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Exporters meet PM

RECORDER REPORT

A delegation comprising of leading exporters of the country called on Prime Minister Shahid Khaqan Abbasi at PM''s Chamber in the National Assembly on Thursday. Minister for Commerce Prevaiz Malik, Miftah Ismail, SAPM on Economic Affairs were also present during the meeting.

The exporters presented various proposals for boosting country''s exports and suggested measures aimed at facilitation of the business community and creating congenial environment for further promotion of business and trade activities in the country, according to a press release.

Prime Minister Shahid Khaqan Abbasi assured the exporters of fullest support from the government in boosting the exports and reiterated that government is committed to facilitate the business community for which all the proposals and suggestions will be appreciated. The economic policies and reforms initiated by PMLN government since 2013 have resulted in economic turnaround and macro economic stability duly acknowledged by International Financial Institutions as well as rating agencies, the Prime Minister noted with satisfaction. The policies and reform agenda will continue in order to consolidate the gains on economic front, reaffirmed the Prime Minister.-PR

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Sell-off process shelved

MUSHTAQ GHUMMAN

The federal government has reportedly shelved privatisation process almost entirely, inclusive of power sector companies, for the remaining PML-N tenure due to political uncertainty, well informed sources told *Business Recorder.*

The government"s lack of interest in privatisation of public sector companies including loss-making entities, including PSM, can be gauged from the fact that no full-time Minister or Secretary has been appointed for the recently created Ministry of Privatisation. Prime Minister Shahid Khaqan Abbasi has taken back most of the powers from Finance Minister Ishaq Dar, including decision-making on privatisation.

On January 27, the Cabinet Committee on Privatisation (then headed by Finance Minister, Senator Ishaq Dar) granted approval to initiate the process of listing only Gujranwala Electric Power Company (GEPCO) shares on Pakistan Stock Exchange through an IPO as the three other public sector power distribution companies targeted for privatization had become unprofitable with financial losses of Rs 31 billion for fiscal year 2015-16. These three companies were Faisalabad Electricity Supply Company (Fesco), Islamabad Electricity Supply Company (Iesco) and Multan Electricity Power Company (Mepco).

Out of nine government-owned power distribution companies, seven are now running in losses. The only remaining government-owned profitable companies are Lahore (although its balance sheet is not publicly available) and Gujranwala power distribution companies. The CCoP considered the strategic sale of KAPCO with the instructions to Privatization Commission and Ministry of Water & Power to complete all formalities before formal approval. However, the fate of Kapco is also in the dark as no progress has been made in this regard so far.

On February 27, 2017 Secretary Privatisation, Sardar Ahmad Nawaz Sukhera, who is now Secretary Information with additional charge of Privatisation, informed the then Secretary Water and Power Younus Dagha, that the CCoP in its meeting held on January 27, 2017 had directed the Privatisation Division and the Ministry of Water and Power to immediately finalise comfort letters for investors, and requested draft PPAs subsequent to settling all issues regarding terms and conditions and other modalities required in a comfort letter; the CCoP further directed that it should be updated after issuance of the comfort letter by the Water and Power Ministry.

"There is no progress on the Kapco issue so far," said an official on condition of anonymity. He further stated that privatisation of power sector entities remains stalled after former Prime Minister Nawaz Sharif directed that there be no further privatisation of power sector entities without taking the employees into confidence.

An official in Ministry of Privatisation confirmed to *Business Recorder* on Thursday that privatisation process of all entities is "dead" and no further progress is expected on this front due to uncertainty within the government and general elections in the country scheduled in 10 months. The sources said, out of nine government-owned power distribution companies, seven are now running in losses.

As per documents submitted to the CCoP in January this year, Fesco reported Rs 13.31 billion loss last fiscal year compared to Rs 5.22 billion profit in the preceding year, according to the company"s balance sheet. Iesco, once the jewel of the distribution sector, reported Rs 7.75 billion losses in fiscal year 2015-16 as against Rs 2.74 billion profit the previous year. Their boards approved the audited accounts of Fesco and Iesco two months ago.

Mepco, which showed a Rs 9.8-billion profit in fiscal year 2014-15, also became unprofitable in fiscal year 2015-16 and booked Rs 10.3 billion losses according to a company official. He said that delay in determination and notifications of electricity tariffs and subsequent reimbursements to customers were the reasons for the losses. Reports also suggest that " freezing" of power sector privatisation may have adverse implications for the $37 billion energy projects of the China-Pakistan Economic Corridor (CPEC), as Pakistan had committed with China for "selective privatisation" of distribution companies.

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Fixed sales tax on petroleum freight proposed

RECORDER REPORT

Seeking an end to the never ending dispute on provincial sales tax mechanism and collection on transportation of petroleum products, Ashfaq Tola, President of Tola Associates has submitted a dispute resolution report to the Prime Minister"s office.

Recall that sales tax on inter city transportation services is charged under different revenues authorities at varying rates from 13 percent to 16 percent. The report has extensively compared two different revenue collection approaches of fixed and existing sales tax rates.

The author has recommended an option of a fixed sales tax between 5 paisas to 15 paisas to be incorporated into the price of petroleum products, on account of freight services. The report further recommends Ogra to devise mechanism for depositing such sales tax. Furthermore, OMCs have been recommended to be made responsible for charging, collecting and depositing sales tax on the basis of volume supplied.

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Composition of CCI reconstituted

RECORDER REPORT

Prime Minister Shahid Khaqan Abbasi has reconstituted the composition of Council of Common Interests (CCI). The CCI will be chaired by PM, with four chief ministers, Minister Inter Provincial Coordination, Minister for Industries and Production and Minister for Finance as members, said a press release.

