high-level Chinese delegation, was addressing a discussion hosted by the Board of Investment. "The inclusion of relevant experts from each side in the joint working group is mandatory for policy, planning and devising a roadmap for industrial cooperation," Zhenli added.

He said Pakistan side should align their industrial framework with their medium and long term development plans," the Chinese official said while reiterating commitment to continue to invest in Pakistan to take this initiative forward.

Chinese delegation discussed possibilities of relocating of their industries in selected nine SEZs in the country, including each in four provinces, one in each Azad Jammu and Kashmir and Gilgit and two SEZs under jurisdiction of the federal government.

A 60-member Chinese delegation is currently on a four-day visit to discuss trade and industry opportunities. Minister for Planning, Development and Reform Ahsan Iqbal said development of SEZs is the most important phase of China-Pakistan Economic Corridor (CPEC), "which would prove as a milestone in relocation of Chinese industries and flourishing our local enterprises."

Iqbal, speaking to a Chinese delegation, said one belt one road vision has connected Europe, Asia and Africa. "CPEC, the flagship project of Belt and Road Initiative, is helping to improve infrastructure and overcome power outages in the country, thus removing the main two bottlenecks, faced by Pakistan's economy," he said.

Planning minister said the industrial cooperation between China and Pakistan would help relocate Chinese industries, creating thousands of job opportunities, transfer of knowledge and expertise.

Minister Iqbal said completion of CPEC's first mega coal power plant at Sahiwal has set a new world record in the fastest implementation of power project. "Experts from the whole world are surprised by the pace of work on CPEC projects."

He said the development of Gwadar is top priority of the government. "Construction of New Gwadar Airport and East Bay Expressway, the two significant projects, would ensure development of this port city."

Planning minister further vowed to fast track implementation of hospital, technical institute and water supply project at Gwadar. Minister Iqbal further said steps are underway to include higher education commission's initiative of linking 50 top local universities with Chinese universities. "This project would help in transfer of knowledge and experiences in different sectors, helping Pakistan to develop its academic curriculum on modern line to meet international standards," he added.

He said long-term plan of CPEC would identify areas of cooperation between the two countries till 2030. "The project started from memorandum of understanding in 2013, turns as a biggest and flagship project of the world, wherein Pakistan has succeeded in implementation of infrastructure, energy and Gwadar related projects with the support of Chinese side." "Both the governments have made a conscious effort to focus on expanding the economic dimension of the relationship and bring it up at par with the excellent cooperation the two countries enjoy at the strategic and political level," Secretary of Planning Shoaib Ahmed Siddiqui said in a statement.

Siddiqui said CPEC entails greater connectivity and trade linkages between Pakistan and China through a network of road, rail, fibre optic cable, energy pipelines, industrial clusters and SEZs. "All the political parties and provincial governments have openly expressed support to this mega project which would surely help a lot to CPEC."

Planning secretary proposed to review decision of 6th joint cooperation committee and ensure joint working groups' meeting to finalise agenda for 7th joint cooperation committee. Hassan Daud Butt, project director of CPEC also briefed the participants about the progress on CPEC projects.

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Li Xuedong, deputy director general at National Development and Reform Commission China said industrial cooperation entered into a critical stage. "The establishment of power plants and development of infrastructure are the prerequisites for industrial parks," Xuedong said. "We need to have expert group to initiate planning of the parks keeping in view comparative advantages and other allied attractions for investors."

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Advanced gas turbines can cut inefficiencies, cost for local industry

LAHORE: Private sector would have to come out of its selfish mode to cooperative power production as industries using RLNG to produce electricity are almost fifty percent less efficient that the recently installed gas run General Electric gas run power plants.

Industries in Punjab are supplied gas imported from Qatar in liquefied form and the re-gasified and supplied through SNGPL network. This gas is costlier than the natural gas supplied in other three provinces.

The gas run small power plants operated by the private sector are highly inefficient. The gas efficiency in these 2-3 megawatt plants is around 30 percent. The old large capacity IPPs operate at over 48 percent efficiency and the three latest plants operating partially operate at 60 percent efficiency.

Natural gas-fired (including LNG fired) power plants account for almost 20 percent of the world's electricity generation. These power plants use gas turbines or gas turbine-based combined cycles.

