BUSINESS
RECORDER
Thursday, 20th April, 2017

July-March current account deficit crosses $6 billion mark

RIZWAN BHATTI

The country''s current account deficit continued to deteriorate and with an increase of 160 percent, it crossed $ 6 billion mark during the first nine months of this fiscal year, mainly due to higher import bill. Economists said that a widening trade deficit followed by rising import bill has largely contributed in higher current account deficit during this fiscal year.

However, on positive note, they said that pressures on the overall external sector has been contained as there were sufficient financial inflows including foreign exchange reserves and FDI were available to finance the current account. The State Bank of Pakistan (SBP) Wednesday revealed that the country''s current account posted a deficit of $ 6.13 billion during July-March of FY17 compared to $ 2.35 billion in the same period of last fiscal year (FY16), depicting an increase of 160.7 percent or $ 3.779 billion. Combined deficit of goods, services and income rose to $ 22.948 billion in first nine months of current fiscal year compared to $ 19.251 billion in the same period of last fiscal year.

With $ 16.107 billion exports and $ 33.889 billion imports, the country''s goods trade deficit surged by 33 percent to $ 17.789 billion during July-March of FY17 against $ 13.356 billion deficit in the corresponding period of last fiscal year. During the period under review, goods import bill surged by 15 percent or $ 4 billion to reach $33.889 billion at the end of March 2017.

According to SBP, when the economy is taking off, it is natural to expect some widening in the current account deficit. Nevertheless, it needs to be contained within sustainable levels.

The SBP in its recent report on economy said the current surge in imports is mainly concentrated in the growth-inducing capital goods: the import of machinery, fuel and metal groups accounted for more than half of the total imports during this year. However, the external inflows in the country have been sufficient enough to finance the current account deficit so far and more importantly, the current level of SBP''s foreign exchange reserves can comfortably finance more than five months of imports, it added. The SBP expects that in view of strong growth in imports and taking stock of developments in international commodity prices and global economic trends, the current account deficit is likely to increase. However, it observes that the country''s foreign exchange reserves will remain at a comfortable level to finance the external account. The detailed analysis also revealed that deficit of income sector stood at $ 3.189 billion with $ 3.707 billion payments and $ 518 million receipts in the first nine months of this fiscal year.

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Power shortfall soars to 5200 megawatts

NAVEED BUTT

Minister for Water and Power Khawaja Muhammad Asif Wednesday admitted electricity crisis in the country, saying some power plants of 2,200MW have been closed due to maintenance and there is a shortfall of 5,200MW in the system. "I admit my mistake of electricity crisis. The maintenance of some power plants generating 2,200MW of electricity should have been completed in March but now the process will be completed by the end of this month. 2,200MW electricity is out of the system due to closure of power plants," the minister said while responding to a calling attention notice moved by Abdul Sattar Bachani of PPPP in the National Assembly.

The minister said that current crisis would be overcome in the next 8 to 10 days. He said, "We will gradually overcome the electricity crisis while the forced load-shedding would be completely ended." "The consumers are facing up to 12 hours a day electricity load-shedding. We are trying our level best to overcome the electricity crisis. But I promise that the supply situation would gradually start improving from today (Thursday). A total of 6,400MW electricity will be added in the national grid system at the end of December of this year, which will bridge the gap between supply and demand," he said.

The minister said that Prime Minister Nawaz Sharif had never said that load-shedding would be ended during the current year, adding there is zero load- shedding to the industry and the country will get rid of electricity load-shedding in 2018.

He said that Nandipur power plant would start generating 525MW through gas in next month. He said that many projects including three power plants of LNG, Sahiwal coal power project, Neelum-Jhelum hydropower project and others would be completed either at the end of this year or in the beginning of the next year.

While responding to a question of Aijaz Jakhrani of PPPP about closing of three power feeders in Sindh, the minister said that it is policy of the government to close the power feeders where non-recovery is 70 per cent or above. He said that all power projects except Neelum-Jhelum project, which was started 15 years ago, were launched during the tenure of this government.

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THE RUPEE: Upward trend

RECORDER REPORT

The rupee moved up against the dollar on the money market on Wednesday in the process of trading, dealers said. The rupee was unmoved versus the dollar for buying and selling at Rs 104.86 and Rs 104.87 respectively, they said.

INTERBANK MARKET RATES: OPEN MARKET RATES: The rupee picked up 10 paisas in terms of the dollar for buying and selling at Rs 105.90 and Rs 106.10 respectively, they said.

The rupee shed 40 paisas in relation to the euro for buying and selling at Rs 113.00 and Rs 114.50 respectively, they said. In the third Asian trade, the dollar index edged away from three-week lows on Wednesday, as a resurgent sterling gave back some of the gains it made after British Prime Minister Theresa May called an early general election ahead of Brexit negotiations.

The pound sailed to its highest in more than six months after May said the election would "secure the strong and stable leadership" position needed for talks with the European Union about terms for the looming exit.

The dollar index, which tracks the greenback against a basket of six rival currencies, edged up 0.1 percent to 99.633 pulling away from its overnight low of 99.465, its deepest trough since March 28.

Sterling gave up 0.2 percent on the day to $1.2823 after rising as high as $1.2908 on Tuesday, its highest since early October, as investors scurried to cover short positions. The dollar was trading against the Indian rupee at Rs 64.535, the US currency was available at 4.404 in terms of Malaysian ringgit and the greenback is at 6.884 in relation to the Chinese yuan. Inter bank buy/sell rates for the taka against the dollar on Wednesday: 79.87-79.87 (previous 79.85-79.85).

