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Textile industry to observe 'black day' today

TAHIR AMIN

ISLAMABAD: Textile industry will observe black day Tuesday (today) across the country against, what it termed, the anti-industry and anti-export policies of the government.

Talking to Business Recorder, chairman All Pakistan Textile Mills Association (APTMA) Amir Fayyaz said that textile industry in all the four provinces would protest and observe black day on Tuesday (today). He claimed that all chains including spinning and value added sectors are on board and will join the protest.

Fayyaz enlisted three demands including implementation on Prime Minister Package for exporters in letter and spirit, clearing the outstanding refunds and bringing the energy prices comparable to other regional countries.

Fayyaz said that Prime Minister Nawaz Sharif announced incentives worth Rs 180 billion on January 10, 2017 in a bid to boost country's falling exports. But only Rs 4 billion were earmarked in the budget 2017-18 which is a big joke with the industry. The APTMA chairman said that mere announcement will not increase country' exports and the government should take practical measures to implement the package.

He further said that around Rs 200 billion of the textile industry are stuck up with the government under sales tax, duty drawbacks, etc, and this is creating severe liquidity crunch for the industry. "If we cannot buy raw material due to liquidity crunch, how will we increase exports," Fayaz added.

The APTMA chairman further said that due to high input cost, including electricity and gas prices, Pakistani textiles are no more competitive in the international market. Electricity is available at Rs 11 kwh for the industry in Pakistan compared to Rs 7/kwh in other regional countries including Bangladesh, said Fayyaz adding that industry is burdened with Rs 3.63 kWh surcharge on electricity and GIDC on gas which cannot be passed on to the international buyers.

Furthermore, RLNG is available at Rs 1000 MMBTU in Pakistan against Rs 400 in Bangladesh. In such circumstances the industry can not compete in the international market and exports are on the decline trajectory.

Replying to a question, the APTMA chairman said they gave the protest call two days ago, but no minister or any other government official has contacted the industry stakeholders so far.

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'Total debt': Changes in explanation made

ZAHEER ABBASI & SOHAIL SARFRAZ

ISLAMABAD: The government has made changes in the explanation of the total debt through the Finance Bill 2017 by amending the Fiscal Responsibility and Debt Limitation Act 2005 subsequent to the recommendations of the Senate Standing Committee on Finance.

This was the second amendment in the FRDL Act after 2016, said sources in the Finance Ministry. They added the definition of debt was included in the FRDL Act 2005 through an amendment in 2016 which reads: "total public debt" means the debt of the government (including the Federal Government and the Provincial Governments) serviced out of the consolidated fund and debts owed to the International Monetary Fund".

However, on June 18, 2017, the Senate recommended to the National Assembly for an addendum to the explanation that "total debt of the government is public debt less accumulated deposits of the federal and provincial governments with the banking system" by amending Clause (2), sub-clause (1) of the Fiscal Responsibility and Debt Limitation Act, 2005.

Senator Ayesha Raza Farooq of PML-N recommended the above stated amendment during a discussion on the Finance Bill and maintained that "debt to GDP ratio is now correctly being shown in net terms rather than gross terms. In order to clarify and remove an ambiguity, it is important that the FRDL Act 2005 be amended to add an explanation to the definition of total public debt."

She further recommended that the amendment should be made in Clause 20 of the FRDL Act with the added explanation: "total debt of the government is public debt less accumulated deposits of the federal and provincial governments with the banking system".

When contacted, Director General (DG) Debt Coordination Finance Division categorically denied changing the definition of total debt and termed such reports baseless. However, he acknowledged that an explanation was added to the definition of the debt with the purpose of providing clarity to the definition.

He said an International Monetary Fund (IMF) loan was added to the definition of total debt for the first time by the present government in 2016. The DG further maintained that any change in the definition of the total debt would have changed all the numbers and there was no such change in the numbers during the last two years.

He further clarified that the difference between gross and net debt is that the former includes credit balance sheet while the latter does not.

According to budget in brief for 2017-18, the total public debt (gross) of the country was projected at 61.4 percent of GDP for fiscal year 2017-18 and total net debt at 58.1 percent which was revised upward to 64.8 percent and 61.3 percent for the current fiscal year.

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Govt accused of misguiding lenders about Nepra

MUSHTAQ GHUMMAN

ISLAMABAD: Federal government is accused misguiding lenders on the true purpose of amendments to the Nepra Act which is aimed at making the regulator as ineffective as Oil and Gas Regulatory Authority (OGRA).

This is the general perception of the regulatory bodies subsequent to the issuance of the June 6, 2017 notification by the Cabinet Division, which has been suspended by the Lahore High Court (LHC).

On June 6, 2017, Cabinet Division issued an Office Memorandum (OM) placing the regulatory bodies once again under the administrative control of their respective line Ministries. Meanwhile, Cabinet Committee for disposal of Legislative Cases (CCLC) headed by Law Minister Zahid Hamid has approved amendment in Rules of Business of Regulatory bodies which were subsequently ratified by the federal cabinet recently.

The notification stated "The federal government has been pleased to order that henceforth the Water and Power, Information Technology and Telecom Division, Petroleum and Natural Resources Division and Finance Division will deal with the government functions of regulatory authorities that include NEPRA PTA, FAB, OGRA and PPRA will respectively." The notification also mentions that necessary amendment in the rules of business, 1973 will be made accordingly.

An official well versed with the current tension between the Ministry of Water and Power and Nepra told Business Recorder that while the donors have pressured the government to impose surcharge on electricity bills to deal with a resurgence of circular debt, they have opposed the government's move to curb the independence of Nepra.

The Ministry of Water and Power had invited donors to the Ministry and convinced them that the government has no intention of clipping the wings of the regulator, and that the objective is to bring in reforms in the regulator through amendments.

"Donors had made a commitment of $ 300 million with the government for reforms but got an assurance that the regulator's independence will not be compromised," he continued.

Presently, electricity consumers are paying the surcharge of Rs1.43 per unit with no legal justification to contain the circular debt, which currently stands at over Rs451 billion.

Donors urged the government to make the imposition of surcharge a part of the amended Nepra Act draft which will be passed by Parliament after Eidul Fitr. "And now there will be no fear that surcharge will be erased in case it is challenged in a court of law," says the official while quoting the purported written argument of donors.

"The government has prepared at least four drafts which were submitted to different forums. However, Nepra whose independence will be the main causality, has not been taken in the loop," he added.

The generation licence will be free for all and anybody would be able to establish power plants without any environmental study which is critical to any project.

The 31 A insertion in the final draft of the NEPRA act of 1997 which deals with the Surcharges states: "The government may, in addition to the tariff determined by the Authority, impose a surcharge on such consumer categories as may be notified in the official gazette. Apart from it, surcharge can be imposed after getting determined under National Electricity Plan for other purposes that include for raising funds for future development plans in power sector, environmental protection, energy efficiency, demand management, managing climate and promoting the security of energy supply. Surcharges will also be imposed to give effect to any tariff rationalization or subsidy management guidelines as may be issued by the federal government from time to time."

As far as the government's final draft laid down in the parliament is concerned, the official said, as soon as the parliament approves it, the first casualty will be the authority of the regulators that consists of four members and one chairman (the age limit for the said posts has been reduced by 10 years).

After parliament approves the amended NEPRA Act, the regulator will have no role in determining the tariffs as it will be bound to comply with the National Electricity Policy and Plan that will in future determine the tariffs. Once the amended Nepra Act gets approved, National Electricity Policy and Plan will be undertaken by the government that will regulate the regulator.

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THE RUPEE
Minor changes

RECORDER REPORT

KARACHI: Slight changes were seen on the money market on Monday in the process of trading, dealers said.

INTER-BANK MARKET RATES: The rupee inched up by one paisa versus the dollar for buying and selling at Rs 104.87 and Rs 104.88 respectively.

In the first Asian trade, the dollar steadied against a basket of currencies after slipping on soft US economic data, with investors awaiting comments by a top Federal Reserve official for clues on whether recent strength can be sustained.

The dollar index against a group of major currencies was flat at 97.187.

The index had climbed to a two-week high of 97.560 late the previous week after the Fed raised interest rates and kept the door open for another hike in 2017. But its rally was tempered by Friday's weaker-than-expected housing and consumer sentiment data.

The market is looking to comments by New York Fed President William Dudley for potential support for the greenback. Dudley, a close ally of Fed Chair Janet Yellen, is due to take part in a roundtable with local business leaders in Plattsburgh, New York.