Gas turbines in the simple cycle mode, only gas turbines running, have an efficiency of 32 percent to 38 percent. The most important parameter that dictates the efficiency is the maximum gas temperature possible.

The latest gas turbines with technological advances in materials and aerodynamics have efficiencies up to 38 percent. In the combined cycle mode, the new "H class" Gas turbines with a triple pressure HRSG and steam turbine can run at 60 percent efficiency at ISO conditions. This is by far the highest efficiency in the thermal power field.

The Pakistan Peoples' Party government, in its last two years, asked All Pakistan Textiles Mills Association (Aptma) to replace the small gas run units with a bigger gas run plant and share the cost and production and supplies with its members.

This suggestion was made during acute gas shortages in Punjab while the private sector was consuming more gas for producing less power. It was found that with installation of larger plants, the power production would be fifty percent higher than the power produced individually by each mill operating on gas power.

The idea was shelved by the private sector as there was no guarantee at that time that after the 18th amendment, the government would ensure constant gas supplies.

After the Pakistan Muslim League-Nawaz government assumed power, it decided to resolve the issue of short gas supplies to Punjab by entering into a long term agreement with Qatar for importing liquefied gas.

While the LNG deal was in final stages, the Punjab government again asked Aptma to establish a power plant of larger size and supply the power thus produced to textile and other industries located around the power plant.

The millers after long deliberation refused this offer. They instead entered into agreement with the SNGPL individually for the supply of RLNG. The price of RLNG was linked to a certain percentage of global crude oil prices.

At that time, the crude oil prices were very low and the power produced on the inefficient gas-run plants was commercially viable. As the crude oil prices increased globally the rate of RLNG also increased according to the formula already agreed with the private sector captive producers.

After the RLNG prices increased, the small gas run units are producing electricity at Rs10.50 per unit. The three combined cycle gas plants established by the government are producing power from the same high priced RLNG at Rs6.50 per unit.

The small power plants in provinces other than Punjab are producing electricity at Rs6 per unit because the price of indigenous gas is 40 percent less than RLNG. Even the plants operating in other parts of the country could produce power at 40 percent less price if they upgrade to efficient technology.

By operating inefficient plants, we are not only increasing the cost of power production but also wasting precious gas resource irrespective of the fact whether the gas is domestic or imported.

The mills operating on inefficient gas power plants in other provinces can survive as the cost of power is still low because of cheaper rate of domestic gas. The mills in Punjab have no alternative but to find a way to produce gas in bulk from gas efficient larger plants and share the cheaper power with other industries.

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They would have to enter into an agreement with other private sector manufacturers to establish larger efficient plants and reap the benefits of cheaper industry. The industrialists in Punjab must understand that it is not possible for the state to lower RLNG rates to cover the inefficiency of their plants.

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Cotton up

Karachi

Slow trading on Tuesday continued at Karachi Cotton Exchange, while spot rate increased Rs50 a maund.

Spot rate rose to Rs6,150/maund (37.324 kg) and Rs6,591/40-kg. Ex-Karachi rates also increased to Rs6,285/maund and Rs6,736/40-kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively. One analyst said prices rose in the local market because of an increase in the demand. “Around 50 ginning factories have commenced operations but there is shortage of cottonseed.” Karachi cotton market recorded four transactions of 3,000 bales from Sindh crop only at a price of Rs6,300/maund to Rs6,350/maund. Of which, 400 bales of Hyderabad, 800 bales of Tando Adam, 600 bales of Sanghar and 1,000 bales of Shahdadpur were traded in the market. New York Cotton Market recorded a decline on all its futures on Monday. October futures fell 2.03 cents to 67.72 cents a pound while December futures dropped 1.30 cents to 67.29 cents per pound.

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Trade deficit swells to historic $32.58 billion

Imports surged to $53.02 billion during FY17

Imran Ali Kundi

ISLAMABAD - Pakistan's trade deficit widened by 36.32 percent to highest ever level of $32.58 billion during last fiscal year (FY17) because of the record increase in imports and decline in exports. Trade deficit was recorded at $23.9 billion during the previous fiscal year (FY16).

The government had set the target to keep trade deficit at $20.5 billion for FY2017. However, the deficit surged by $12 billion due to massive growth in imports and decline in exports.