Open Bid	Rs. 105.90
Open Offer	Rs. 106.10

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

Bid Rate	Rs. 104.86
Offer Rate	Rs. 104.87

RUPEE IN LAHORE: The Pakistani rupee appreciated on buying side while it stayed unchanged on selling side against the greenback in the local currency market on Wednesday.

According to currency dealers, the greenback resumed trading on its overnight closing of Rs 106.00 and Rs 106.20 as its buying and selling rates, respectively.

In the absence of buyers' interest, it slid to Rs 105.80 on buying counter. However, it did not witness and change as it sustained its opening rate of Rs 106.20 on selling counter, they added. Furthermore, the local currency remained under pressure for the third consecutive day versus the pound sterling.

The pound' buying and selling rates further increased from Tuesday's closing rates of Rs 133.20 134.20 to Rs 134.70 and Rs 135.70 respectively, they said.

RUPEE IN ISLAMABAD AND RAWALPINDI: The value of rupee improved further against the dollar at the open currency markets of Islamabad and Rawalpindi here on Wednesday.

The dollar opened at Rs 106.25 (buying) and Rs 106.35 (selling) against last rate of Rs 106.35 (buying) and Rs 106.45 (selling). It closed at same rate in evening session. Pound Sterling opened at Rs 130 (buying) and Rs 131.50 (selling). It closed at the same rate.

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IMF projects 0.1 percent revenue decline

TAHIR AMIN

The International Monetary Fund (IMF) has projected a decline in government revenue by 0.1 percent - to 15.1 percent of the Gross Domestic Product (GDP) in 2017 against 15.2 percent during the same period of 2016. According to the IMF "Fiscal Monitor 2017 achieving more with less" it is projected that the government revenue would rise to 15.8 percent of the GDP in 2018 and then decline to 15.7 percent in 2019.

The gross government debt is expected to decrease from 66.9 percent of the GDP in 2016 to 65.2 percent in 2017 and further to 64 percent by 2018. The Fund has projected a slight decrease in the net debt for Pakistan to 57 percent of GDP in 2017 and 55.8 percent in 2018 against 58.5 percent last year 2016.

The government expenditure is projected to decrease to 19.4 percent of GDP in 2017 as compared to 19.6 percent in 2016, but projected to increase to 19.6 percent by 2018. The Fund further projected Pakistan budget deficit at 4.3 percent for 2017 and 3.8 percent for 2018. According to the report, the country's maturing debt in 2017 is estimated at 27.7 percent of GDP and by 2018 maturing debt is estimated down at 25.9 percent. According to the report, there would be total financing need of about 32 percent of the GDP in 2017 and total financing needs narrowing down slightly to 29.7 percent of the GDP by 2018.

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World Bank VP may visit India for talks on hydroelectric projects

MUSHTAQ GHUMMAN

Vice President World Bank for the South Asia Region Annette Dixon is expected to visit New Delhi within a few days aimed at convincing India to hold talks on controversial hydroelectric projects with Pakistan in Washington under auspices of WB, well informed sources told *Business Recorder*. Ms Dixon's key assignment is to manage World Bank's engagement in South Asia to end extreme poverty and boost shared prosperity.

She leads relations with eight countries including India, the institution's biggest client. She oversees lending operations and Trust-Funded projects worth more than $10 billion a year. Pakistan and India were scheduled to hold three-day "way forward" parleys on 850MW Ratle hydroelectric and 330MW Kishanganga hydroelectric projects starting from April 12, 2017 in Washington under the blessings of World Bank. However, talks could not be organised due to India's negative response. The sources said, Pakistan had sent its consent to World Bank for talks on controversial hydroelectric projects, but India may have regretted to participate in talks at the eleventh hour which had not only shocked Islamabad but the World Bank.

The World Bank wanted to host Secretary-level talks in Dubai between Pakistan and India however Pakistan proposed that the venue be WB headquarters Washington. Pakistani authorities had announced that WB's Vice President Annette Dixon will personally attend the talks and facilitate both countries in resolution of disputes on run of the river hydroelectric being constructed in Held Kashmir.

Indus Water Commissioners of both countries met last month in Islamabad to discuss the designs of three proposed hydroelectric projects ie Pakal Dul, Lower Kalnai and Miya in Held Kashmir and flood supply data. Pakistani authorities argue that India has not shared designs of the three hydroelectric projects.

According to Minister for Water and Power Khawaja Asif, Indus Waters Treaty (IWT) is one of the world's agreements that provide an amicable solution to serious water issues between Pakistan and India.

Court of Arbitration has already given a verdict on Kishanganga hydroelectric project in favour of Pakistan and "we are demanding implementation of the decision," he said recently. Ratle hydroelectric project is in initial stage and Pakistan has objections on its design. Both the disputes have been taken up with the World Bank. Unconfirmed reports suggest that Pakistan has also approached United States requesting that the latter should use its influence on India to hold talks on disputed hydroelectric projects. The recent Indus Water Commissioner level talks between the two countries were also the outcome of Washington's involvement especially former Secretary of State John Kerry.

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Government's performance on achieving MDGs targets remains unsatisfactory

ABDUL RASHEED AZAD

Pakistan's performance on achieving the targets of Millennium Development Goals (MDGs) over the past 17 years has remained unsatisfactory as the country achieved only 4 targets out of 24 indicators. According to the briefing of Poverty Alleviation and Sustainable Development Goals (SDGs) wing of Ministry of Planning, Development and Reform to the Senate Special Committee on Marginalised Segment of Society, Pakistan adopted 16 targets and 41 indicators against which progress towards achieving the 8 goals of MDGs is measured.