"In the wake of Friday's weak US data, Dudley could provide insight into whether the Fed is still poised to continue normalising monetary policy," said Masafumi Yamamoto, chief forex strategist at Mizuho Securities in Tokyo.

The dollar was trading against the Indian rupee at Rs 64.355, the greenback was available at 4.267 in terms of the Malaysian ringgit and the US currency was at 6.812 versus the Chinese yuan.

Inter bank buy/sell rates for the taka against the dollar on Monday: 80.56-80.60 (previous 80.56-80.60).

OPEN MARKET RATES: The rupee held last levels in relation to the dollar for buying and selling at Rs 105.90 and Rs 106.10 respectively, they said.

The rupee shed 20 paisas in terms of the euro for buying and selling at Rs 118.20 and Rs 119.25 respectively, and they said.

Open Bid	Rs. 105.90
Open Offer	Rs. 106.10

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

Bid Rate	Rs. 104.87
Offer Rate	Rs. 104.88

RUPEE IN LAHORE: The Pak rupee moved both ways against the US dollar in the local currency market on Monday.

The dollar commenced trading on a mixed pattern following divergent trend in the market during the day's trading session.

At the close, it was ended at Rs 106.00 and Rs 106.20 on buying and selling side as compared to last closing trend of Rs 105.90 and Rs 106.25 respectively, said the local currency dealers.

Furthermore, the local currency stayed unchanged on buying side while it recovered by 20-paisa on selling side versus the pound sterling. The British currency was bought and sold at Rs 134.70 and Rs 135.50 against Rs 134.70 and Rs 135.70 of Saturday, they added.

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

The dollar opened at Rs 105.95 (buying) and Rs 106.10 (selling). It closed at the same rate.

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

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Islamic mode of financing

Income be considered as turnover for levy of min tax: FBR

RECORDER REPORT

ISLAMABAD: The Federal Board of Revenue (FBR) has informed banking industry that the net income from Islamic mode of financing i.e. Murabaha, Musawamah, Bai Muajjal, Bai Salam, Istisna, Tijarah, Istijrar financing and Tawarruq/Commodity Murabaha should be considered as turnover for levying minimum tax under Income Tax Ordinance, 2001.

According to income tax circular 1 of 2017 issued here on Monday, the FBR has issued explanation regarding interpretation of certain provisions of the Income Tax Ordinance 2001 in the context of Islamic banking.

The FBR said that the Seventh Schedule, introduced in the Finance Act 2007, provides for the computation of the profit and gains for a banking company and the tax payable thereon. The Rule 3(1) of the Seventh Schedule stipulates that Sharia compliant banking shall not be accorded any special treatment in terms of reduction or addition to income and tax liability of banking companies subject to fulfillment of the requirement of filing the statement, certified by the auditors of the bank as per Rule 3(2), with the return of income tax.

In order to ensure implementation of principle stipulated in Rule (3) of the Seventh Schedule in letter and spirit, clarification regarding tax treatment of various Islamic banking products is warranted so that judicious and non-discriminatory treatment can be meted out to such Islamic banking products, the FBR maintained.

It has been reported to the Board that receipts on account of Islamic financing product namely Murabaha, being a transaction of sale and purchase of underlying goods, is treated as gross receipts for the purpose of levying minimum tax under section 113 of the Ordinance. In the light of the principle of tax neutrality as espoused in Rule 3(1), net income (as opposed to gross receipts) from Islamic mode of financing namely Murabaha, Musawamah, Bai Muajjal, Bai Salam, Istisna, Tijarah, Istijrar financing and Tawarruq/commodity Murabaha should be considered as turnover for the purpose of levying minimum tax under section 113 of the Income Tax Ordinance, 2001 provided the condition in Rule 3(2) is met which is a statement, certified by the auditors of the bank to be attached with the return disclosing the comparative position, the FBR said.

Islamic Financial Institutions also enter into Ijara for assets given on lease under Islamic mode. In terms of guideline laid down in Islamic Financial Accounting Standards (IFAS-2), gross rentals are accounted for in the accounts against which depreciation is charged on straight line basis over the lease period. As a result, net income from Ijara is recognised in the accounts. It has, however, been reported that assets given on Ijara have been treated as ‘finance lease’ on certain grounds, and depreciation has been disallowed under Rule 1(a) of the Seventh Schedule. In this respect, it is observed that the rationale of placing restriction on claiming depreciation under Rule 1(a), upon the assets given on finance lease, has not been appreciated properly.

Banks are allowed depreciation on assets under section 22, in terms of Rule 1(a) of Seventh Schedule, therefore, banks can claim depreciation on assets given on lease including finance lease. Since in respect of finance lease, the income recognised in the accounts is finance income, therefore, it has been provided in Rule 1(a) that depreciation would then not be allowable to the bank as lessor. In order to provide tax neutrality to asset(s) given on lease under Islamic mode vis-à-vis conventional mode, it is directed that, the profit implicit in the Ijara financing income be recognized for tax purposes as in the case of finance lease by other banking companies, provided that Islamic Banking Institutions fulfill the conditions as laid down in Rule 3(2) of the Seventh Schedule to the Income Tax Ordinance, 2001, the FBR added.

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Qatar says Gulf crisis puts $2bn in contracts at risk

DOHA: The political crisis in the Gulf is putting at risk business deals worth $2 billion in Arab countries that have cut ties with Qatar, an economic official in the emirate said Monday.

Yousuf Mohamed al-Jaida, chief executive of the Qatar Financial Centre, said the majority of the contracts at risk — some $1.5 billion (1.3 billion euros) — were in the area of construction.

The level of exposure for businesses from Saudi Arabia, the United Arab Emirates and Bahrain has been negatively impacted alongside that of Qatari businesses in the current crisis.

“We sincerely believe that the impact is regional, not only local,” Jaida told reporters at a briefing in Doha. “Qatar’s exposure to the blockade countries — the UAE, Saudi Arabia and Bahrain — is limited. This is a fact,” he said in English.

“There’s very few Qatari companies doing business in Saudi, UAE, Bahrain.

“There is on the other hand a couple of billion dollars of contracts of these blockade countries impacted in Qatar due to restrictions in their own countries,” he added.

Some $18-billion in short-term deposits held by Saudi, UAE and Bahraini banks would mature in the next two months, but if the funds were withdrawn they could be “easily” covered by the Qatari government, said Jaida. The economist said Qatar’s sovereign wealth fund, worth some $335 billion, was largely unaffected as it was mostly invested outside the Gulf.

Saudi Arabia, the United Arab Emirates, Bahrain are among a string of countries which this month cut ties with Qatar over accusations the emirate supports extremism.

Doha denies the accusations.

Gas-rich Qatar is currently in the middle of a massive $200-plus billion infrastructure programme to help the country to prepare for the 2022 football World Cup.—AFP

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NA body informed

CPEC's western route will be completed by June next year

RECORDER REPORT

ISLAMABAD: The National Assembly Standing Committee on Communications was informed on Monday that western route of China-Pakistan Economic Corridor (CPEC) will be completed by June next year.

The committee met with Muhammad Muzammil Qureshi in the chair to review preparations for prospective challenges for CPEC.

Chairman National Highways Authority/Acting Secretary Communications, Shahid Ashraf Tarar briefing the committee said that the western route of CPEC was divided into five zones and the work has been started on all five zones, adding that the contractors are working on the sites. Frontier Works Organisation (FWO), National Logistic Cell (NLC) and some other contractors have started construction work on the site. The western route will be completed by June 2018, the chairman NHA added.

The committee recommended the timely completion of the project, observing that no delay will be tolerated in this regard.

The committee was shown the aerial view of on site progress of construction work, captured with the help of drone technology. The committee was briefed that some more than ten thousands human resource is needed to meet the requirements of all newly built highways/ motorways and CPEC.

The parliamentary panel recommended that the National Highways and Motorway Police (NH&MP) must be equipped with the latest gadgets to meet the modern needs.

The committee further recommended that creation of the required posts and appointment against vacancies on merit should be completed by December 2017.

The NH&MP officers revealed that Prime Minister Nawaz Sharif had announced 20 per cent increase in salaries for the department, but it was not implemented. Furthermore, other police forces have better salary packages as compared to the NH&MP, hence 20 per cent quota - 1000 posts for deputation are lying vacant and the department is facing huge deficiency with respect to human workforce. Unless there is a clear edge to the NH&MP over other police forces with respect to salary and other facilities, attaining quality output is difficult.