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THE RUPEE: Further gains

RECORDER REPORT

Further improvement was seen in the value of the rupee versus the dollar on the money market on Thursday in the process of trading, dealers said. The rupee was unmoved in terms of the dollar for buying and selling at Rs 105.39 and Rs 105.40 respectively, they said.

INTER-BANK MARKET RATES: In the fourth Asian trade, the US dollar was on the defensive after the minutes from the Federal Reserve's last policy meeting showed policymakers were increasingly wary of recent softness in inflation and could delay a rate hike.

The readout of the July 25-26 meeting showed some members called for halting interest rate hikes until it was clear the inflation trend was transitory, but it also indicated the Fed was poised to begin reducing its $4.2 trillion portfolio of bonds.

The dollar also stepped back to 109.84 yen, down 0.3 percent from late US trade and down more than a full yen from Wednesday's high of 110.95. The dollar's index against a basket of six major currencies slipped to 93.39 from Wednesday's three-week high of 94.145.

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

OPEN MARKET RATES: The rupee picked up 10 paisas in relation to the dollar for buying and selling at Rs 106.50 and Rs 106.70 respectively, they said.

The rupee also gained 25 paisas in terms of the euro for buying and selling at Rs 123.75 and Rs 125.25 respectively, they said.

Open Bid	Rs. 106.50
Open Offer	Rs. 106.70

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

Bid Rate	Rs. 105.39
Offer Rate	Rs. 105.40

RUPEE IN LAHORE: The rupee-dollar parity stayed unchanged amidst sluggish trend in the local currency market on Thursday.

The demand and supply situation of the US dollar remained intact throughout the trading session that kept the local currency stabilize. Consequently, no change in its value took place on buying and selling side as it maintained its opening trend of Rs 106.40 and Rs 106.70 respectively, local currency dealers said.

The national currency, however, showed strength as it appreciated against the pound sterling. The pound's buying and selling rates drifted from Wednesday's closing rates of Rs 136.00 and Rs 136.80 to Rs 135.70 and Rs 136.70 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 Thursday.

The dollar opened at Rs 107.10 (buying) and Rs 107.20 (selling) against same last rate. It closed at Rs 107.10 (buying) and Rs 107.20 (selling) in evening session.

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Forex reserves slip below $20 billion

RECORDER REPORT

The country''s foreign exchange reserves continued to weaken, reaching below $ 20 billion at the end of last week. According to State Bank of Pakistan''s weekly report issued Thursday, week-on-week basis, the country''s forex reserves declined by $62 million during last week. Pakistan''s total liquid foreign exchange reserves stood at $ 19.942 billion on August 11, 2017 down from $20.004 billion on August 4, 2017.

During the week under review, the SBP''s reserves decreased by $ 88 million to $ 14.311 billion, due to payments on account of external debt servicing and other official payments. Reserves held by banks moved up by $ 26 million to $ 5.63 billion at the end of last week.

Meanwhile, overall liquid reserves of SBP declined by $ 1.833 billion during the first six weeks of this fiscal year (FY18). The SBP''s reserves declined to $ 14.311 billion on August 11, 2017 compared to $16.143 billion on June 30, 2017. During the period under review, banks'' reserves posted an increase of $ 407 million, ie, from $5.224 billion to $ 5.631 billion. Economists said the decline has been registered in the reserves held by the central bank.

The SBP''s reserves have been depleting because of higher external debt servicing as several foreign debt payments were due in July. However, they said on a positive note, during the period under review, reserves held by banks witnessed upward trend.

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Senate body on finance criticises SECP

ZAHEER ABBASI

Senate Standing Committee on Finance has shown displeasure over Securities & Exchange Commission of Pakistan (SECP) after it expressed inability to provide record of Chaudhry Sugar Mills, and stated that "institutions are pursuing head-on policy with the Parliament." "This is obnoxious," said Chairman Senate Standing Committee on Finance Senator Saleem Mandviwalla while presiding over a meeting of the committee, adding that institutions appear to be head-on with the Parliament.

The committee met here on Thursday to consider agenda of the SECP, FBR and Finance Division and while taking up the Corporate Rehabilitation Bill, 2017 of SECP, Mandviwalla inquired from the officials what happened to the record of Chaudhry Sugar Mills sought by the committee. "We have written a letter to you in this regard," he further said.

However, the SECP officials expressed their complete ignorance about the letter written to them by the committee and stated that record could not be provided because original file was taken away by Federal Investigation Agency, which is investigating alleged record tampering of Chaudhry Sugar Mills by former SECP Chairman Zafar Hijazi. Senator Mohsin Aziz said, "This is leading to an issue." Other members also agreed with the chairman that parliamentary committees are not taken seriously. Finance Division"s request to defer its agenda items also caused annoyance, as Mandiwalla stated that this is not the first time that such request has been made by the Finance Division.

On Thursday, Additional Finance Secretary (Internal Finance) Ali Akbar Sharifzada requested the committee chairman to defer Finance Division"s three items on the agenda: (i) briefing on the alleged double booking of Rs 64 billion of Pakistan Development Fund Limited (PDFL) as non-tax revenue to understate budget deficit; (ii) in-camera briefing on total borrowing by the government with particular reference to Chinese Bank during the last four years as well as their mark-up rates; (iii) and any other items with permission of chairman.

"Finance Ministry is not taking the committee seriously," said chairman of the committee and also questioned as to why Finance Division wants in-camera briefing on loans details and mark-up rates. He stated that these are public information available on State Bank of Pakistan (SBP) website.