Poverty Alleviation and SDGs Planning Commission chief briefing the panel said that Pakistan during the ongoing financial year spent Rs 473.1 billion on Millennium Development Goals (MDGs) of which Rs 51.7 billion by federal government, Rs 207.9 billion by Punjab government, Sindh, Rs 107.5 billion, Khyber Pakhtunkhwa, Rs 77.2 billion, and Balochistan spent Rs 28.8 billion.

The committee met here with Senator Nisar Muhammad in the chair where the Ministry of Planning, Development and Reform and Finance Division gave briefing on policy as well as funding for the marginalised segments of society. The committee was also briefed on Vision 2020-25 of the government relating to the marginalised segments of society.

The officials of Planning Commission said that as per new set standard of below the poverty people, an estimated 38 per cent of the national population is living below the poverty line while poverty in Federally Administered Tribal Areas (Fata) stands at 74 per cent. The committee members said that the government should include a column in national census forms to identify the economic status of the people with an objective to find the people under poverty line.

The committee members expressed no confidence in Benazir Income Support Programme (BISP), Bait-ul-Mal, etc, while saying that people having 50 acres of land are the beneficiary of BISP while others finding it difficult to get two-time meal. They further said that influential people are being entertained in the Bait-ul-Mal. The ministry officials informed the committee that social protection related literature has been reviewed and draft Social Protection Policy Framework was developed which will be released within next six months. However, social protection has become a major responsibility of provinces after the 18th constitutional amendment and in this regard social protection authorities established in Punjab and Khyber Pakhtunkhwa have evolved a policy in this regard, however, no work has been done in Balochistan on this matter.

However, the officials said there are some challenges in this regard including identification and exit strategy issues, response, fragmentation of SP initiatives, inefficient and ineffective financial and accounting arrangements, duplication of services/ beneficiaries, governance issues like weak institutional mechanism, lack of political will, lack of reporting mechanisms, roles and responsibilities after devolution.

The ministry officials further said that vulnerable segments will be protected and encouraged by revamping and expanding the social protection system and social safety nets. They said Article 38 of Constitution of Pakistan would be implemented in letter and spirit.

They said effective implementation of plans of action for children, promotion of an inclusive education system for special children, enforcement of special quota in education and employment for non-Muslims and persons with special needs, encouraging sports activities for persons with disabilities, judicious utilisation of Pakistan Bait-ul-Maal and Zakat funds, eradication of beggary and special schemes for senior citizens to ensure their rights and make them socially and economically productive.

The establishment of a national social protection framework will harmonise federal, provincial and district level policies and programmes to remove regional disparities as well as clarify the roles and responsibilities of respective governments. It will develop a range of strategies including prevention, mitigation and coping mechanisms for managing risk and vulnerability.

The agreed framework will take a multidimensional approach to social protection, the official added. However, the committee expressed annoyance over the absence of ministry's senior officials from the meeting including minister and secretary as well as on the incomplete presentation.

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Arif's name recommended for TDAP CE's post

MUSHTAQ GHUMMAN

Ministry of Commerce has reportedly recommended the name of Arif Ahmad Khan, former Secretary Interior as new Chief Executive (CE) Trade Development Authority of Pakistan (TDAP), well informed sources told *Business Recorder*. Chief Executive TDAP, S. M. Munir who is a close friend of Prime Minister, Nawaz Sharif has resigned from the position after hurling accusations of "non co-operation" against the officials of Commerce Ministry as well as TDAP. The notification of CE TDAP was issued on March 12, 2014 until further orders.

Arif Ahmad Khan has recently been made Officer on Special Duty (OSD) after a squabble with Minister for Interior Chaudhary Ch. Nisar Ali Khan. Arif Khan already served in TDAP for Export Promotion Bureau (EPB). "We have recommended the name of Arif Khan but it is up to the Prime Minister to decide the name for the slot of CE TDAP," said an official on condition of anonymity.

The country's business community argues that CE TDAP should be from its ranks as bureaucrats do not understand dynamics of exports. While explaining reasons for his resignation, S. M. Munir in a letter to the Prime Minister said that when he assumed charge, TDAP was plagued with a multitude of issues - financial as well as administrative. Financially, the officers who were then at the helm of affairs in the TDAP were facing corruption charges of around Rs 1.3 billion. Administratively, there was severe shortage of senior as well as mid-level and junior level officers which was adversely affecting service delivery by the TDAP.

"Sir, you have always been very supportive and have prioritized the importance of exports to our economic well-being. But unfortunately this prioritisation has not been done at the level of the Ministry of Commerce. The TDAP board (which is essential for the effective working of the TDAP), has been dysfunctional since past one year, almost Rs 300 billion of exporters refunds have not been reimbursed despite your kind orders, my letters for supporting the business community and exports are not responded to, nor late processing of summaries of the TDAP officers to travel on official visits. My own summary for an official visit sent in time to the Commerce Ministry was sent late to your office for some reasons and got rejected therefore. Even, my request to proceed on private leave for family reasons has not been processed by the Ministry of Commerce for the past few weeks," he said in the letter to Prime Minister.

According to him, there are elements within the Ministry of Commerce who have hamstrung the service delivery of Prime Minister's directives for improving the exports from Pakistan. Resultantly, the entire business community is in a state of discontentment for not been provided the enabling environment required for contributing towards the export development from Pakistan.

"Sir, in this scenario it is quite difficult for me to continue against the bureaucratic odds. I feel that Ministry of Commerce has many "issues" due to which I have not been able to make head way with them. Therefore, I resign from the post of Chief Executive of Trade Development Authority of Pakistan. I always have been and shall continue to be grateful to you for your kind and personal help, trust and support. You are my role model and hero," said S. M Munir in his last letter to Prime Minister.