It was informed that the prime minister had announced 20 per cent of basic pay as special pay of the employees of Motorway Police but only 10 per cent has been paid yet. The committee took very serious notice of it and observed that it was very objectionable that the Prime Minister announced some benefits to employees of a department but the bureaucracy created hindrances in this regard. The committee directed that remaining 10 per cent allowance might be paid to the employees of National Highways and Motorway Police forthwith.

Furthermore, it was brought into the notice of the committee that the special allowance, which is equal to the basic pay, is being paid to the employees of National Highways and Motorway Police but the same has been frozen on the basic pay of 2008. The committee directed that the special pay allowance should be given according to the current basic pay.

Currently, the NHA has 12,131-km assets across the country; however, due to financial/ resources constraint only 3064-km has handed over to the NH&MP so far. The issue of personnel shortage has been raised with the Finance Ministry to meet its requirement and in the first step the case of hiring 1,000 personnel against the deputation sanctioned posts would be taken to overcome

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the deficiency. About 1,300-km motorway would be added in the network during the next two to two –and-a-half-year.

The official of NH&MP said that the total staff requirement for NH&MP (uniformed), as per study report of MS Wing, Establishment Division, is 6223-posts (uniformed) for existing jurisdiction of the NH&MP. At present, there are 5745-sanctioned posts (uniformed) in the NH&MP. As such, there is a shortage of 478 posts (uniformed) in the NH&MP. A case for creation of 500-posts in NH&MP in order to meet the existing requirements is already under process in the Ministry of Finance. Upon issuance to sanction letter of 500-posts, the actual requirement of uniformed officers will be fulfilled.

Likewise, the total staff requirement (non-uniformed) is 1665-posts for existing jurisdiction of the NH&MP, there are 1377-sanctioned posts (non-uniformed) in the NH&MP. As such, there is a shortage of 288-posts (non-uniformed) in NH&MP. A case for creation of 288-posts in the NH&MP in order to meet the existing requirements is already under process in Ministry of Communications/ Finance. Upon issuance to sanction letter of 288-posts, the actual requirement of non-uniformed officers will be fulfilled.

The NH&MP have always come up to the expectations of the government and public in terms of road safety and service delivery. The National Highways Safety Ordinance, 2000, mandates the NH&MP to perform traffic control functions on all federal highways. In future, the NH&MP will have to be deployed on all federal highways and motorways. In this connection, summaries have been submitted to the Prime Minister for approval of manpower and other resources.

In addition to above, the cases for deployment on other highways and motorways will also be initiated as per policy of the federal government in light of the provisions of Section 90 of the National Highways Safety Ordinance (NHSO), 2000.

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Chinese team to visit proposed sites for SEZs under CPEC

WASIM IQBAL

ISLAMABAD: A high-level Chinese delegation will arrive Pakistan in the last week of July to visit the sites proposed for setting up Special Economic Zones (SEZs) under the China-Pakistan Economic Corridor (CPEC) and discuss their feasibilities with Pakistani counterparts.

A spokesperson of Board of Investment (BoI) told Business Recorder that nine sites for SEZs have been declared as priority sites under the CPEC and all provinces, FATA and Gilgit-Baltistan have been allocated SEZs. These sites have been identified by the provincial governments and there is close coordination between the federal and the provincial governments.

He further said the objective of the SEZs, which were open to all investors both Pakistani and foreign, was also to attract the companies from China which would be relocated out of China in coming years.

With the ownership of provincial governments, the spokesperson said all proposed nine industrial zones under CPEC would be completed in a period of two to three years.

The federal and provincial governments had jointly proposed location of these SEZs to China, which were approved at a joint meeting. The approved sites include Bostan in Balochistan, Rashakai in Khyber Pakhtunkhwa, Dhabeji in Sindh, Sheikhupura in Punjab, Moqpondas in Gilgit-Baltistan, Bhimber in Azad Kashmir and Mohmand in FATA, and federal government's sites are in Islamabad and Port Qasim, Karachi.

Sindh and Khyber Pakhtunkhwa are more active than other provinces for operationalising the SEZs, as announcement of incentive packages will help attract early investors. China also wants joint ventures between Pakistani and Chinese companies but so far except for a few cases, no major collaboration has been occurred.

An informed source said the federal and provincial governments wanted to accelerate the construction of new industries in the SEZs before the next general elections. He maintained that the federal and provincial governments were considering to offer tax incentives to investors setting up industrial units in SEZs.

In other additional incentives, the spokesperson said that discussion had been under way with Ministry of Water and Power and Ministry of Petroleum and Natural Resources to provide power and gas in bulk to developers of those nine proposed industrial zones.

He said Board of Investment had been actively engaged with both line ministries for provision of power and gas on war footing basis.

The federal government had announced a plan to establish 29 SEZs in all four provinces, Islamabad, Kashmir and Gilgit-Baltistan in November 2016 out of total 48 recommended sites by provincial governments.

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Rejoinder to 'Dar's claims and PWC report'

The writer has stated that in PWC report the Gross Domestic Product ranking projections were based on Purchasing Power Parity (PPP) which adjusts for price differentials between countries reflecting the volume of goods and services produced and not GDP at market exchange rate (MER) which would reflect the value of goods and services in the local currency and converting it into dollars based on market rates though to be fair the heavily overvalued rupee would have enabled the government to show a better GDP MER than in fact the case. For understating foreign loans, they have relied on an overvalued rupee, whereas the government is taking credit that PWC report has claimed that by 2050, Pakistan and Egypt could overtake Italy and Canada. She further stated that numerous waivers were granted to Pakistan during IMF programme on account of failure to deliver on key structural reforms in the energy sector, privatisation, and tax system and also criticised in the same article on high debt, rising imports, less funds to education and data manipulation etc.

It is more important to see the positive international perception being created on the economic progress of our country rather discussing micro details. It is for the information of the writer that international agencies assess the country on the basis of performance and futuristic views are based on their assumptions. The PWC approach is based on a robust long term economic growth model that focus on how will the global economic order change by 2050 and assumes broadly growth friendly policies.

The government when came into power particularly focused on growth friendly policies through a combination of stabilisation and structural reforms. During a period of 4 years, the economy has taken a turnaround and all economic indicators are showing positive trend which has been appreciated by the international development partners and agencies. The IMF in its World Economic Outlook (WEO), April 2017 has assessed that a broad-based recovery is expected to continue at a healthy pace supported by ramped-up infrastructure investment. The appreciation is based on the performance of the economy provided in the charter of the present government and the roadmap under Vision 2025.

As far as writer's concern on waivers. In this respect a number of times clarifications were provided, however, it is again for the understanding of the writer that there is need for proper appreciation of a waiver. The request for waiver is only allowed when the Executive Board of the IMF is satisfied that the programme will be successfully implemented. The Fund programme was not a one-off static assessment of certain outcomes. It was a three year programme with quarterly reviews and in each review, the performance was assessed keeping in view the likelihood of success as the programme moved forward.

The writer has made general statement on data manipulation without mentioning any specific data. In this respect a number of rebuttals have been issued whenever the criticism raised on the data manipulation. PBS is an independent body that follows the internationally approved methodology to produce the data.

The author has also made a very vague criticism on the unprecedented rise in imports at a time when international prices of oil have been declining and is not backed by data uploaded by the State Bank of Pakistan.

The imports of machinery in all groups are rising thus reflecting signs of productive activities and improved performance in industrial sector and also backed by impressive growth in credit to private sector. The LSM growth in April 2017 registered a growth of 9.7 percent which reflects the productivity in industrial sector.

With regard to investment, the writer has stated that the data contained in the

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Economic Survey 2016-17 is disturbing. In this regard it is to mention that not only have investments increased in absolute terms but the investment to GDP ratio has also gone up. On a positive note, it is persistently increasing on account of improving FDI inflows, increasing investor's confidence, and rising PSDP spending. In the medium term, investment to GDP ratio is projected to increase by 20 percent.

The writer has also tried to mislead the readers by stating that domestic indebtedness increased by 54 percent in four years and foreign indebtedness by 24 percent with a steadily rising reliance on the prohibitively expensive borrowing from foreign banks which at present stand at 2 billion dollars impact on growth.