On the agenda item of the business community that anti-money laundering (AML) law was being misused against them, Federal Board of Revenue (FBR) stated since 2010, when anti-money laundering law was enforced, 210 suspicious transaction reports were forwarded to them by the Financial Management Unit (FMU) for probe against 332 individuals.

The FBR officials said however after investigation, 227 individuals were found to be national tax number (NTN) holders and 105 were non-NTN holders and prosecution was initiated only against three of them. All the transactions involving Rs 2 million and above from one bank accounts are taken as STR and chosen for investigation to ascertain whether or not it was money laundering case.

On the issue of existence of Competition Commission of Pakistan challenged by the business community in court of law, Attorney General for Pakistan suggested that the committee needs to request to the court that matters related to public importance and taxes should be decided on a priority basis. However, the committee said that instead of making a broad request, the committee would make a request specific to the CCP.

The chairman of the committee stated that CCP has been dysfunctional after its existence was challenged in the courts by various business organizations against whom it took action for cartelization and issued notices to them. The AGP was optimistic that judgment on the existence of CCP reserved in the Lahore High Court (LHC) will be announced in a few weeks and it will be hopefully in favour of CCP because it was not beyond its legal power or authority. The existence was challenged on the pretext of 18th constitutional amendment but the matter of the CCP was not dealt with in the amendment.

The meeting also approved the Corporate Rehabilitation Bill 2017 with amendments and directed representatives of construction sector from FATA, PATA and KP and FBR to sit together to find out a way to address the grievances of business community affected by clause 126F of the Income Tax Ordinance.

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Four Pak firms to participate in Heimtextil Russia 2017

RECORDER REPORT

Four exhibitors from Pakistan are going to participate in the "Heimtextil Russia 2017" that will be held from September 20 to 22. Textile industry professionals from all over the world will gather at this international trade fair for home textiles, floor coverings and interior furnishings for the 19th time

These 4 companies from Pakistan will participate with the product group of Home Textiles and Towels under the Trade Development Authority of Pakistan (TDAP) Pavilion.

The exhibitors include: Al Ghani International, Ameer Enterprises, Colony Textile Limited and Imperial Towel Industries. Fifty trade visitors from Pakistan will attend the Heimtextil Russia.

The forthcoming fair will open new perspectives for the development of business. Matchmaking online platform will also be launched on the official website of Heimtextil Russia which will help exhibitors to plan and schedule meetings with the visitors.

With around 229 exhibitors from 18 countries and 17, 656 visitors from 44 countries, Heimtextil Russia 2017 will present products of more than 300 companies from around the world. The participants will include: manufacturers, wholesale and retail traders as well as designers, architects and representatives of contract business. Following the traditions of Heimtextil brand as a trendsetter in textile design, Heimtextil product group include bed equipment, fittings, bed linen, blankets, pillows, mattresses, bathroom, towels, bath mats and carpets, bath curtains, bathroom accessories, kitchen, linen and non-linen table cloth, table decorations, window decorations, curtains, sun-protection systems and accessories, furniture fabrics and leather, wallpaper and wall coverings, textile floor coverings and carpets, fabrics for interior decorations. The next Heimtextil Russia will be held in 2018 while Heimtextil Frankfurt will also be held in January 2018.

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PTEA concerned over sluggish growth, unabated export downfall

KHALID ABBAS SAIF

Pakistan Textile Exporters Association (PTEA) has expressed grave concern over sluggish growth in exports as unending export downfall continues unabated. High cost of production, inconsistency in Government policies, exorbitant energy prices and power outages are the main contributing factors to the crisis-like situation.

Commenting over confronting crisis here on Thursday, Chairman Pakistan Textile Exporters Association Mian Ajmal Farooq said that economy's mainstay textile industry is facing unprecedented crisis since many years. Consequently, sizeable textile capacity had been severely impaired and textile exports, both in quantity and value terms had declined across the value chain; whereas regional peers have doubled their exports. Sharing details, he said that country's textile exports were USD 13.8 billion in 2010-11 which has dropped by 10.4% to USD 12.4 billion in 2016-17. On other hand, textile exports of India witnessed 31 percent increase from USD 27.7 billion in 2010-11 to USD 36.4 billion in 2016-17. Similarly, in Bangladesh textile exports jumped to USD 31 billion in 2016-17 against USD 19 billion in 2010-11 with positive growth of 63 percent. In Sri Lanka, textile exports were USD 4.1 billion in 2010-11 which rose to USD 4.9 billion in 2016-17 with an increase of 20 percent. Unfortunately, government is not paying heed to the undeniable pain of the fall in export earnings as sliding exports are contributing significantly to the trade deficit, he said. He termed the erosion of textile industry's competitiveness as major factor behind the downfall, particularly against the huge incentives being provided by the competing countries to their export sector. Extreme cash flow crunch and high energy prices have caused major dent to country's exports where in incapacitating textile sector to tap its potential in accordance with capacity.

PTEA has been sensitizing the Government for reducing the cost of doing business to extend a helping hand to export sectors through supply of energy at comparative prices vis-a-vis regional peers and removing the effects of severe cash flow crunch but no heed was paid towards the challenges; resultantly exports of the country have nosedived. In order to support the export industry, the Prime Minister announced textile package in January which offered a little relief; however this incentive package was allowed only for six months which has expired. He demanded of the government to continue the Drawback of taxes incentive scheme. He further demanded immediate payment of outstanding refund claims stuck up in refund regime since years. He hoped that the Prime Minister and his entire visionary team will continue all the efforts in helping boost exports.