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E-payment system:

SBP studying 'blockchain' for protection against cyber crime

RECORDER REPORT

The State Bank of Pakistan (SBP) is currently studying "blockchain" technology solution being adopted by central and commercial banks around the globe to keep electronic financial transactions protected against cyber crime. Speaking at the 15thInnovative, Diebold Nixdorf ebanking 2017 conference, organised by Total Communications in collaboration with Pakistan Software Houses Association (P@SHA) Wednesday, Inayat Hussain, Executive Director, Banking Supervision Group SBP, said that central banks of Canada and India have adopted the latest technology and experimenting new things these days.

"We may adopt the system {blockchain} to facilitate trades. Banks may approach the State Bank and tell if they want to use the new technology anytime," he added. He said the SBP is about to revive forums such as CIOs to timely detect cyber crimes and threats and address them on time. The central bank has last updated payment system rules in October 2016. "Since then we have provided permission to three entities to play their role as PSO/PSPs {Payment System Operators and Service Providers}," he added. Initially, banks were slow towards adopting new technology, but now they are doing it as per international practices, he maintained.

Syed Ali Raza Shah, Member IT Ministry of Information Technology and Telecom claimed that the government would take mobile internet services to every nook and corner by December 2018. "There will be not a single place without mobile broadband by end of 2018. Pakistan will be made 100 percent internet provided country," he added. The government has built infrastructure for IT and telecom services and addressed the supply side issues nation-wide. Now, the private sector is needed to create the demand for the services, he said.

He said that mobile broadband connectivity would play a critical role in boosting e-banking and e-commerce activities in the country. Jehan Ara, President P@SHA, said the slow pace of adoption of mobile banking by people and reduction in number of active mobile bank accountholders gave a sense that either there was something wrong with the product (M-wallet) or banks were not adopting the right people as their clients for the wallet.

Diebold Nixdorf, Middle East and Africa, MD, Habib Hanna said that this is the era of consumerism and banks need to think as to how they can remain relevant. Millennial may be tech savvy, but many banking customers may not be used to with new technologies. Banks should design products for both kinds of customers. "It {banking} is about consumers' journey, not about financial transaction journey," he said.

Mohammad Aftab Manzoor, President & CEO, Soneri Bank Limited urged bankers to understand the needs of customers and use of technology accordingly, as "technology should be for customers and not customers for technology." Giesecke & Devrient, Head of Distributor Management MEA, Currency Management Solutions, Nader Kashgari said regulators and central banks around the globe are neutral on modes; digital and conventional financial transactions.

He said demand for cash is increasing by up to 8.5 percent per annum in the developed economies. "Eighty-five percent financial transactions are done in cash world-wide. In our region, this is 98 percent," he said. National Bank of Pakistan's Mudassir Khan said 90 percent of the digital transactions are done for clearing utility bills and domestic remittances in Pakistan.

The one-day conference also held three panel discussions on the topics (1) Changing Landscape of Banking - Predictions for 2018, (2) Third-Party Service Management for Operational Efficiency in Financial Institutions and (3) Information Security Threats and Measures in Banking.

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Cotton trade activity rises ahead of SC verdict

RECORDER REPORT

Buying interest emerged on the cotton market on Wednesday ahead of decision on Panamagate case on Thursday, dealers said. The official spot rate unchanged at Rs 6750, they said. In ready session, over 5000 bales of cotton changed hands between Rs 6800 and Rs 7000, they said. According to the market sources, all eyes are set on decision on Panamagate case. They also said that a kind of uncertainty prevailed in the market before the verdict.

Cotton analyst, Naseem Usman said that the ginners who have very little stock with them, trying to get better profit, so that selling cotton stock but above the psychological levels. On the other hand, the spinners indulged in the renewed buying to replenish their stock, because indications are coming up that price to move higher in the coming days, other analysts said.

Late sowing, hot weather and shortage of water may cause late arrival of crop for the coming season, they said. Following deals reported: 400 bales from Yazman Mandi at Rs 6800, same figure from Bahawal Nagar at Rs 6850, 2400 bales from Rahim Yar Khan at Rs 6800-6925 and 2000 bales from the same station at Rs 7000, 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 18.04.2017**	**Difference Ex-Karachi in Rupees**
37.324 Kgs Equivalent	6,750	135	**6,885**	**6,885**	NIL
40 Kgs	7,234	145	**7,379**	**7,379**	NIL

New York cotton

RECORDER REPORT

The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
May'17	76.81	77.75	76.58	77.67	14:45 APR 19	77.67	0.85	15172	76.82
Jul'17	78.30	78.98	77.66	78.32	14:45 APR 19	78.32	0.16	24538	78.16
Oct'17	74.03	74.26	74.03	74.08	14:45 APR 19	74.08	0.13	39	73.95

BUSINESS RECORDER
Thursday, 20th April, 2017

State of the economy

RECORDER REPORT

While the government continues to boast about its economic achievements, independent economists are not so sure. Speaking at an Aaj TV programme, former Governor, SBP, Shahid H. Kardar said that there were clear signals that the country is heading towards another crisis and whichever party comes to power after general elections in 2018, negotiations for a new IMF programme would commence. He blamed the IMF for committing "intellectual dishonesty" for not highlighting serious challenges in the implementation of reforms in the fiscal, external and energy sectors. Pakistan's economy was divided into two parts, with one doing well because of protection provided by the government such as the auto sector while the other was struggling to compete in the international market. The cost of doing business in Pakistan was very high which makes the country uncompetitive in the global market as compared to other regional markets. There are various factors for a decline in exports, including exchange rate, tax structure and non-payment of GST refunds. Tax structure is burdening the productive sectors and with refunds piling up, the country cannot compete globally. Tax structure is such that only those in the tax net are being burdened. No country except Pakistan has a legal category of non-filers which sends a message to filers that they have been unwise. Speaking about the increasing size of bureaucracy, Kardar revealed that when he was the Finance Minister in Punjab, total number of departments was 22 as against 48 at present.