The latest data of Pakistan Bureau of Statistics (PBS) showed that country's imports were recorded at historic level of $53.02 billion during the FY17 as against $44.69 billion of the FY16, showing an increase of 18.67 percent. Pakistan's imports have gone beyond $50 billion for the first time in country's history. However, the exports registered a decline of 1.63 percent and were recorded at $20.45 billion during previous financial year as compared to $20.79 billion of the preceding year.

The strategic trade policy framework (STPF), announced in March last year, had failed to enhance country's exports. The government was interested in implementing the STPF, as most initiatives of the policy remain only on paper. The framework aimed at expanding exports to $35 billion by 2018, improving export competitiveness, shifting the economy from factor-driven to innovation-driven and increasing the share in regional trade.

However, the government has now decided to revise the STPF. The Ministry of Commerce would start consultations with relevant stakeholders before revising the trade policy.

Owing to the swelling trade deficit, the balance of payments of the country is now projected to worsen to levels never anticipated by the finance ministry. The country's current account deficit would touch $8.3 billion (2.7 percent of the GDP) during previous fiscal year due to the higher trade deficit. The PML-N government has also missed the exports target for the fourth consecutive year despite the fact that Pakistan enjoys duty-free status for its exports to the European Union. Exports are not picking up despite offering two incentive packages to the exporters. The government in January this year announced an incentives package worth Rs180 billion to boost the country's tumbling exports. However, it had failed to enhance exports.

A parliamentary committee has already taken notice of increase in trade deficit of the country, which jumped to $32.56 billion during the last financial year 2016-17. The Senate Standing Committee on Commerce had asked the officials of the ministry of commerce to give briefing on deteriorating balance of trade of the country on July 13. The committee would meet under the chair of its chairman Senator Shibli Faraz.

The PBS data showed that Pakistan's exports have enhanced by 16.16 percent to $1.91 billion in June 2017 from $1.65 billion of June 2016. However, the imports recorded a decline of 10.96 percent and reached $4.5 billion in June 2017 from $5.092 billion in the same period of the last year. Therefore, the trade deficit was recorded at $2.62 billion in June 2017 as against $3.47 billion of June 2016, showing a reduction of 24.33 percent.

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Rupee fall inflicted heavy losses to economy

APBF chief suggests trade between Pakistan, China in local currencies

Our Staff Reporter

LAHORE - As the recent local currency depreciation has inflicted great loss to the national economy and cost of deals done by the businessmen with their foreign counterparts have jumped manifold, the business community has urged the government to control surge of dollar against rupee.

They observed that the widening current account deficit, excessive government borrowing, absence of foreign flows increasing oil imports and lack of foreign investment are the vital reasons for the sudden depreciation of Pakistani rupee.

According to experts, Pakistan's rupee was overvalued by at least 20 percent and has a negative impact on the country's exports. The local currency last week dropped the most in nine years amid rumours of devaluation due to surging trade deficit and shrinking exports of the country. The rupee hit its lowest level since 2013 by shedding value of more than 3 percent to 108.1 against the US dollar.

APBF President Ibrahim Qureshi said that the country's economy came under severe pressure due to surging trade deficit on the back of falling exports and a sharp increase in the import bill. He said that the devaluation always pushed inflation on higher side and made the common man's life miserable in past and this seems to be going happen again.

He observed that causes of depreciation of a currency are multiple which in combination push and pull the respective currency's quotation in conjunction with other currency. If there is more demand for dollars in Pakistan than the supply, rupee would depreciate. So, the government should take steps to commence trade between Pakistan and China in local currencies with special emphasis on greater Chinese investment in Pakistan's lagging value-addition economic activities for making meaningful improvement in bilateral trade balance, he added.

He feared that if notice of the situation was not taken immediately, rupee would go further down within next few days, as demand of dollars may be created by importers requiring more dollars to pay for, foreigners withdrawing their investments and taking the dollars outside.

Qureshi said that actions of the government are not new and nothing is different of what was happening in past governments as only faces have been and no strategy or solid plan is seen for restructuring of the institutions.

Forex Association of Pakistan Chairman Malik Bostan said that exchange companies presently face a dearth of dollars because of the lower inflows and higher demands, as foreign remittances of the Kerb market are drying up rapidly. He said that a major demand for dollars is coming from gold importers who are buying this from Middle-East countries because of a price difference of Rs3000-4000 compared to Pakistan. He said that local banks already handle the majority of foreign exchange transactions, while money changers have only 20-25 percent of the market share.