Vice Chairman Muhammad Naeem was of the view that due to conducive government policies, heavy investments were made in terms of machinery in the competing countries. Quoting the figures, he said that China added 35.29 million spindles in last seven years; while India added 14.20 million and Bangladesh added 1.98 million spindles in textile sector. In Pakistan, only 1.02 million spindles were added in same period. Comparing the results of first five year textile policy 2009-14 with India's five year plan, he said that implementation of country's first ever textile policy with outlay of Rs 188 billion was implemented just 15 percent which resulted in 0 percent growth in textile exports, only 1 million spindle addition, no new jobs created and world market share dropped from 2.2 to 1.8 percent. On the other hand, India's five year plan with outlay of IRs 140 billion implemented by 115 percent which brought 76 percent increase in exports, 14 million spindle addition, created 16 million direct jobs and increased its share in world market from 3.5 percent to 5 percent.

PTEA stressed the Government to take stock of the serious situation and sit down with the stakeholders to identify the real challenges in export growth and resolve them on priority basis to accelerate the growth rate.

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Continuing fall in bearish cotton market

DR ZAFAR HASSAN

Ready cotton market reportedly fell by Rs 600 per maund (37.32 Kgs) with in a week's time as seed cotton arrivals have increased appreciably and more ginning factories are now pressing cotton. During this period the Karachi Cotton Association (KCA) has also decreased its ex-gin price of Grade-3 cotton by Rs 200 per maund and fixed it at Rs 6100 per maund on Thursday.

Actually, most global cotton markets like America and China are also under pressure, while China is still selling from its old stocks. The price at most origins is falling due to higher output expected during the current season, while Indian cotton prices were also steady. Traders added from Karachi that American cotton prices for current futures month have fallen from about 71 cents per pound to almost 67 cents per pound.

Thus better global production of cotton and decreased prices of yarns and other textiles in Pakistan have depressed the domestic cotton economy. Due to more competitive prices, Pakistani exporters are also reported to be buying cotton for various shipments.

Despite better arrivals and recent rains in the cotton belt, brokers claim that the quality of domestic cotton is good. Due to decreased cotton prices, the smaller mills are also reported to have become active. On Thursday, seed cotton (Kapas/Phutti) in Sindh reportedly ranged from Rs 2600 to Rs 2800 per 40 Kgs, according to the quality, while in the Punjab they are also said to have ranged from Rs 2600 to Rs 2800 per maund.

Lint prices in Sindh are generally said to have ranged from Rs 5900 to Rs 6000 per maund (37.32 Kgs), while in the Punjab they reportedly ranged from Rs 6000 to Rs 6100 per maund, according to the quality. In ready business, 5000 bales of cotton from various stations in Sindh sold from Rs 5900 to Rs 6000 per maund, while in the Punjab about 3000 bales were sold from Rs 6000 to Rs 6050 per maund.

On the global economic and financial front, tensions in the Korean peninsula region are gradually easing following the announcement by North Korea that it has no intension to bomb Guam, an American territory. However, as the negative momentum gathers pace following the uncertainties on the socio-political front in America due to sundry pronouncements of President Donald Trump and also his way of running the White House, there is widespread fear that White House is becoming non-functional and is verging on collapse. Thus though the Asian equity markets ended mixed, the European and the American bourses were poised in the negative direction.

The political trouble in America started soon after Donald Trump's ascendancy as the President of America. Soon after his entry into the White House, President Donald Trump announced that he would change the Obamacare legislation. However, the health care provisions existing under Obamacare have not yet been replaced or repealed. In fact, he had promised in his campaigns for the presidency to change or overhaul the health care with new provisions.

Again President Donald Trump had said he would impose travel bans on several Middle East countries which are not being enforced as earlier proposed by him. Similarly, his idea of building a wall on the Mexican border to stop illegal immigrants from entering America has not progressed. Such schemes still reportedly remain essentially in a legal limbo.

Other proposals include reorienting the NAFTA (North American Free Trade Agreement) which includes Canada and Mexico to enlarge regional business co-operation, but president Trump has given no concrete proposals which would lead to increased border trade.

The latest trouble engulfing many cities in America is the clash which occurred between the white supremists and neo-Nazis clashed with anti-far-right protestors. President Trump insisted that "both sides" were responsible for the violent protests in Charlottesville, Virginia. Such a statement by President was denounced widely for which Donald Trump has been largely criticized.

Equity markets were thus poised downwards in both Europe and America. In the meantime, president Trump is facing what has been called as growing isolation. Dow Jones Industrials, Standard and Poor's 500 and Nasdaq all trimmed their gains as top executives abandoned Trump's business panels in protest over his response to the violence in Charlottesville.

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Falling prices attract exporters

RECORDER REPORT

Continued slide in prices propelled exporters to enter arena to make deals in fine quality, dealers said on the cotton market on Thursday. The official spot rate was lower by Rs 100 to Rs 6100, they said. In the ready session over 24,000 bales of cotton changed hands between Rs 5900-6250, they said.

In both Sindh and Punjab, seed cotton rates were lower by Rs 100 at Rs 2600-2800 per 40 kg, they said. Thus, prices dropped by Rs 600 within a week, they said. Some experts said that persistent rise in phutti arrivals, encouraging mills and spinners to make deals in fine quality. On the other hand, most of them were laying hands over the quality cotton at the lower rates, they said.

Cotton analyst, Naseem Usman said that there is growing concern that if sliding trend in the rates continues, the ginners and growers may suffer badly like last year.

Reuters adds: ICE cotton fell for the third straight session to touch a one-month low on Wednesday as expectations of record high output from major producer United States weighed on the natural fibre market. Cotton for December settled 0.34 cent, or 0.5 percent, lower at 66.82 cents per lb. Earlier in the session, the contract hit a low of 66.76 cents, its lowest since July 17. Total futures market volume rose by 67 to 18,726 lots. Data showed total open interest gained 471 to 218,749 contracts in the previous session.