The observations of Shahid H. Kardar at a TV programme, in our view, make ample sense. Pakistan's economy is certainly divided into two parts and the unprotected part is unable to compete at the global level. The output in agriculture is still heavily dependent on weather conditions and no efforts have been made to reduce this vulnerability. As most of the surveys suggest, the cost of doing business in Pakistan is certainly one of the highest. While most of the other governments provide all kinds of incentives to export industries, Pakistani officials try to create hurdles through various ways to discourage exporters and investors. Non-payment of GST refunds continues to be a big issue despite promises by the government to settle claims, creating shortage of liquidity in the industrial sector and consuming the time and efforts of businessmen unnecessarily which otherwise could have been used in productive processes. Input costs like electricity tariffs are not only high as compared to other countries but the availability of such inputs is also not guaranteed. The government's insistence to maintain the exchange rate at a particular level has also become a big issue in undermining the competitiveness of economy and the prospects of export growth. According to the former SBP Governor, Indian currency depreciated by 30 percent, Indonesia's by 38 percent, Malaysia's by 47 percent, S. Korea's by 7 percent, pound sterling by 13 percent and Euro by 7 percent between 2012-17 while the PKR appreciated by one percent. This shows that competitiveness of Pakistani exports has gone down over the last few years and there are no prospects of their expansion. In a situation like this, imports continue to grow and generally replace the domestically produced goods in the local market. The recent widening trade gap is a testimony to such an emerging trend. Shahid H. Kardar is also right about a separate official category of non-filers which does not exist in any other country. The creation of this category shows that filers and honest taxpayers are great fools. While the filers are overburdened and often harassed by the tax authorities, no worthwhile efforts have been made to bring the non-filers into the next net.

While most of the remarks made by Kardar cannot be disputed, his comments about the IMF seem to be overblown. To say that the IMF has been intellectually dishonest for not highlighting serious challenges to the economy is simply too much. The fact of the matter is that the Fund has been quite vocal in indicating the weaknesses of economy and non-implementation of reforms all along. The only problem could be that it employed language that contained mild admonitions but no strong strictures. As for going back to the IMF once again after the 2018 elections and negotiating another programme, the timetable specified by Kardar in that TV programme cannot be taken for granted. It will depend on the evolving situation in the external sector accounts and the level of foreign exchange reserves. If past is any guide, Pakistan usually approaches the IMF when its foreign exchange reserves fall to a dangerously low level.

DAWN
Thursday, 20th April, 2017

Current account deficit widened 2.6 times in July-March

SHAHID IQBAL

KARACHI: The current account deficit for the first nine months of 2016-17 rose to $6.13 billion, which is 2.6 times higher than the deficit recorded a year ago.

The deficit in July-March is double the negative current account balance recorded in 2015-16, the State Bank of Pakistan (SBP) reported on Wednesday.

Experts say the large current account deficit was expected. Pressure is mounting on the external front due to a number of factors that are slowing down the inflows of dollars.

The current account deficit was $2.35bn in July-March of the preceding fiscal year, SBP data shows. In 2015-16, the deficit was $3.39bn.

The main cause of the alarming increase in the current account deficit is an all-time high trade deficit of $23bn in July-March. It has put enormous pressure on dollar holdings of the country. It has also shattered the balance between inflows and outflows of foreign exchange.

The government is trying to downplay the negative impact of massive imports, which included luxury and food items. It said higher machinery imports will ultimately increase exports.

However, the government is giving no timeline for the expected improvement in exports.

Independent economists have been warning that a large current account deficit will mar the country's ability to pay back its loans. It means the bonds' rating will further drop in the international market. The government borrowed over $900 million from commercial banks in the first half of the fiscal year at a high rate of return. It is planning to launch more eurobonds to raise dollars.

If the trend persists in the next three months, the current account deficit will reach $8bn by the end of 2016-17, casting doubt on the country's ability to meet its foreign obligations.

Foreign exchange reserves of the country slipped to $21.7bn from $24bn in October 2016, reflecting the impact of increasing outflows.

Exports remained $16bn in the nine months, registering little change over the past year. Imports rose to $33.8bn after adding more than $4bn over the preceding year.

The deficit in March was more than half a billion dollars against $822m in the preceding month. Data from past years shows the deficit widens in the last quarter of the fiscal year. This can be challenging for the government, which is likely to issue bonds in the international markets.

The government failed to attract foreign investors in the nine-month period. Foreign direct investment (FDI) grew 12pc, although the size of inflows remained small compared to foreign investment that neighbouring countries received over the same period. FDI in July-March was just $1.6bn.

DAWN
Thursday, 20th April, 2017

Cotton prices steady

THE NEWSPAPER'S STAFF REPORTER

KARACHI: Cotton prices remained firm on Wednesday on sustained buying from spinners. However, buyers generally remained cautious ahead of Supreme Court's verdict in the Panama Papers' case.

Most stakeholders in the cotton economy are concerned about the size of next cotton crop.

Due to a ban by the Punjab government on early sowing of cotton, some growers opted for maize and potato crops. Though the provincial government later lifted the ban, it was already too late by then.

The Karachi Cotton Association left its spot rates unchanged on Wednesday. The following deals were reported on the ready counter: 400 bales from Yazman Mandi at Rs6,800 pe rmaund (around 37 kilograms), 400 bales from Bahawalnagar at Rs6,860, 2,400 bales from Rahimyar Khan at Rs6,800 to Rs6,925, and 2,000 bales from Rahimyar Khan at Rs7,000.