FPCCI former president Mian Idrees said that the trade deficit soared 42 percent to an all-time high of $30 billion in first 11 months of financial year 2016-17. In May, trade deficit surged 61 percent to $3.465 billion, according to the latest data released by Pakistan Bureau of Statistics. The import bill during July-May 2017 period rose 20.6 percent to $48.54 billion. It is expected to reach over $53 billion this fiscal year. In the 11 months through May, the export dropped from $19.14 billion a year ago to $18.54 billion, putting pressure on the currency.

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PSX suffers record fall on political uncertainty

Our Staff Reporter

KARACHI - Pakistan Stock Exchange suffered worst-ever single-day fall on Tuesday due to panic selling, which was triggered by ongoing political uncertainty.

The stock market splashed red ink everywhere from the very start, opening almost 1,000 points negative. By the end of the session, the index had lost 2,153 points (down 4.65pc). The index closed at 44,121 points. The extreme decline in the market came from political jitters where uncertainties related to the future of PM Nawaz escalated. Moreover, conviction of SECP chairman on matters of record tampering under political influence also added fuel to the fire. Selling pressure remained persistent throughout the day and across the board, said analyst Arhum Ghous.

Commercial bank heavyweights HBL (-5.0pc), UBL (-5.0pc), MCB (-4.9pc), ABL (-5.0pc) and NBP (-5.0pc) closed near their lower circuits, cumulatively took away 403 points from the benchmark index. Apart from this, other notable decliners during the day were MARI (-5.0pc), INDU (-3.9pc), MTL (-4.7pc) and HCAR (-5.0pc) cumulatively contributing 102 points fall to the benchmark KSE-100 index.

Political uncertainty, falling remittances data for FY17, concerns over record surge in current account deficit to $10.64b for Jul-May 2017, reports on dismal economic data on exports, foreign outflows and external account played a catalyst role in record fall at PSX, stated analyst Ahsan Mehanti.

Overall participation also remained weak where volumes fell 21 percent to 185.2 million shares, while traded value shed 23 percent to Rs9.9 billion/$94 million. K-Electric led the volume with 17 million shares changing hands. Scrips of total 367 active companies participated in the session of which 340 closed in red, only 17 concluded in green while 10 remained unchanged.

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Development of economic zones most important phase of CPEC

Chinese team reiterates all efforts will be made for timely completion of projects

ISLAMABAD - Federal Minister for Planning, Development & Reform Ahsan Iqbal has said that development of special economic zones (SEZs) is the most important phase of China Pakistan Economic Corridor (CPEC) which would prove as a milestone in relocation of Chinese industries and flourishing of Pakistan's local enterprises.

The minister expressed these view while speaking to a high-level Chinese delegation at Planning Commission here on Tuesday. The 60-member delegation was headed by Li Xuedong, Deputy Director General, Department of International Affairs, National Development and Reform Commission (NDRC) of the People's Republic of China, comprises of senior officials from NDRC, National Railway Administration, Chinese investors and representatives of China EXIM Bank and China Development Bank.

Ahsan said that One Belt One Road vision has connected Europe, Asia and Africa. "CPEC, the flagship project of Belt and Road Initiative is helping to improve infrastructure and overcome power outages in the country, thus removing the main two bottlenecks, faced by Pakistan's economy," he added. He said that the industrial cooperation between Pakistan and China would help relocate Chinese industries, creating thousands of job opportunities, transfer of knowledge and expertise.

He said the development of Gwadar is top priority of the government. "Construction of New Gwadar Airport and East Bay Expressway, the two significant projects, would ensure development of this port city," he added. The minister vowed fast track implementation of hospital, technical institute and water supply project in Gwadar.

Ahsan highlighted the need of speedy completion of Gwadar city master plan for planned development of this international town, besides establishing linkages of Gwadar University with any reputed institute of China to impart knowledge in marine and maritime sectors.

The minister informed that steps are underway to include Higher Education Commission's (HEC) initiative of linking 50 top local universities with Chinese universities. "This project would help in transfer of knowledge and experiences in different sectors, helping Pakistan to develop its academic curriculum on modern line to meet international standards," he added.