The following deals reported: 4000 bales from Shahdadpur at Rs 5900/6100, 2000 bales from Mirpurkhas at Rs 5975/6100, 2600 bales from Hyderabad at Rs 6000/6100, 2000 bales from Sanghar, 2000 bales from Kotri, 2600 bales from Tando Adam all done at the same rates, 200 bales from Nawabshah at Rs 6025, 200 bales from Jhang at Rs 6100, 200 bales from Bhakar at Rs 6100, 1000 bales from Khanewal at Rs 6100/6250, 400 bales from Haroonabad at Rs 6100/6175, 400 bales from Bahawal Nagar at Rs 6150/6200, 3000 bales from Burewala, 1000 bales from Chichawatni, 600 bales from Vehari all were finalised at the same prices, 400 bales from Sahiwal at Rs 6175/6250, 600 bales from Hasilpur at Rs 6175/6250, 200 bales from Kassowal at Rs 6250, 400 bales from Mianchanu, 200 bales from Mongi Bangla, 400 bales from Jehanian, 200 bales from Arifwala and 200 bales from Pak Pattan all were sold at Rs 6200, they said.

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

Rate For	Ex-Gin Price	Upcountry Expenses	Spot Rate Ex-Karachi	Spot Rate Ex-Karachi As on 16.08.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,100	145	**6,24**	**6,345**	-100
40 Kgs	6,537	155	**6,692**	**6,800**	-107

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Cotton snaps three-day losing steak

RECORDER REPORT

ICE cotton snapped a three session falling streak on Thursday and settled marginally higher after hitting a one-month low earlier in the session as markets appeared to digest last week's bearish data from the US Department of Agriculture. Cotton contracts for December settled up 0.09 cent, or 0.1 percent, at 66.91 cents per lb. It traded within a range of 66.64, a bottom since July 17, and 67.09 cents a lb.

"The market has obviously been oversold," said Keith Brown, principal at cotton broker Keith Brown and Co in Moultrie, Georgia, adding that "(However) to close only 9 points higher today certainly suggests tremendous underlying weakness in the market."

"The market is searching for a bottom here ... We're about to hit harvest within 45 days, so whatever corrective bounce we might have will not be that great," Brown noted. "Ultimately we'll travel down towards 62 cents by December." The US Department of Agriculture on Thursday reported net upland sales of 186,700 running bales for the 2017/2018 crop year.

Total futures market volume fell by 3,582 to 15,356 lots. Data showed total open interest gained 829 to 219,578 contracts in the previous session. Certificated cotton stocks deliverable as of August 16 totalled 16,842 480-lb bales, down from 17,315 in the previous session.

New York cotton

RECORDER REPORT

The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
Oct'17	67.35	67.45	67.25	67.45	14:45 Aug 17	67.45	-0.10	12	67.55
Dec'17	66.98	67.09	66.64	66.91	14:45 Aug 17	66.91	0.09	13462	66.82
Mar'18	66.80	66.89	66.50	66.76	14:45 Aug 17	66.76	0.04	3874	66.72

DAWN
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Reserves slide continues

The Newspaper's Staff Reporter

KARACHI: Foreign exchange reserves held by the country continued their downward slide last week, the State Bank of Pakistan (SBP) reported on Thursday.

Total liquid reserves dropped by $88 million to $19.94 billion on Aug 11.

The breakdown of foreign reserves showed that those held by the SBP amounted to $14.31bn while the holdings by commercial banks were $5.63bn.

APP attributed the decline in part to payments on external debt servicing as well as “other official payments”.

This is the lowest level the reserves have touched since June 2016. Reserves have been in decline since October 2016 when they hit the peak of $24.4bn.

Reserves held by banks, on the other hand, have hit a six-year high. Commercial banks have significantly increased short-term borrowing of foreign exchange in recent months. This is part of their efforts to replenish dollar liquidity in the face of a stable exchange rate amidst a growing current account deficit and falling reserves.

The SBP has sounded a note of caution on these increasing levels in subsequent reports, pointing out in one quarterly report that the level of short-term dollar borrowing by banks was approaching $875 million.

DAWN
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Cotton prices depressed on supply glut

The Newspaper's Staff Reporter

KARACHI: Mounting selling pressure amid higher phutti (seed-cotton) arrivals from Punjab and increased availability of quality lots pushed lint prices further down on Thursday.

The spinners have adopted a cautious approach due to slow off-take of cotton yarn and fabric.

Calling it a crisis-like situation cotton analyst Naseem Usman said the local prices declined by up to Rs500 per maund in a week in sympathy of falling international prices of the commodity.

“This is definitely hurting growers’ interest because phutti prices have come down below the benchmark of Rs3,000 per 40kg,” he added.

The freight costs for the haulage of cotton have also increased substantially due to transportation of sacrificial animals from rural areas to urban dwellings.

The Karachi Cotton Association (KCA) further reduced its spot rates by another Rs100 to Rs6,100 per maund.

The New York and Chinese markets closed easy but Indian cotton was steady on reports of massive damage to the standing crop by recent rains in Gujrat. The following deals were reported on Thursday: 4,000 bales, Shahdadpur, at Rs5,900 to Rs6,100, 2,000 bales, Mirpurkhas, at Rs5,975 to Rs6,100, 2,600 bales, Hyderabad, at Rs6,000 to Rs6,100; 2,000 bales, Sanghar, at Rs6,000 to Rs6,100; 2,000 bales, Kotri, at Rs6,000 to Rs6,100; 2,600 bales, Tando Adam, at Rs6,000 to Rs6,100; 1,000 bales, Khanewal, at Rs6,100 to Rs6,250; 3,000 bales, Burewala, at Rs6,150 to Rs6,200; 1,000 bales, Chichawatni, at Rs6,150 to Rs6,200; and 600 bales, Vehari, at Rs6,150 to 6,200.