The world's leading cotton markets also remained steady amid rising tension on the Korean peninsula and pressure on the US dollar.

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	**6,750**	**135**	**6,885**
40 Kgs	**7,234**	**145**	**7,379**

DAWN
Thursday, 20th April, 2017

MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.70	104.90	105.90	106.10
UK	134.29	134.54	135.25	136.75
Euro	112.23	112.45	113.00	114.50
S.Arabia	27.92	27.97	28.10	28.30
UAE	28.51	28.56	28.75	28.95
Japan	0.9644	0.9662	0.9620	0.9820

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.89	6.14
Six months	5.90	6.15
One year	5.97	6.47

LIBOR

Special US dollar bonds for April 18

Three months	1.15622 %
Six months	1.39767 %

THE NEWS
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Withholding tax collection from non-filers down 3.67pc in July-March

KARACHI: The Federal Board of Revenue (FBR) saw a 3.67 percent decline in its revenue collection to Rs8.91 billion on account of withholding tax on non-cash banking transactions during the first nine months of the current fiscal year, officials said on Wednesday.

The officials said the FBR managed to collect Rs9.25 billion in the same head during the corresponding period of the last fiscal year. The government introduced Section 236P into Income Tax Ordinance 2001 through Finance Act 2015 in order to increase the cost of transactions for non-filers and encourage them to file annual returns and wealth statements.

The tax rate was initially imposed at 0.6 percent, but after an agitation from the traders the government reduced it to 0.3 percent on July 11, 2015. The rate remained applicable till March 2016. However, after realising that the return filing remained unimpressive, the government increased the rate to 0.4 percent, which is applicable till June 30.

FBR officials said number of return filers for tax year 2016 is currently around 1.1 million, which is expected to increase to around 1.5 million by June 2017. An official said return filing for tax year 2016 is expected to increase due to crackdown started by the FBR against non-filers.

Official stats showed that FBR obtained record of 2.9 million industrial and commercial electricity connection holders, who are required to file annual returns. Likewise, one million individuals, in the salary class, have been identified out of the tax net despite having taxable income.

Officials said a large number of traders are opting to cash-based transactions to avoid the additional tax. The State Bank of Pakistan said the banking deposits of retail trade came down to Rs146.5 billion by the end of March as compared to Rs176.83 billion till June 2015, showing a fall of 17 percent.

At present, the rate of withholding tax is applicable on transaction of Rs50,000/day by non-filers. However, the government is intending to increase the threshold up to Rs100,000 in the upcoming budget of 2017/18. The FBR is also considering to make return filing mandatory for an individual making one million rupees worth of banking transactions in a year.

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Equivalent to 2.6 percent of GDP

Current account deficit widens to $6.13 billion in nine months

KARACHI: The country's current account deficit widened 161 percent to $6.13 billion during the July-March period of 2016/17 as growing imports, subdued exports and sluggish remittances marred the external account position, the central bank data showed on Wednesday.

The State Bank of Pakistan (SBP) said the current account deficit was $2.35 billion in the same period a year ago. The current account deficit of July-March FY17 is equivalent to 2.6 percent of the gross domestic product as against 1.1 percent in the corresponding period of FY17.

SBP widened its view of this fiscal year's current account deficit target to 1.0-2.0 percent of GDP, which is still at the lower level when compared to the projections of foreign bilateral and multilateral lenders.

The International Monetary Fund forecast the country's current account deficit at 2.9 percent in 2017 and 3.0 percent in 2018. The deficit would be on the upward trend as compared to 1.1 percent in 2016, it said in its latest economic outlook.

The Asian Development Bank (ADB), however, remained relatively benign, foreseeing the current account deficit at 2.1 percent of GDP in FY17. ADB said the widening current account deficit was mainly due to falling remittances, delayed coalition support fund and increase in balance of trade gap.

Exports continued to decline in the third consecutive years due to waning global demand and weak international commodity prices as well as domestic structural issues, such power outages and lack of investment in modernisation and currency appreciation in real effective terms, it said.

"The current account balance will likely deteriorate further in FY2018 to 2.5 percent of GDP with somewhat higher global oil prices and accelerating infrastructure investments connected with CPEC (China-Pakistan Economic Corridor)," it added. Analysts said the mounting deficit in July-March was alarming. It would exert further pressure on the external account in the remaining months of the current fiscal year, they said.

The widening current account deficit was also driven by a rise in overall balance of trade in goods and services, which soared to $19.76 billion in July-March FY17 as compared to $15.389 billion a year ago. Exports fell 3.06 percent to $15.119 billion, while imports rose 18.67 percent to $38.504 billion. That took the total trade deficit to $23.385 billion for the nine months of this fiscal year from $16.84 billion in the corresponding period of the last fiscal year.

Imports are soaring mainly because of capital spending related to projects under CPEC. Besides, the fall in workers' remittances are adding insult to injury. Remittance inflows flows declined to $14.057 billion in the July-March period, down 2.3 percent a year earlier.

Net foreign direct investment (FDI) to Pakistan increased 12.4 percent to $1.6 billion during the first nine months of the current fiscal year. The FDI was primarily China-driven. The foreign exchange reserves of the country rose $194 million to $21.74 billion by the week ended April 7 from the preceding week.

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Crop scientists point to potassium for elemental potency of soil

HYDERABAD: Agronomists on Wednesday stressed on growers to step up the use potassium, besides modern farming methods to strengthen their crops against the adverse effects of environmental changes, which are not only increasing the frequency of extreme weather events, but also robbing the soil of its nutrients at an alarming rate.