In this regard, it is to be mentioned that by the end of FY2013, gross public debt increased to Rs.14,318 billion while net public debt increased to Rs.13,483 billion, thereby the previous government contracted net debt of around Rs.7,833 billion during its term (2008-13), at an annual compounded growth rate of 19.0 percent. The present government started its first fiscal year in 2013 with inherited gross public debt of Rs.14,318 billion and net public debt of Rs.13,483 billion comprising of external public debt of US$ 48.1 billion (Rs.4,797 billion) and net domestic public debt of Rs.8,686 billion. During the period from July 2013 to March 2017, the gross public debt has grown to Rs.20,874 billion while the net public debt has grown to Rs.18,894 billion, out of which the external public debt was US$ 58.4 billion (Rs.6,126 billion) while net domestic public debt was Rs.12,768 billion. Thus there is a net increase of Rs.5,411 billion in total public debt. This constitutes an increase in net public debt at an annual compounded growth rate of 9.7 percent per annum during first three years and nine months of the present government compared to 19.0 per annum during the previous government.

It is also to be noted that within external public debt, the largest component is the multilateral debt and bilateral debt, constituting around 87 percent of the external debt at end March, 2017. While the proportion of commercial loans only stood at 3.8 percent at end March 2017. The loans from multilateral and bilateral development partners are aimed at removing structural bottlenecks from Pakistan's economy. These commercial loans are primarily utilized towards implementing structural reforms in the areas of taxation, doing businesses, trade facilitation, education and promotion of small and medium enterprises (SMEs). The average cost of the external loans obtained by present government comes to around 3 percent which is significantly lower than the domestic financing cost even after a margin of capital loss due to exchange rate depreciation is added.

The author has also stated that population growth could boost GDP in Pakistan, however, the PWC report adds a rider, 'only if jobs can be created for young people'. In this regard it is to mention that the country has the demographic dividend. As a result of various initiatives and policies along with PM Youth programmes the unemployment rate has declined to 5.9 percent in FY2015 from 6.2 percent in FY2013. Similarly, new programmes in agriculture, financial sector, exports, textile and social sector are helping in employment creation. Additionally, CPEC related activities and historical allocation of Rs.1 trillion for federal development spending is a welcome development for employment generation going forward.

The author's assertion that education has not been the major recipient of government is not true. Public expenditure on education as percentage of GDP has increased to 2.3 percent in FY2016 from 2.1 in FY2013. The government is persistently increasing the resources to education sector and ensuring proper and timely utilization of funds in order to achieve the target of 4.0 percent of GDP by 2018. The provincial governments are also spending sizeable amount of their Annual Development Plans (ADPs) on education.

While referring to the World Bank's recent report, the writer has stated that the report urged the government to continue with reforms identified by IMF in

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its recent programme though there appears to be a singular lack of government interest in this regard. The writer's assertion is baseless as the present government initiated difficult key structural reforms in the country. These reforms not only strengthened the confidence of the international community but have put the country on the path of sustainable growth which is being internationally recognised. It is the commitment and interest of the government in making Pakistan more prosperous through effective implementation of comprehensive agenda of economic reforms.

The writer's assertion that handling of the economy is characterized by following the IMF prescription in curtailing the deficit at the cost of growth, heavy borrowing and data manipulation is not based on facts. Particularly, fiscal deficit has been reduced on account of prudent expenditure management and effective resource mobilization. The expenditures have been efficiently allocated to development and social sector programmes and overall tax collections have also improved. With fiscal discipline, the economy is moving on upward growth trajectory.

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A charitable view of Pakistan's economy?

On the conclusion of the International Monetary Fund's (IMF) Article IV Consultations with Pakistan the press release uploaded on the Fund's website began with "favourable" growth and "GDP estimated at 5 percent in fiscal year 2016-17 and strengthening to 6 percent over the medium-term on the back of stepped up China Pakistan Economic Corridor investments, improved availability of energy, growth-supporting structural reforms;" but added that "Directors noted that policy implementation weakened recently and macroeconomic vulnerabilities are remerging."

International donor agencies like the Fund prefer to couch 'unfavourable' assessments in positive and encouraging terms wherever possible to ensure that relations with the administration remain cordial enough to ensure continued engagement in future. However, at the same time, it is not prudent for the careers of donor agencies staff to present a picture to its own Board of Directors - represented also by the country under review - that is far from the truth – an objective that accounts for understating and/or burying in the text key policy flaws. On a review of the IMF press release No. 17/227 by Business Recorder, one of the key policy flaws was referred to in the middle of the second long paragraph: "foreign exchange reserves have declined in the context of a stable rupee/dollar exchange rate." This statement, unfortunately, reflects the mistaken perception by both Prime Minister Nawaz Sharif and Finance Minister Ishaq Dar that a strong rupee is good for the economy and therefore given the depreciating currencies worldwide the real effective exchange rate of the Pakistani rupee has remained strong which explains why exports have been declining and imports rising for the past two years. Accompanying statistical data in the Fund press release refers to the real effective exchange rate (annual average percentage change) as negative 1.3 percent during 2012-13, a whopping 10.9 percent in 2015-16 and 4.6 percent in the outgoing fiscal year. It is therefore no wonder that terms of trade (percentage change) were effected to the tune of 7 percent in 2014-15, 10.7 percent in 2015-16 and a negative 0.9 percent this year (must be seen in the context of the year before). And in the middle of the sixth paragraph the IMF press release notes that "Directors called on the authorities to allow for greater exchange rate flexibility – rather than relying on administrative measures – to help reduce external imbalances and bolster external buffers." That recommendation unfortunately is unlikely to be heeded as Ishaq Dar has repeatedly ignored it in spite of persistent clamour by Business Recorder, economists and exporters that an overvalued rupee is disastrous for the economy.

The IMF mission chief for Pakistan's three-year Extended Fund Facility programme (September 2013-16), however, had acknowledged during the programme in a press briefing that our foreign exchange reserves were largely 'debt enhancing.' With exports declining, imports rising, and remittances declining due to a recession-like situation in the Gulf countries what exactly is Pakistan's total debt to Gross Domestic Product (GDP) ratio? According to Ishaq Dar and the budget 2017-18 documents, total debt to GDP ratio (gross) was 61.4 percent in the current year – down from 64.8 percent the year before – while total public debt (net) was 59.2 percent, below the 60 percent required under the Fiscal Responsibility and Debt Limitation Act 2005.

To achieve this remarkable rate, however, required a redefinition of debt which was provided for in the Finance Act 2017 whereby total debt was to equal public debt minus accumulated deposits of the provincial and federal governments in the banking system – a redefinition that understated the debt by around 2 trillion rupees. The IMF has not followed this redefinition and instead followed the global practice which accounts for the Fund maintaining that general government debt including obligations to the IMF was 67.6 percent of GDP in 2015-16 and 66.6 percent in 2016-17. Independent economists as well as this newspaper also challenge the GDP figure released by the Pakistan Bureau of Statistics, under the administrative control of the Finance Ministry, as much of the data is not synchronized with data released by other government departments as well as credible industry sources, though donor agencies do accept the government data, which implies that total debt-to-GDP ratio may be closer to around 70 percent as opposed to 66.6 percent projected by the Fund. Dar has also reduced the applicable rate on saving schemes of the National Savings Directorate which has reduced the rates of savings and given its identity with investment there will be greater need for borrowing by the government to meet its ambitious investment plans.

To conclude, the economic picture leaves a lot to be desired and there are clear indications that the Sharif administration is routinely resorting to data manipulation and redefining indicators to show better results. Sadly, this implies that the country would be compelled to go on another Fund programme in the not too distant future. Moreover, there are benefits and risks that financial globalization entails for developing countries, including Pakistan. One must, therefore, not lose sight of the fact that globalization also means integration of a local financial system of a developing country like Pakistan with international financial institutions, including the IMF.

BUSINESS
RECORDER
Tuesday, 20th June, 2017

Less buying interest pushes cotton rates down

RECORDER REPORT

KARACHI: Less buying interest pushed the rates further down on the cotton market on Monday in process of trading, dealers said.

The official spot rate was lower by Rs 50 to Rs 6650, they said. In the ready session, a single deal of 755 bales of cotton from Haroonabad reported at Rs 6900, they said. In Sindh, seed-cotton prices were available at Rs 3300-3325 per 40 kg and in the Punjab rates were at Rs 3200-3300 per 40 kg, they said.