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	6,100	135	6,245
40 Kgs	6,537	145	6,692

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MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	105.30	105.50	106.50	106.70
UK	135.52	135.78	136.50	137.00
Euro	123.61	123.85	123.75	125.25
S.Arabia	28.08	28.13	28.20	28.45
UAE	28.67	28.72	28.85	29.15
Japan	0.9517	0.9535	0.9553	0.9753

*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 Aug 16

Three months	1.31667 %
Six months	1.45944 %

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THE NEWS
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PBC seeks long-term policies to boost exports

KARACHI: A key business policy advocacy group on Thursday called for long-term policies and restructuring of export package to promote value-added exports over a 10-year horizon.

"Short-term measures are not sustainable," Pakistan Business Council (PBC) said in a letter to the Prime Minister Shahid Khaqan Abassi. "Countries like Vietnam and Bangladesh have achieved exports (of present levels) under long-term policies."

Meanwhile, a PBC delegation, led by Ehsan Malik, the council's chief executive officer, also met the prime minister on Wednesday. PBC, which represents at least 60 business groups, said the country's exports of $20 billion don't reflect the capability of the country's resources.

"Whilst global recession is partly to blame, input cost disparities particularly in energy cost, slow refund of taxes, delayed settlement of incentives and the structure of the export package, which going forward will reward incremental achievement with a significant time lag, are also factors impeding growth," it said.

Government announced Rs180 billion export incentives package in January to boost exports. The council sought a gradual adjustment in rupee value to counter loss of competitiveness of local industries in the international markets.

It said there is a significant opportunity for Pakistan to become a key value chain partner of the Chinese textile companies and other labour-intensive industries with rising labour cost in China. "Pakistan should target to obtain at least three million of 20 million jobs, (which) are likely to be displaced in China," it added.

PBC said poorly-negotiated trade agreements, smuggling, under-invoicing and mis-declaration of imports have severely undermined domestic industry. "As we renegotiate the FTA (free trade agreement) with China we must approach fresh agreements with caution," it added.

On China-Pakistan Economic Corridor, the council said it will be a game changer for Pakistan and beneficial to China. "We must ensure that arrangements are configured in a way to maximise indigenous participation, promote jobs by strengthening local industry and protect tax revenues," it added. "We have an unfortunate history of gross misuse of transit facilities. As debt is a material component of financing power projects, notwithstanding Nepra (National Electric Power Regulatory Authority) tariffs, there is a scope to reduce financing cost to make energy available at a more competitive rate."

The pan-industry advocacy group said there is a significant potential to tap overseas Pakistanis to invest in infrastructure projects on a non-repatriable basis. "The country needs to find ways to encourage return of wealth of resident Pakistanis from abroad," it added. "Our tax regime needs to promote capital formation, accumulation and consolidation."

PBC said change in the group tax relief rules, imposition of cascading tax on inter-company dividends, taxes on retained reserves and bonus shares and the continuation of super tax into the third year discourage investment, impede scale, penalise success and thwart the broadening of the capital markets. "Shareholders in listed holding companies… suffer an effective tax rate of 55 percent," it added.

The council, in the letter to the prime minister, said local companies are subject to higher tax rates than the global average. It, however, advocates a higher differential between taxes on filers and non-filers. It urged the government "to make withholding tax a penalty for non-filing as opposed to a revenue collection tool."

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More than half of registered firms fail to file tax returns

KARACHI: More than half of the registered companies in the country failed to file their income tax returns for the tax year 2016, pointing to a weak law enforcement by the authorities, sources said on Thursday.

Sources said the Federal Board of Revenue (FBR) has detected around 41,800 non-filer corporate entities, which are registered with Securities and Exchange Commission of Pakistan (SECP).

The number of registered companies with SECP rose to 81,493 in the fiscal year of 2016/17 from 73,207 a year earlier. Officials said under Section 114 of Income Tax Ordinance 2001, every incorporated company is required to file income tax return even in case of losses or no income derived during the tax year. FBR received around 31,400 corporate returns filed till August 10 for tax year 2016.

Tax experts said the available data is a telltale sign of FBR's weak enforcement. The experts said the FBR should improve enforcement and ensure the return filing by corporate entities as all the documents are already available with SECP. Presently, companies are filing returns to avail tax concessions and refunds, they added.

The number of corporate return filings, however, increased 25 percent during the last four years (2013-2016). Number of companies registered with SECP grew 36 percent during the same period.

Sources said the FBR has obtained information related to non-filer corporate entities from the commission. The board started issuing notices to the companies for filing their mandatory returns for tax year 2016. They said a majority of the companies, which filed income tax returns for tax year 2016, have declared no income. Tax authorities are also examining the records of such companies to identify tax evasion.

Pakistan has a narrow tax base. Only four million people, including individuals, companies and association of persons, are registered as income taxpayers. Of total registered taxpayers, only 1.23 million are filing tax returns, according to the latest active taxpayers list.

Government could not attract companies to fulfill their obligation of return filing despite a significant reduction in corporate tax rates during the last five years. Corporate tax rates were slashed to 30 percent in the current tax year of 2018 from 35 percent in tax year 2013. The apex tax authority received a total of 1.2 million tax returns by June 30 for the tax year 2016, depicting a 20 percent growth over a year ago.