“Farmers should apply new strategies alongside a balanced fertiliser mix to promote agriculture, specifically the yield of crops, and boost rural economy that is faced with scores of challenges,” experts at an international seminar titled "Potassium for sustainable crop production in Pakistan" emphasised.

The discussion was jointly organised by Department of Soil Sciences, Sindh Agriculture University (SAU) Tandojam, International Plant Nutrition Institute (IPNI) and Engro Fertilizers Limited.

In his inaugural address, Dr Mujeebuddin Memon Sehrai, vice chancellor SAU, called on the new cadre of soil scientists and graduates to conduct studies and come up with strong suggestions with regards to effective policymaking to help boost the economy of the country.

Mahmood Nawaz Shah, a leading grower and general secretary Sindh Abadgar Board (SAB), said the future of agriculture needs political will. “Pakistan is still lagging behind the other agricultural nations of the world in terms of output. We are among the slowest growing agrarian countries around the world," Shah added.

The SAB official emphasised the need to launch awareness raising programmes for farmers in this regard. "We are continuously using fertilisers but yields are growing smaller and smaller every year,” said he adding, "We have to look this situation and take action to improve our agriculture." Shah proposed that SAU and Engro Fertilizers may organise awareness sessions for farmers. “Students will learn from these exposures and learning and may apply in fields,” the SBA official said.

He observed that there should be data with research organisations like SAU to ascertain the issues related to agriculture yield before use of fertiliser and after to seed the difference. “In fact the soil requires nutrition and it is up to new research findings, which may be shared with farmers in the interest of national economy,” Shah said.

Professor Enayatullah Rajpar, head of SAU Soil Sciences Department, highlighted the agriculture product and their contribution through research on soil. “These kinds of events will encourage students to learn more through experts and apply the same while conducting research,” Rajpar said.

Asim, a representative from Engro Fertilizers, told the audience that the main objective of the event was to bring the stakeholders like scientists, teachers, and students together and engage them into discussions for the benefit of the agriculture of the country.

According to the Engro official, potassium is an essential nutrient for plant growth. “Sindh is facing challenges like rising temperature, shrinking water resources, droughts. In this situation, potassium can strengthen the crops to resist the adverse effects of climate change,” he said adding the use of potassium rich fertilisers would beneficial for the crops.

Ziaul Hassan from Plant Nutrition Lab of SAU Soil Sciences Department also shared his research findings about the level of potassium in soil in different districts of Sindh. “It is non toxic but versatile element to benefit plants of crops and fruits,” Hassan told the participants.

Sabit Ali Baloch, business manager Engro Fertilizers, informed the attendees that his company was providing advisory services to farmers by setting up demo plots for highlight the benefits of potassium.

Speaking on the occasion, Dr Muniral Rusan, a researcher from International Plant Nutrition Institute (IPNI), also underscored the importance of potassium. “At this time, when the world population is on the rise, the land resources are depleting, and the environmental changes are worsening; there is need to adopt new approaches to promote agriculture,” Rusan noted.

Commending Pakistani agronomists for their distinguished work, he encouraged them to apply for the IPNI awards, which are given to select scientists in recognition of their contribution to soil sciences research.

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Cotton stable

Karachi

Active trading was witnessed at the Karachi Cotton Exchange on Wednesday, while spot rates remained unchanged.

The spot rates remained unchanged at Rs6,750/maund (37.324kg) and Rs7,234/40kg. Ex-Karachi rates also stood firm at Rs6,885/maund and Rs7,379/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.

An analyst said the activity increased after cotton arrivals report was released by the Pakistan Cotton Ginners Association (PCGA) on Tuesday.

KCE recorded four transactions of 5,200 bales in between Rs6,800/maund and Rs7,000/maund.

Yazman Mandi's 400 bales were sold at Rs6,800/maund, 400 bales of Bahawalnagar at Rs6,850/maund, 2,400 bales of Rahimyar Khan at Rs6,800 to Rs6,925/maund and another lot of 2,000 bales of Rahimyar Khan exchanged hands at Rs7,000/maund.

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PTEA deputy chief underlines need to focus on exports

Our Staff Reporter

FAISALABAD - A strong, globally available and highly flexible banking system is imperative to promote exports. Developing countries should specifically concentrate on exports to achieve their ultimate objectives of economic growth.

Muhammad Naeem, vice chairman of the Pakistan Textile Exporters Association (PTEA), said this while addressing participants of the 44th International Commercial Banking Course who visited the PTEA here on Wednesday. The course was organised by the National Institute of Banking and Finance (NIBAF).

Highlighting the importance of textile industry in country's economy, he said that textile industry with 8.5 percent share in GDP was considered the backbone of the economy. Cotton based textiles contribute over 60% to the total exports, account for 46% of the total manufacturing and provide employment to 38% manufacturing labour force. Elaborating the history, he said that by mid-sixties there were about 180 units of textiles bleaching, printing and processing, mostly situated in Karachi and Punjab.

Eighties brought a relief to the textile industry due to the boom in international market and there was a rapid growth in spinning sector, he added. Textile exports in 1999 were USD5.2 billion and rose to USD13 billion plus by 2016. Pakistani textiles have been traditionally concentrating on European and American markets and had built good reputation in home textiles and made-ups, especially in bed linen but "we are unable to exploit the huge potential available in non-traditional markets". He stressed serious efforts to concentrate on the regional and non-traditional markets.

Presenting Faisalabad as a textile hub of the country, he said that it has a complete range of textile manufacturing from fiber to fashion. There are ginning, spinning, weaving, sizing, dyeing, printing, knitting, export houses in addition to the biggest yarn market of Asia. He said that export from the city had reached up to 6 billion dollars per annum. He said that now a well-planned industrial estate, value addition and garment city were being established in Faisalabad with government's assistance to face the future challenges of growth and development. He explained the role of exporters in social uplift of Faisalabad and said that they established infra structure facilities like dry port and international airport in addition to establishment of Heart Foundation and Liver Foundation.