Market sources said that continued fall in prices is a serious factor, so that the government should take an urgent measure to support the textile sector, which was already facing difficulties in the absence of incentives.

They also said that the government should take the matter some seriously to protect the interest of farmers and growers who could lose interest in the crop thing did not change in the right direction.

Some other experts said that the government should fix cotton support price at Rs 3,500 per maund (around 37 kilograms.

Besides, the Trading Corporation of Pakistan (TCP) should purchase at this rate, they suggested.

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 17.06.2017**	**Difference Ex-Karachi in Rupees**
37.324 Kgs Equivalent	6,650	135	**6,785**	**6,835**	-50/-
40 Kgs	7,127	145	**7,272**	**7,325**	-53/-

BUSINESS
RECORDER
Tuesday, 20th June, 2017

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	71.85	73.40	71.15	71.25	14:20 June 19	-	-0.63	18087	71.88
Jul'17	70.96	71.20	70.08	70.08	14:20 June 19	-	-0.78	10	70.86
Oct'17	69.70	70.20	68.67	68.94	14:20 June 19	-	-0.42	24444	69.36

BUSINESS
RECORDER
Tuesday, 20th June, 2017

Faisalabad yarn and fibre prices

RECORDER REPORT

FAISALABAD: Cotton yarn rates in rupees per 10 Lbs on Monday (June 19, 2017).

6-8/S Cone (Cotton)

ARY	520.00
Sher	410.00
Nelibar	650.00
Al-Falah	540.00
Chagi	400.00
Shaheen	400.00
Nelum	400.00

10/S Cone (Cotton)

Sufi	530.00
Model Soft	710.00
Adil	550.00
Neilum	570.00
Nelibar	700.00
Owais Karni	540.00
Gold Star	600.00
Urooj	670.00
Shaheen	540.00
Al-Falah	540.00
Zam Zam	520.00
A.T.M	570.00
Sun flower	540.00
Apple Soft	700.00
Apple Hard	680.00
Ton-Ton	670.00

10/S Cone (Soft)

Es Guard	1080.00
S.B.	910.00
Nelibar	900.00
Kinoo	1000.00
Malta	1080.00
Ayesha	900.00

12-14/S Cone (Cotton)

Super Motia	790.00
Model	790.00
Qadri	680.00
Adil	680.00

BUSINESS RECORDER

Tuesday, 20th June, 2017

16-18/S Cone (Cotton)

Nova 740.00

Chagi 710.00

Adil 730.00

Model 790.00

Neeli Bar 1180.00

Super Motia 840.00

Prince 740.00

Prince W 1150.00

Acro 1000.00

Apple 860.00

20/S Cone (Cotton)

Zahidjee 1330.00

Anmool 1310.00

J.K. 1320.00

Khalid Shafiq 1050.00

Acro 1250.00

Darulsalam 1300.00

Hadabia 1330.00

22/S Cone (Cotton Warp)

Crescent 1350.00

Yahya 1330.00

HAR 1340.00

Tayyab 1340.00

Polo 1330.00

Ulfat 1330.00

24/S Cone (Cotton Warp)

Polo 1375.00

Prince 1330.00

Acro 1300.00

H.A.R. 1320.00

Silver Lines 1365.00

ATM 1360.00

Anmool 1380.00

30/S Cone (Cotton Warp)

Al Noor 1420.00

Crescent 1430.00

Acro 1420.00

Glamour 1370.00

BUSINESS
RECORDER
Tuesday, 20th June, 2017

Arain 1410.00

J.K. 1400.00

Gulistan 1500.00

Ujalla 1400.00

Khalid Shafique 1440.00

Shafi 1400.00

Chakwal 1500.00

Anmool 1410.00

Ittehad 1410.00

Hadabiya 1420.00

32/S Cone (Cotton)

Ahmad 1460.00

Malikwal 1470.00

Chand 1450.00

J.K. 1525.00

Target 1480.00

Hadabiya 1475.00

A Three 1475.00

Araian 1465.00

Acro 1460.00

Nafees 1460.00

H.H. 1460.00

40/S Cone (Combed Cotton)

JK 1675.00

JK Carded 1520.00

Acro 1675.00

Nishat 1725.00

Betray 1600.00

Ittihad 1625.00

Al-Nasar 1720.00

Ejaz 1700.00

superior 1725.00

Nisar 1725.00

Three-G 1580.00

Suraj 1750.00

MKB 1550.00

Ramzan 1500.00

Ahmad 1540.00

Super Shaheen 1500.00

Darul Islam 1530.00

Four-G 1600.00

A. Three 1560.00

BUSINESS
RECORDER
Tuesday, 20th June, 2017

Azam 1520.00

Wasal Kamal 1500.00

Super Gold 1525.00

Jubilee 1500.00

Babri 1530.00

Sally 1575.00

52/S Cone (Combed Cotton)

Crescent 2175.00

Ittihad 2100.00

Suraj 2175.00

Al-Nasar 2075.00

Tanveer 2175.00

Sultan 1975.00

Diamond 1975.00

Koiyal 2150.00

Malikwal 1975.00

Parado 1950.00

Four Star 1975.00

N.P. 1950.00

Prime Plus 1975.00

Saif 1950.00

Super Shaheen 1825.00

Nafees 1950.00

Habib 2000.00

Colony 1950.00

Umer auto 1760.00

Two-G 1800.00

60/S Cone (Combed Cotton)

Nishat 2375.00

J.K. 2275.00

Mapal Leaf 2350.00

Koiyal 2425.00

Gujjar Khan 2375.00

Pagri 2325.00

Deen 2325.00

Alam 2325.00

Pagri 2375.00

72-74/S Cone (Cotton)

Prime 2500.00

BUSINESS RECORDER

Tuesday, 20th June, 2017

Commander 2500.00

N.P. 2575.00

Tower 2600.00

80/S Cone (Cotton)

Gold King 2675.00

Super King 2700.00

Mapel Leef 2825.00

Amjad 2750.00

Khan Buhadur 2725.00

Admiral 2850.00

Commander 2775.00

Four Star 2825.00

Rolex 3025.00

Diamond Gate 2975.00

Al Falah 2875.00

Chairman 2825.00

Battery 2875.00

Shanshah 2775.00

30-31/S Cone (Polyester Cotton)

Gold Star 139.74

Sun 130.56

JK 109.00

Bilal 103.00

Tahir Rafique 108.00

Zahidjee 106.00

Bashir 114.00

Shadman 105.00

Sarfraz 105.00

Cherry 105.00

Khalid Nazir 104.00

Wasal Kamal 104.00

North Star 105.00

Super Khuwaja 107.00

Anaar 112.00

Action 90.00

Marjan 108.00

Pak Panther-ll 106.00

Nayab 109.00

Kiran 115.00

NP 110.00

Mehtabi 105.00

Club 109.00

BUSINESS
RECORDER
Tuesday, 20th June, 2017

K.K. 108.00

Ruby 110.00

Metro 98.00

38/S Cone (Polyester Cotton)

Gold Star 150.96

Shahpur 136.96

North Star 135.00

A.D. 112.00

Multan 113.00

Golden 110.00

Kirshma 110.00

Al-Azhar 134.00

Sarhad 112.00

Aslam 103.00

Corolla 114.00

Royal 109.00

Chairman (N) 112.00

40/S Cone (Polyester Cotton)

A.A. 161.16

Mehtabi 135.00

Shadab 140.00

Mazan 131.00

40/S Cone (AV)

Koiyal 176.00

Super LG 162.00

A.J. 167.00

Ahmad Fine 168.00

Asheana 204.00

40/2 Cone (AV)

Koiyal 189.00

Super LG 180.00

A.J. 177.00

Ahmad Fine 178.00

30/S Cone (CVC)

Ayesha 126.00

SUN 134.65

Kamal 126.00

BUSINESS
RECORDER
Tuesday, 20th June, 2017

26/S Cone (PV)

AA 120.36

Ashiana 119.34

MM 97.00

Blue Star 99.00

Super Jett 101.00

Shuttle 97.00

M-4 102.00

Bemisal 95.00

Ghouri 97.00

U-2 98.00

L.G. 104.00

U-7 91.00

Triple two 96.00

AJ Gold 97.00

Candle 97.00

Jaguar 98.00

34-36/S Cone (PV)