FBR began an aggressive drive to encourage returns filing. It slaps additional withholding tax on non-cash banking transactions to broaden the taxpayers' base. The government, in the budget for 2015/16 fiscal year, introduced Section 236P into Income Tax Ordinance 2001 and imposed withholding tax rate of 0.6 percent on non-filers, while they make non-cash banking transaction above Rs50,000 in a day. The rate was reduced to 0.3 percent on July 15, 2015, but edged up to 0.4 percent in March 2016. The tax rate is applicable till September 2017.

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'Pakistan exploring new markets to enhance trade'

ISLAMABAD: Pakistan is exploring new potential markets in different regions to increase its exports, an official said on Thursday.

Talking to APP, minister for commerce and textile Pervaiz Malik said that in today's world, trade and economic relations are a key component of diplomacy for maintaining ties with regional and global markets. Pakistan offers opportunities for peace and development, not only within the country, but also in the region, he added.

The government accords top priority to enhance country's exports and achieve its trade targets set for the current financial year. Malik said that he would evolve a short-, medium- and long-term strategies to enhance the multilateral trade with different potential markets of the world. In the European Union (EU), Pakistan has a huge opportunity for exporting different goods and after signing the Generalized Scheme of Preferences (GSP-Plus), the country has increased its exports in EU member countries.

The minister said, "According to the vision of Nawaz Sharif, we are committed to enhance trade volume with EU and other regions of the world." Exports of home textile products to EU from Pakistan had increased 60 percent in 2016 as compared to 2013, he said, adding that Pakistan's carpet and rug exports in the EU had increased from 30.30 million euros in 2013 to 37.92 million euros in 2016, he added.

Malik said that Pakistan's exports of cotton and other raw materials for value-added textiles had grown rather modestly in the EU by around nine percent in 2016 as compared to 2013. This indicated a healthy trend of increased consumption of raw materials by the downstream industry, he added.

"We are committed to finalise the free trade agreement with Turkey and Thailand for promoting trade ties with these countries," he said. "Pakistan has one of the most attractive investment regimes in the world and priority to facilitate the foreign investors." —APP

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Bold steps needed to check falling forex reserves

KARACHI: The country's foreign exchange reserves are feared to further deteriorate if the policymakers failed to take 'orthodox' measures to plug up bleeding balance of payments, analysts warned on Thursday.

An eminent economist said the reserves fell $5 billion since October last year, which was approximately 30 percent of the total foreign exchange reserves of State Bank of Pakistan (SBP).

"Despite a massive borrowing from external sources, the country is experiencing at least $1 billion decline in reserves per month," he said on condition of anonymity. "I fear that foreign exchange reserves are expected to further deteriorate and slide to around $5 billion in the next five-six months."

SBP's foreign exchange reserves dropped to $14.3 billion during the week, ended August 11, equivalent to less than three months of imports. The country's total foreign liquid reserves fell to $19.941 billion during the last week from $20 billion a week earlier. Foreign exchange reserves of banks stood at $5.631 billion.

An analyst said the foreign exchange reserves are being hit from all sides. Exports and remittances are declining, foreign private investment is not forthcoming in large amounts, US assistance has been frozen and net inflow of multilateral lending is on the decline.

In addition, imports are rising and profits repatriation is increasing fast. Political situation is ripe for larger capital flight, he said. Analysts said there could be a serious balance of payments crisis in March-April and there are chances that the country will again seek financial assistance from the International Monetary Fund (IMF) to ease balance of payments difficulties.

"Pakistan will have to follow 'orthodox' policies to mitigate the impact of the stress on the balance of payments," ex-economic advisor Sakib Sherani said. "These include tighter monetary policy i.e. higher interest rates, a depreciation of rupee, temporary measures to dampen non-essential imports and increasing the size of the swap facility with China."

Former central bank's governor Muhammad Yaqub, however, said the positive impact will come with considerable time lag and there would be short term social and political consequences.

"Election fever, political uncertainty and weak governments will not create an environment for such reforms," Yaqub added. Besides, he said the forthcoming balance of payments crisis will be deeper and more fundamental.

"It will not be possible to overcome it by patchwork of another IMF programme of the previous type," he added. "It would have to be addressed with structural reforms of the monetary, fiscal and exchange rate policies in a coordinated and comprehensive way."

Economist Ashfaque Khan said SBP built up most of its reserves through external borrowing. It also borrowed around $4 billion from banks in forward market on short-term basis, "so as of now, the (actual) reserves held by SBP stood at $10 billion."

"Likely availability of external financing from various traditional sources, Chinese sources, and FDI (foreign direct investment) would at best be in the range of $12-12.5 billion," he added. "This leaves a financing gap of $10.5-11.5 billion in FY18."

Khan said current account deficit may widen further to $16-16.5 billion during the current fiscal year. "With $7-7.5 billion debt servicing, the financing requirement will jump to $23-24 billion in 2017-18."

IMF repeatedly urged government to depreciate rupee as it attributes a persistent decline in the foreign exchange reserves to a stable rupee/dollar exchange rate. Yet, Yaqub argued that devaluation alone will achieve nothing.

"Exchange rate flexibility in the context of an expansionary fiscal and loose monetary policy will only add to the inflationary spiral," he said. "The government must start from budget reform, controlling the quasi-fiscal deficit by stopping the bleeding of the public sector enterprises and freeing the monetary policy from the burden of budget financing."

Former SBP governor called for an export-led growth. Domestic consumption will need to be curtailed to promote savings to finance investment, he said. "The foundation of economic management or mismanagement has to be shaken up."