He further said that Pakistan's Railway Main Line-1 from Karachi to Peshawar upgradation project is likely to commence this year. "This mega project would support to build and upgrade the backbone of transport infrastructure in Pakistan" he added.

The minister further appreciated the Chinese government's steps for signing CPEC long term. He said that long term plan of CPEC would identify areas of cooperation between the two countries till 2030. He said that the project started from MoU in 2013, turns as a biggest and flagship project of the world, wherein Pakistan has succeeded in implementation of infrastructure, energy and Gwadar related projects with the support of Chinese side.

On the occasion, Xuedong said that basic aim of the visit is to discuss industrial cooperation, implementation of Gwadar projects and Pakistan Railway's up gradation of Main Line-1 under China Pakistan Economic Corridor (CPEC). He said that every possible effort will be made to ensure timely completion of all the CPEC projects.

Meanwhile, a meeting was held in Ministry of Railways between Railways Minister Khawaja Saad Rafique and National Development and Reform Commission (NDRC) DG Li Xuedoung. The meeting discussed the implementation of upgradation of ML-I and methodology of financing.

During the meeting, Xuedoung said that work on CPEC projects had seen positive progress over the past three years. The ML-I up-gradation plan joining Peshawar to Karachi formed a significant part of CPEC's improvement and it would benefit people especially along the route and contribute to economic and social development of Pakistan. ML I is Key priority on the working agenda and NDRC takes a complete view of the venture which is a huge upgradation project, he added. He said that

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NDRC would make its due contribution to CPEC's development.

According to Saad, ML-I project will engender employment and speed up the development in the country. NDRC and NRA is helping Pakistan Railways in rehabilitation/improvement of existing track that will follow the existing alignment except at locations where sharp curves are to be eased out or eliminated to allow higher speed up to 160 Km/h. This delegation will inspect sections of Lahore-Multan and Lahore- Rawalpindi.

During their four day visit, the Chinese delegation will hold meetings with Pakistani leaders, business community and review the economic zones. The provincial governments will also brief the delegates about their SEZs and their investment plans.

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SNGPL facing 95pc gas losses in Karak, Lachi, Hangu: MD

APP

ISLAMABAD - Managing Director Sui Northern Gas Company Limited (SNGPL) Amjad Latif Tuesday said the company was facing 95 percent gas losses in tehsil Lachi and districts Karak and Hangu of the Khyber Pakhtunkwa province.

"The locals of all these localities have obtained illegal gas connections, mostly through direct taps and unconventional joining methods, which is not only a loss to the national exchequer in the shape of gas theft, but also in the form of gas wastage through leakages," he told APP.

SNGPL, he said, made all-out efforts to curb the losses in oil and gas producing areas with the help of Police and Federal Investigation Agency (FIA).

Whenever, the company launched a campaign for disconnection and removal of this illegal network with the assistance of law enforcement agencies, the locals sealed the plants of Oil and Gas Development Company (OGDCL) and MOL, and blocked the Indus highway, he added.

The MD said Chief Minister Khyber Pakhtunkwa had categorically mentioned in his letter written to Chairman Oil an Gas Regulatory Authority (OGRA) that "the gas losses in these areas are not due to the inefficiency of SNGPL, but due to the prevailing law and order situation of those areas which can not be controlled even through administrative measures of the provincial government."

Answering a question, he said SNGPL teams had put their lives at risk to disconnect illegal gas connections of industries, mostly Plaster of Paris, which got connections from the company's network and extended to the barren terrain through plastic pipes for kilometers.

Approximately, he said, the company removed 60 illegal industrial connections and lodged 52 FIRs, besides it removed 169 illegal commercial connections and registered 155 FIRs against pilferers.

Currently, the MD said, a project had been planned to provide gas in surrounding villages of Mardan Khel well and villages within five kilomters radius of Meramazi-II and Noshpa Rig No.4, besides rehabilitating damaged pipeline network in Gurguri village.

He said the KP government had so far deposited only Rs 114.066 million under the project, but SNGPL could not recommend the project to the Federal Cabinet's special committee for approval until the complete funds were not provided by the federal or provincial government.

However, Amjad Latif said, keeping in view the provincial government's urgency, the company had recommended execution of a part of the project for provision of gas to villages within five kilometers radius of gas-producing well Mardan Khel.