A.A. 142.80

Ashiana 141.78

Sapna 133.00

Blue Star 110.00

Super Jett 112.00

Shahzad-H 112.00

Shuttle 107.00

Bemisal 106.00

Shuttle less 111.00

Cheeta 102.00

Candle 108.00

Target 106.00

Dewan 104.00

Royal 99.00

Spin Cott 108.00

H.R. 107.00

S.S. 120.00

Tanveer 110.00

44-46/S Cone (PV)

A.A. 171.36

Ashiana 170.34

Sapna 150.00

Super Jet 124.00

Bemisal 126.00

BUSINESS RECORDER

Tuesday, 20th June, 2017

Marghala 124.00

U-2 124.00

Cheeta 123.00

Target 124.00

S.S. 139.00

65/S Cone (PV)

Ashiana 222.36

U-2 176.00

Bemisal 174.00

Ghori 177.00

Cheeta 166.00

A.J Gold 176.00

Tanveer 177.00

Maqbool 177.00

L.G. 178.00

34/S Cone PP

Zamin 92.00

Shadman 112.00

Ellahi 114.00

Dewan 92.00

U-2 95.00

60/S Cone PP

Zamin 118.00

Anwar 115.00

Taj Mahal 111.00

36-38/S Cone (Staple)

Diamond Gate 1590.00

Marghala 1560.00

Saif 1580.00

Four Star 1590.00

A.J. 1590.00

Fazal Cloth 1570.00

L.G. 1560.00

Super Gold 1570.00

Azam 1580.00

Best 1590.00

K.P.K. 1540.00

Colony 1520.00

Martial 1530.00

BUSINESS RECORDER

Tuesday, 20th June, 2017

30/S Cone (Ecrylic)

Koial 166.00

Saif 168.00

Combine 152.00

40/S Cone (Ecrylic)

Koial 175.00

Saif 178.00

Combine 163.00

Pagri 177.00

BUSINESS
RECORDER
Tuesday, 20th June, 2017

Karachi Yarn Market Rate

RECORDER REPORT

KARACHI: Karachi Yarn Market Rates on Monday (June 19, 2017).

CONES CARDED

10/1.

Popular Fibre 920.00

Diwan 950.00

Tritex 930.00

12/1

Nadeem Textile 1120.00

Indus 1160.00

Popular Fibre 1100.00

Bajwa 1150.00

16/1.

Nadeem Textile 1200.00

United 1200.00

Popular Fibre 1150.00

Abdullah Textile 1150.00

Indus 1220.00

A. A. Cotton 1200.00

Tritex 1170.00

Bajwa 1210.00

21/1.

Ishtiaq Tex 1240.00

Al-Karam (A.K) 1250.00

Suriya Tex 1250.00

United 1250.00

GulAhmed (G.Lite) 1260.00

Popular Fibre 1220.00

Shadman 1240.00

Indus Dyeing 1290.00

Abdullah Textile 1220.00

Lucky Cotton 1230.00

A. A. Cotton 1300.00

Diwan 1240.00

22/1.

Bajwa 1270.00

United 1260.00

24/1.

A. A. Cotton 1370.00

Tritex 1320.00

26/1.

AL-Karam 1370.00

BUSINESS RECORDER

Tuesday, 20th June, 2017

Dewan
1320.00

Amin Text
1350.00

Shadman Cotton
1350.00

Diamond Int'l
1320.00

Popular Spinning
1300.00

Ishtiaq Textile
1320.00

Lucky Cotton
1320.00

A. A. Cotton Hosiery
1450.00

28/1

Abdullah Textile
1350.00

30/1.

Amin Tex.
1450.00

Al-Karam
1430.00

Jubilee Spinning
1350.00

GulAhmed (G.Lite)
1430.00

Lucky Cotton
1350.00

Diamond Intl
1400.00

A. A. Cotton Hosiery
1480.00

32/1

Abdullah Textile
1380.00

40/1

Lucky Cotton
1650.00

52/1

Lucky Cotton
1700.00

COMBED CONE

40/1

Indus CF
1740.00

20/2.

GulAhmed
1340.00

Amin
1350.00

Indus Dyeing
1360.00

Bajwa
1350.00

Shadman Cotton
1340.00

42/1

Abdullah Textile
1650.00

52/1

Abdullah Textile
1750.00

20/1. SLUB

Abdullah Textile
1300.00

30/1 SLUB

Abdullah Textile
1520.00

60/1.

Abdullah Textile
1750.00

70/1

BUSINESS RECORDER

Tuesday, 20th June, 2017

Abdullah Textile 1850.00

CHEES CONES

10/1.

Kasim Tex 700.00

Latif Tex. (Latif) 700.00

Super 690.00

Abdullah Textile (OE) 690.00

16/1. (O.E.)

Kasim Textile 880.00

Masal 870.00

RATES OF PAKISTANI/IMPORTED

POLYESTER YARN (PER LBS) + GST

Imported 50/36 FDY 90.00

Local Mill 130.00

Rupali 75/78 FDY NA

Import 75/72 FDY 72.00

Local Mill 82.00

Rupali 75/36/0 & 75/24 DT 90.00

Imported 75/36/0 DTY 84.00

Local Mill 83.00

Rupali 75/128 INT DTY 100.00

Local Mill 115.00

Imported 75/72 INT DTY 83.00

Local Mill 105.00

Imported 75/144 INT DTY 83.00

Local Mill 110.00

Rupali 300/96/INT DTY 80.00

Imported 300/96/INT DTY 70.00

Local Mill 66.00

Rupali 300/96/0 DTY 74.00

Imported 300/96 DTY 69.00

Local Mill 63.00

Rupali 75/24 INT DTY 100.00

Imported75/36 INT DTY 96.00

Local Mill 85.00

Rupali 150/48/0 DTY 76.00

Imported 150/48/0 DTY 71.00

Local Mill 70.00

Rupali 150/48 INT DTY 81.00

Imported 150/48 INT DTY 74.00

BUSINESS
RECORDER
Tuesday, 20th June, 2017

Local Mill 73.00

Imported 150/144 SIM 76.00

Local Mill NIL

RATE OF BLANDED YARN IN RUPEES

(PER LBS)

P.V. CONES

18/1 PV

A.A. Textiles 106.00

20/1 PVB

A.A. Textile 109.00

A. A. Cotton 109.00

24/1 P.V. BRIGHT

A.A. Tex. 114.00

Sana 109.00

A. A. Cotton (80:20) 114.00

26/1.PV Bright

A.A. Tex. 119.00

Sana 111.00

30/1 PV

A.A. Tex."Z" Twist 125.00

Sana 120.00

A. A. Cotton 125.00

26/1 P.V. (S.D.)

A.A. Textile 119.00

A. A. COTTON 128.00

36/1 PV (SD)

A.A. Textile 144.00

40/1. (PVB)

Sana 138.00

A. A. Cotton 145.00

A. A. Textile 145.00

46/1 PVSD

Ibrahim Fibre 169.00

28/1 PV SLUB

A.A. Clock Tower 148.00

30/1 PV SLUB

A. A. Cotton (PVB) 150.00

A. A. Cotton (PC) 155.00

A. A. Cotton SLUB (PP) 150.00

Sana SLUB (PP) 145.00

Sana (PV) 150.00

Sana SLUB (V) 165.00

40/1 SLUB

Sana (V) 180.00

BUSINESS

RECORDER

Tuesday, 20th June, 2017

SEWING THREAD YARN

Sana

21/1 PP 84.00

30/1 PP 96.00

40/1 PP 105.00

50/1 PP 122.00

20/1 PVT

Sana 118.00

30/1 PVT

Sana 128.00

10/1 PP

A. A. Cotton 93.00

12/1 PP

A. A. Cotton 98.00

16/1 PP

A. A. Cotton 103.00

20/1 PP

Sana 110.00

Diwan 98.00

A. A. Cotton 110.00

Agar 96.00

26/1 PP

A. A. Cotton 115.00

30/1 PP

Agar 101.00

Anwar 109.00

Sana 120.00

Diwan 103.00

A. A. Cotton 120.00

34/1. (PP)

A. A. Cotton 99.00

40/1 PP

A. A. Cotton 133.00

60/1. (P.P)

Agar 124.00

Diwan 125.00

Anwar 130.00

A. A. Cotton 146.00

8/.1.

A. A. Cotton (52 48) 95.00

10/.1.