Speaking on the occasion, team leader Allauddin Achakzai thanked the PTEA for warm welcome and termed the visit a great opportunity for participants of the 44th International Commercial Banking Course with textilers. He said that the visit will help understand the economic importance of textile industry and its linkages with commercial banks.

The visiting bankers asked interesting questions about exports and banking and also identified new openings for textile exports to other countries. Later, the participants of 44th International Commercial Banking Course visited the Pakistan Textile Testing Lab working under the aegis of PTEA. They appreciated the testing facilities available at PTTF for textile exporters.

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Govt. urged to raise minimum wage to Rs25,000

PRESS RELEASE

LAHORE - The federal government should adopt the policy of national economic self reliance to tackle the growing unemployment among the 1.8 million youth entering the labour market every year and ensure free and qualitative education to children.

These views were expressed at a seminar on “Proposed Federal Budget and Need for Economic and Social Justice” at Bakhtiar Labour Hall on Wednesday under the aegis of the All Pakistan Workers Confederation. It was addressed by eminent economists Dr Ikram ul Haq, Dr Tahir Pervaiz and Dr Nadia Tahir; veteran journalist I.A. Rehman; veteran trade union leader Khurshid Ahmed and Robina Jamil, Yousaf Baloch, Akbar Ali Khan, Osama Tariq, Chaudhry Anwar, Niaz Khan and Chaudhry Khushi Muhammad Khokhar.

The speakers said, “There are 22 million children who have no access even to primary schools due to poverty of their parents. The government should develop hydel power generation, gas fired thermal power stations and dams in the public sector to provide cheap electricity and water to each citizen and develop the national industry, agriculture and commerce in this era of globalisation of economy. The government should impose taxes on the elite class since 66% of tax money is used to pay heavy debts. The elite class, capitalists, feudal lords, big traders and even some politicians did not pay. Eighty percent of taxpayers are wage earners in the country. The government should introduce economic and social reforms to bring down the widening gap between the rich and the poor in the society. The government should introduce agriculture reforms to ease the plight of the peasants. The government should raise the wages of the workers engaged in the private and the public sector by at least 30 percent, merge ad hoc relief in their basic pay and fix minimum wages at Rs25,000 per month.

The speakers urged the government to develop industrial relations, ensuring dignity for working men and women and healthy and safe work conditions and respect for fundamental rights of the workers. They said that child and bonded labour should be eliminated on a war footing in conformity with international obligations undertaken by ratifying the ILO conventions and fundamental rights enshrined in the Constitution of Pakistan. They said the preamble of the Constitution called for elimination of exploitation from the society. It also called upon the government to establish a tripartite national productivity council and the national tripartite labour council in order to raise productivity and develop a social dialogue between all stakeholders, including the government, employers and workers. They asked the government to raise the pension under the Old Age Employees Benefit Act 1974 to at least Rs15,000 per month. They asked the government to restore medical facilities for the secured workers under the social security scheme after their superannuation. They asked the government to use Rs1 trillion and Rs67 billion workers welfare funds deposited with the Finance Division for the welfare of the workers and pay the lawful dues of workers pending for the last two years at the earliest.

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Budget deficit likely to go up further

Massive shortfall in tax collection

Imran Ali Kundi

ISLAMABAD - Pakistan's budget deficit could further widen due to a massive shortfall in tax collection as well as non-tax collection during current financial year.

The government has already revised the budget deficit target to 4.1 percent of the GDP (Rs1.376 trillion) as against the budget target of 3.8 percent of the GDP (Rs1.276 trillion) due to the shortfall in tax collection. However, the International Monetary Fund (IMF) and World Bank have warned that budget deficit will be beyond 4.1 percent of the GDP during current fiscal year.

The Federal Board of Revenue (FBR) has so far faced a massive tax collection shortfall of Rs168 billion during nine months (July-March) of the year 2016-17. The FBR has collected Rs2,265 billion during nine months (July-March) of the ongoing financial year as against the target of Rs2,433 billion for the period under review, reflecting a shortfall of Rs168 billion.

Similarly, the government is struggling to meet non-tax collection target. Major component of the non-tax collection is the Coalition Support Fund (CSF) from the United States. Pakistan has received only $550 million under CSF during FY2017 as against the projection of $1.65 billion or Rs170 billion for the whole fiscal year. It is unlikely that Pakistan will receive the full amount of $1.65 billion before the end of June 2017.

The government had estimated to generate Rs50 billion from the privatisation proceeds during FY2017. However, the government has not privatised a single entity so far, making another shortfall of Rs50 billion. Another, non-tax collection shortfall is from auction of telecom licences. The government budgeted Rs75 billion for the current financial year from its auction. However, the auction advisory committee has projected the auction of the remaining 4G with a base of around $300 million (Rs30 billion).

The World Bank in its latest report projected that fiscal deficit was projected to be 4.8 percent in FY2017 as against 4.1 percent revised target of the government. This widening is primarily driven by slower increase in government tax revenues (both federal and provincial) coupled with decline in non-tax revenues.

The shortfall in tax and non-tax collection would mean more domestic and foreign borrowings to bridge the budget deficit.

Pakistan's budget deficit had already reached the higher side of Rs799.1 billion (2.4 percent of the GDP) during first half (July-December) of the year 2016-17 due to massive expenditure and lower tax collection.

The country's expenditure was recorded at Rs2,789.7 billion as compared to revenue of Rs1,990.6 billion, taking the deficit to Rs799.1 billion.