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Companies pushed for consumer-centric policies

KARACHI: Muhammad Zubair, the governor of Sindh, on Thursday asked the manufacturers and service providers to ensure they delivered their best to the consumers to raise their standard of living even higher.

“The awareness level among the consumers is gradually increasing related to the quality of products and services, which is a healthy sign for the competition among the public, manufacturers and service providers,” said Zubair, speaking at the 12th Consumers Choice Awards held at governor house.

“Consumers are well aware to exercise their right of free choice at all levels; however, a platform for recognising the efforts of companies and brands would create a constructive competition among the products and services.”

The governor mentioned the establishment of Sindh Food Authority (SFA) was a part of Consumers Act, whereas the Consumers Right Council was also working at governor house to address the issues raised by the citizens. Appreciating the Consumers Association of Pakistan (CAP) efforts for setting up consumers’ court in Sindh, the governor hoped that matters related to consumers’ rights will gradually end up ill practices of business in the local market.

The awards were distributed in 14 specialized categories including CEO of the Year, Consumers Demand and Consumers Choice. Different companies, businessmen, influential figures, and socialites were conferred with special recognitions and awards for their services they rendered for the development of society.

Kaukab Iqbal, chairman CAP, in his address, said even the sale of unhygienic food was tantamount to harbouring enmity towards the state because it threatens the lives of the people of the country directly.

“This event is aimed at not only recognising the corporations for maintaining standards of quality of products/services but also raising educating the public to choose from the best of products,” Iqbal said.

He urged the provincial government to set up Sindh Food Authority on the lines of Punjab Food Authority, besides the consumers’ court, which could provide better justice to the people in future.

The ceremony was graced by various dignitaries and corporate leaders including Muhammad Ismail, Consul General Malaysia, Ali Asghar Jamali, CEO Indus Motor Company, Khalid Siddiqui, DG PSQCA, Abrar Uddin, CEO Naheed Super Market, Zohaib Hassan, COO Shaheen Air International, and others.

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Cotton down

Karachi

Cotton arrivals increased at the Karachi Cotton Exchange on Thursday, while spot rates decreased Rs100/maund.

The spot rates dropped to Rs6,100/maund (37.324kg) and Rs6,537/40kg. Ex-Karachi rates also decreased to Rs6,245/maund and Rs6,692/40kg after an addition of Rs145 and Rs155 as upcountry expenses, respectively.

An analyst said an increase in the arrivals resulted in a decline in lint prices. “International market is also under pressure,” he added.

KCE recorded 23 transactions of around 25,000 bales at a price of Rs5,900 to Rs6,250/maund. Transactions were recorded from Mirpurkhas, Sanghar, Hyderabad, Kotri, Shahdadpur, Tando Adam, Nawabshah, Jhang, Bhakkar, Khanewal, Haroonabad, Bahawalnagar, Burewala, Chichawatni, Vehari, Sahiwal, Hasilpur, Kassowal, Mian Channu, Mongi Bangla, Jehanian, Arifwala and Pakpattan.

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PM assures exporters of govt support for boosting exports

Abbasi for comprehensive plan to further improve Railways service delivery

APP

ISLAMABAD - Prime Minister Shahid Khaqan Abbasi on Thursday assured the exporters of fullest support from the government for boosting the exports.

The Prime Minister reiterated that govt was committed to facilitate the business community for which all the proposals and suggestions would be appreciated. The PM was talking to a delegation comprising of leading exporters of the country, which called on him at the PM's Chamber in the National Assembly.

Minister for Commerce Prevaiz Malik, Miftah Ismail, Special Assistant to the PM on Economic Affairs were also present during the meeting.

The exporters presented various proposals for boosting country's exports and suggested measures aimed at facilitation of the business community and creating congenial environment for further promotion of business and trade activities in the country.

Prime Minister Abbasi said the economic policies and reforms initiated by the PML-N government since 2013 had resulted in economic turnaround and macro economic stability duly acknowledged by international financial institutions as well as rating agencies. The policies and reform agenda will continue in order to consolidate the gains on economic front, reaffirmed the Prime Minister.

Meanwhile, Prime Minister Shahid Khaqan Abbasi Thursday stressed the need for working out a comprehensive plan to further improve the service delivery of the Railways and implement it at the earliest for socio-economic development of the country.

Chairing a meeting on the affairs of Pakistan Railways, wherein he was briefed on the overall performance of Railways Ministry, the prime minister said that the development of Railways would be of great social significance and would contribute towards socio-economic development of the country.

The meeting, held at Prime Minister's Chamber, was attended by Minister for Railways Khawaja Saad Rafique and senior government officials.

The railways minister briefed the prime minister on various initiatives taken during last four years which had resulted in significant improvement and performance of the organization.

Prime Minister Abbasi appreciated overall improvement in terms of services as well as revenue generation and emphasized the need to further focus on development of the infrastructure and improvement in service delivery.

The prime minister was also briefed on the upgradation of ML-1 (from Karachi to Peshawar) to be executed under the China Pakistan Economic Corridor.

He directed that the project's implementation should be expedited as it would result in improvement of the railways' infrastructure while simultaneously improving the services.

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Foreign reserves decline by $88m

Staff Reporter

KARACHI - The total liquid foreign reserves held by the country stood at $19,941.8

million on August 11. The weekly break-up of the foreign reserves position released on Thursday showed that foreign reserves held by the State Bank of Pakistan stood at $14,310.5 million and net foreign reserves held by commercial banks are $5,631.3 million. During the week ending 11th August, SBP's reserves decreased by $88 million to $14,311 million, due to payments on account of external debt servicing and other

official payments.