Zainab 115.00

A. A. Cotton 95.00

Lucky Cotton 135.00

12/1

A. A. Cotton 100.00

BUSINESS RECORDER

Tuesday, 20th June, 2017

14/1

Zainab Tex 118.00

A. A. Cotton 105.00

16/1

AA SML Carded (52 48) 114.00

IFL (52 48) 120.00

A. A. Cotton 105.00

P.C. COMBED

20/1. PC

A.A.SMLCARDED 123.00

Zainab (Combed) 123.00

A. A. Cotton (Carded) 112.00

A. A. Cotton CVC (65 : 35 110.00

24/1. PC

A. A. SML Carded 123.00

Zainab (Combed) 128.00

A. A. Cotton 109.00

25/1

A.A. Cotton 117.00

30/1. PC (52 : 48)

Zainab Textile (combed) 138.00

Stallion 100.00

K. Nazir 112.00

Al-Karam 112.00

AA SML (Carded) 131.00

A. A. Cotton (Carded) 122.00

A. A. Cotton CVC (65 : 35 114.00

36/1. PC

IFL Tex (Combed) 149.00

A. A. Cotton 140.00

40/1 PC

A.A. Textile (Combed) 159.00

45/1 PC

Zainab 172.00

10/1 CVC

A. A. Cotton (60:40) 100.00

12/1 CVC

A. A. Cotton (60:40) 107.00

16/1 CVC

A. A. Cotton (60:40) 112.00

20/1 CVC

A. A. Cotton (60:40) 118.00

AASML 114.00

BUSINESS RECORDER

Tuesday, 20th June, 2017

24/1 CVC

A. A. Cotton (60:40) 123.00

Sana 146.00

AASML 111.00

30/1 CVC

A. A. Cotton 128.00

AASML 122.00

40/1 CVC

A. A. Cotton 140.00

40/.1. VISCOSE

Sana 160.00

Sana Acrylic 160.00

READY RATES OF STAPLE FIBER IN RUPEES

POLYESTER K.G.

I.C.I. 1.D 123.00

I.C.I. 1.2 (SD) 123.00

I.C.I. Bright 125.00

Rupali 1.D 123.00

Rupali 1.2 (SD) 123.00

Ibrahim Fiber (SD) 123.00

Ibrahim 1.D 123.00

Ibrahim Fiber Bright 125.00

Ibrahim Trilobal Bright 125.00

VISCOSE K.G.

FCFC 44 MM Taiwan 235.00

FCFC 51 MM Taiwan 235.00

Grysum India 235.00

Thai Reyon 51 MM 235.00

S.P.V. Ind. 51 MM Indones 235.00

ACRYLIC FIBER K.G.

Monty 1.2x51 Italy 205.00

Acelon Korea 1.2x51 205.00

DAWN
Tuesday, 20th June, 2017

Govt seeking powers to impose electricity surcharges

Khaleeq Kiani

ISLAMABAD: The government is seeking powers from the parliament to impose surcharges on electricity consumers and to reduce age of members and chairman of the National Electric and Power and Regulatory Authority (Nepra) to replace existing lot with fresh members of its choice.

This is being done through amendments to Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 – commonly known as Nepra Act – referred to the parliament even though the final draft had not been cleared by the Council of Common Interests (CCI) – a mandatory requirement under the Constitution.

A senior Nepra official explained in a background media briefing that proposed changes to the Nepra Act were not shared with the regulator for any comments or input while it was also not cleared by the CCI. In fact, he said the Khyber Pakhtunkhwa government had written a protest letter to the centre, saying the CCI had not cleared such changes, and should be withdrawn.

The official explained that the move appeared to be part of a larger scheme under which the government had also silently notified the transfer of five regulatory bodies to line ministries on June 6 even though three high courts of the country had suspended or stuck down similar earlier notification of December last year. “Such moves are apparently aimed at curtailing independent role of the regulator through procedural impropriety with mala fide intension despite opposition from various committees of the parliament and Senate chairman Raza Rabbani,” he said.

Law being amended to change Nepra chairman, members

On June 6, the government not only transferred again the five regulators to line ministries but also amended Rules of Business, 1973. Under these amendments, entry 53 from Cabinet Division has been deleted and new entries made under the finance ministry for Public Procurement Regulatory Authority, IT and Telecom Ministry for Pakistan Telecom Authority, Petroleum Ministry for Oil and Gas Regulatory Authority and Power Ministry for Nepra.

Interestingly, as the Nepra official spoke to the media, the Lahore High Court suspended this government order and directed Dr Iram Khan of the Cabinet Division, who signed the order, to appear personally before the court on June 30.

Under the proposed amendment, a new section 31A has been proposed for insertion in the existing Nepra law. It says the federal government may, in addition to the tariff determined by the Authority (Nepra), impose a surcharge on such consumer categories as may be notified in the official gazette, to be collected by a licencee (distribution company).

The bill also envisaged the surcharge would be used for discharging such public service obligations of electricity consumers towards elimination of electricity poverty as may be determined in the (yet to be approved) national electricity plan, including measures which are essential to achieve the goals of economic and social cohesion, environmental protection, energy efficiency, demand management, climate change and the security of energy supply.

Secondly, the government will also get the powers through the parliament to raise funds for such development projects as may be determined in the national electricity plan and which are aimed at improving provision of electric power services to consumers.

Third, it would also get powers to give effect to any tariff rationalisation or subsidy management guidelines as may be issued by the federal government from time to time.

Also, the bill seeks to reduce the qualification criteria, including maximum age of the members and chairman of Nepra from 65 to 62 years. The official said this clause would summarily end tenure of the three existing members and chairman of Nepra in a few months, leaving behind only Saifullah Chattha, member from Punjab, to continue for less than two years.

The fresh induction process would consume some time. The criteria for experience have been reduced from 15 to 10 years for members and from 20 to 15 years for chairman of the authority.

The first attempt for transfer of regulators to line ministry was withdrawn from CCI meeting in

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December when Sindh and KP opposed. However, a fresh item Amendment to the Nepra Act was taken on the agenda at the last moment without prior notice of the provinces.

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Cotton dips amid slow trading

The Newspaper's Staff Correspondent

MULTAN: Cotton trading slowed on Monday due to shortage of phutti (seed cotton) and lack of buying interest from spinners. The Karachi Cotton Association reduced its spot rate by Rs50.

Cotton brokers said phutti was arriving in the market in small quantities due to a ban previously imposed by the government of Punjab on early cotton sowing. Moreover, last year's stock has almost exhausted.

They said a jump in cotton prices was expected before Eidul Fitr.

Cotton picking was ongoing only in Pakistan, which was why cotton brokers from other countries were cautious about making new deals.

Meanwhile, All Pakistan Textile Mills Association (Aptma) has announced to hold a shutdown strike across the country to protest government policies for the textile sector.

Aptma chairman Amir Fayyaz said all textile mills have decided to go on strike as the government seemed least interested to resolve their issues. He said that black day will be observed on Tuesday (today).

On Monday, the price of phutti was Rs3,300 in Kunri, Rs3,350 in Umerkot, Rs3,325 in Dharo, Rs3,300 in Thatta, Rs3,450 in Burewala and Rs3,350 in Badin. Major deals on the ready counter were: 755 bales from Haroonabad at Rs6,900 per maund (around 37 kilograms), 200 bales from Shahdadpur at Rs6,550 a maund, 200 bales from Mirpur Khas at Rs6,500, 200 bales from Tando Adam at Rs6,550, 400 bales from Rahim Yar Khan at 6,850 and 290 bales from Vehari at Rs6,775.

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	**6,650**	**135**	**6,785**
40 Kgs	**7,127**	**145**	**7,272**

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MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.50	104.70	105.90	106.10
UK	133.45	133.71	135.25	136.50
Euro	117.00	117.23	118.20	119.25
S.Arabia	27.87	27.92	28.15	28.35
UAE	28.45	28.51	28.80	29.00
Japan	0.9413	0.9431	0.9464	0.9664

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

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

LIBOR

Special US dollar bonds for June 16

Three months	1.27356 %
Six months	1.43267 %

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Govt rolls out Rs98.9 billion for water, power projects

ISLAMABAD: Out of a total allocation of Rs162,583.333 million, the government has released Rs98,839.233 million under annual Public Sector Development Programme (PSDP) 2016/17 for various power and water projects, numbers issued by planning department showed on Monday.

According to Ministry of Planning, Development & Reform, against a total apportionment of Rs130,867.225 million, Rs74,346 million was rolled out for power sector , while Rs24,293.333 million was issued for water projects against a total allotment of 31,716.370 million.

An amount of Rs14,000 million was extended for construction of Diamer-Bhasha dam, Rs30,000 million each for 1200 MW LNG-based power plants in Baloki and Haveli Bahadurshah, Rs196 million for 132 KV Pasinzai Grid station with transmission line (Quetta) and Rs150 million for 132 KV substation at Gwadar deep sea port.

Similarly, Rs1000 million was given out for the development of Darwat dam, Rs1000 million for the construction of small storage dams (Balochistan), Rs9115 million for Kachi Canal Project (Phase-1), Rs3000 million for Nai Gaj dam, Rs500 million for lining irrigation channels in Punjab, Rs1550 million for remodeling Warsak canal, Rs700 million for raising Mangla dam project, and Rs836.370 million for the re-construction of Shahdi Kour dam.

Moreover, an amount of Rs500 million was released for Rainee canal (Phase-I-II), Rs600 million for rehabilitation of irrigation system in Khyber Pakhtunkhwa, Rs979.463 million for remedial measures to control waterlogging (Muzaffargarh), Rs700 million for Basool dam, Rs1000 million for the construction of 100 delay action dams in Balochistan, Rs470 million for channelisation of Nullah Deg in Punjab, Rs200 million for Ghabir Dam, Rs300 million for Kurram Tangi dam, Rs550 for Makhi Farash Link Canal Project (Phase-II), and Rs15 million for Mohmand dam project.

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Revenue body attaches strings to tax on income from IFIs

KARACHI: The Federal Board of Revenue (FBR) will impose tax on net income from Islamic mode of financing only if financial institutions meet certain conditions and get auditor's certification, it said on Monday.

"In the light of the principle of tax neutrality explained in Income Tax Rules 2002, the net income (as opposed to gross receipts) from Islamic mode of financing namely Murabaha, Musawamah, Bai Muajjal, Bai Salam, Istisna, Tijarah, Istijara financing and Tawarruq/Commodity Murabaha should be considered as turnover for the purpose of levying minimum tax with the condition that tax neutrality condition is met and auditors also certify the requirement," FBR said in a notification.

The government, in the budget for 2017/18, announced a measure to consider Shariah-compliant financial institutions at par with conventional banking in terms of tax liability on inter-bank transactions and when it comes to taxation on their investment products.

The apex tax authority was informed that receipts on account of Islamic financing products, namely Murabaha, being a transaction of sale and purchase of underlying goods, is treated as gross receipts for the purpose of levying minimum tax under Section 113 of Income Tax Ordinance.

FBR's notification explained the interpretation of income tax treatment of various Islamic banking products in order to clarify the non-discriminatory environment for the Islamic financial system.

Islamic financial institutions enter into Ijara for assets given on lease under Islamic mode. In terms of guidelines under Islamic Financial Accounting Standards (IFAS-2), gross rentals are accounted for in the accounts against which depreciation is charged on straight line basis over the lease period.

As a result, net income from Ijara is recognised in the accounts. The board received complaints that assets given in Ijara had been treated as finance lease on certain grounds, and depreciation was disallowed under the Seventh Schedule of Income Tax Ordinance, 2001.

It said the rationale of placing restriction on claiming depreciation upon the assets given on finance lease has not been appreciated properly. "Banks are allowed depreciation on assets so they can claim depreciation on assets given on lease, including finance lease," the FBR said. "Since in respect of finance lease, the income recognised in the accounts is finance income, therefore, as per income tax rules the depreciation would then not be allowed to the bank as lessor."

In order to provide tax neutrality to assets given on lease under Islamic mode vis-à-vis conventional mode, FBR said profit implicit in the Ijara financing income should be recognised for tax purposes – as in case of finance lease by other banking companies – with conditions that Islamic banks fulfill the requirement laid down in the Ordinance.

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FBR may fall short of Rs100bln against annual tax target

ISLAMABAD: The Federal Board of Revenue (FBR) is likely to face Rs100 billion in revenue loss as compared to the tax target set for the outgoing fiscal year, officials said on Monday.

"FBR should collect Rs3,421 billion instead of Rs3,521 billion till June 30," said a top official. The official said efforts, however, are being made to touch Rs3,450 billion and, "it should be considered as an achievement."

If compared with the initially-envisaged target of Rs3,621 billion the revenue loss would be Rs200 billion for the fiscal year, ending June 30, 2017. The government revised down the target to Rs3,521 billion.

Officials said various relief measures, taken by the government in shape of reduced petroleum prices, tax incentives on fertiliser, export package and others caused revenue loss to the tune of Rs170 billion in the first eleven months (July-May) period of 2016/17.

The tax machinery collected Rs2,860 billion in July-May. The FBR will have to collect Rs561 billion in June to meet the target. There are increased numbers of holidays and short working hours in Ramazan and Eid-al-Fitr.

But, there have been exceptions in the past. FBR collected Rs465 billion in June 2016 and Rs381 billion in 2015. An official said the government decided to defer new valuation rates for property till the starting of the next fiscal year. "Now, we will jack up valuation rates for property for 15 to 20 major urban centers in the first ten days of July," he added.

On withdrawal of zero-rating for five major export-oriented sectors, the official confirmed that the government was considering withdrawal of this facility, because the zero rating was allegedly misused by certain quarters as some of them were seeking refunds on packaged material despite an agreement that they would not seek such refunds.

Meanwhile, Finance Minister Ishaq Dar directed FBR to take all necessary measures to meet the tax collection target for the current fiscal year. "The prudent policies of the present government, and the efforts of FBR, had resulted in 60 percent growth in tax revenue collection between FY 2012/13 and FY 2015/16," Dar said in a statement.

Minister Dar was speaking at a meeting on Sunday at the ministry of finance on matters related to FBR. Haroon Akhtar Khan, special assistant to prime minister on revenue, Muhammad Irshad, chairman of FBR and senior officials of the finance ministry attended the meeting.

Irshad said all efforts are being made to attain the collection target for the current fiscal year. Sources said the apex tax authority was mulling to attach bank accounts of tax defaulters in a desperate move to meet the target.

FBR chairman Irshad said a comprehensive strategy is being finalised for the tax collection during the next fiscal year. Minister assured his full support to FBR for achieving the revenue targets for 2017/18. He appreciated the contributions of FBR officials in the preparation of the budget for 2017/18, which has recently been passed by parliament.

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Cotton falls

Karachi

Dull trading prevailed at the Karachi Cotton Exchange on Monday, while spot rates decreased Rs50/maund, dealers said.

The spot rates fell to Rs6,650/maund (37.324kg) and Rs7,127/40kg. Ex-Karachi rates also dropped to Rs6,785/maund and Rs7,272/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.

Naseem Usman, chairman of the Karachi Cotton Brokers Association, said an increase in the arrivals of new crop is expected, while lint prices have come down by Rs600/maund in the last few weeks. Cotton market recorded only single transaction of 755 bales of Haroonabad at Rs6,900/maund.

Around eight ginning factories in Sindh's cities Shahdadpur, Mirpurkhas, Sanghar, Tando Adam and Mirpur Bathoro has partially started operations and 4,000 bales have been ginned.

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Govt has no funds to meet textile millers' demands

ISLAMABAD - Textile millers' demands are unlikely to meet in near future due to lack of funds, revealed the source in the Ministry of Textiles here on Monday.

According to sources, Ministry agrees with the most of the demands of the All Pakistan textile Mills Association (Aptma) but there is severe shortage of funds. "We have been writing repeatedly to the Ministry of Finance to release funds but there is a lukewarm response, only Rs9 billion were released against our demand of Rs40 billion to implement PM's export package," well placed source said.

She said that instead of putting their demands in front of the textile ministry, the millers should question the finance ministry and other departments concerned. Textiles ministry job is to make policies and to work as a liaison between different departments to facilitate the textile sector, they added. It can only request not dictate to the Ministry of Finance, she added. She said that the textile policy and other favourable rules and procedures were initiated by the Ministry of Textiles.

It is pertinent to mention here that the textile millers have announced a strike after Eid and threatened to close their factories if their demands not met. The association is demanding immediate implementation of Rs180 billion export package announced early this year. They are asking for clearing payment against Refund Payment Orders (RPO). The association also demands removal of GIDC on RLNG.

"We have been writing to Ministry of Finance and other related departments to release funds to clear RPOs but we have received no response yet," the source said.