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Textile exports:

Less than modest increase despite PM's package

ZAHEER ABBASI

Pakistan's textile exports have registered a very nominal increase of 0.04 percent during the last fiscal year despite the Prime Minister's incentive package for the exporters. According to export figures of selected commodities released by the Pakistan Bureau of Statistics (PBS) on Thursday, Pakistan's textile exports showed a very marginal increase in the just concluded fiscal year after these increased to $12.452 billion in 2016-17 from $12.447 billion in 2015-16. Exports of raw cotton were down by 44 percent to $42.852 million during the last fiscal year as compared to $76.631 million for a year before while exports of cotton yarn fell by 1.69 percent to $1.243 billion from $1.264 billion.

A decline of 4.23 percent was also noted in exports of cotton cloth subsequent to their exports declined to $2.120 billion in 2016-17 from $2.213 billion in the year before. However, a growth of 62.7 percent in the exports of cotton carded or combed after export of commodity increased to $235000 from $145,000. Yarn other than cotton yarn exports declined by 25.65 percent to $24.351 million in the last fiscal year from $32.751 million for the preceding fiscal year while exports of knitwear decreased to $2.362 billion from $2.363 billion, reflecting 0.07 percent fall.

Bed wear exports have registered an increase of 5.65 percent and reached $2.133 billion during the last fiscal year as opposed to $2.019 billion for fiscal year 2015-16. Towel exports decreased by 2.04 percent to $786.606 million in 2016-17 from $802.966 million in 2015-16 and exports of tents, canvas and tarpaulin in July-June 2016-17 improved to $133.853 million from $85.083 million in 2015-16, showing an increase of 57.32 percent, while exports of readymade garments after a growth of 5.5 percent increased to $2.316 billion in the last fiscal year from $2.195 billion from a year before.

Art, silk and synthetic textile declined by 29.05 percent during the last fiscal year as its exports decreased to $204.272 million from $287.894 million in 2015-16 and exports of other textile material declined by 7.80 percent. However, there was an increase of 2.62 percent in exports of made up article, excluding towel bed-wear, which increased to $644.709 million from $628.256 million during the period under review.

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Power sector's woes:

Ministry plans to raise Rs 185 billion loans to pay off loans

MUSHTAQ GHUMMAN

Ministry of Water and Power has reportedly planned to raise around Rs 185 billion loans from private banks afresh to pay existing loans as power Distribution Companies (Discos) have expressed their inability to pay loans due to financial constraints, well-informed sources told *Business Recorder* . Ministry of Water and Power, sources said, has submitted four or five similar summaries to the Economic Co-ordination Committee (ECC) of the Cabinet. These summaries were part of the agenda of the ECC held on July 18, 2017 but did not come under consideration.

Ministry of Water and Power, in its summaries, has claimed that the power sector has shown marked improvement in its performance in the past two years. The recoveries which remained in the range of 88%-89%, have now crossed 93% in 2015 and 2016, the highest in the history of the sector. Similarly, the T&D losses which were around 19% in 2014 came down to 17.8% in December 2016. These two accounts by themselves have provided positive cash flows to the power sector totaling Rs 116 billion in the past two years. Gencos were making a cumulative loss of Rs 7.785 billion in 2013-14, and not only overcame their losses but reported a profit of Rs 5.772 billion in 2015-16.

All these achievements as well as historic drop in oil prices helped to keep the power sector's circular debt within the range of 320-330 billion from December 2014 till June, 2016. These two years (2014-15 and 201 5-16) were the only fiscal years in the past more than a decade, when no losses of the power sector were paid out of the federal budget which on average used to be around Rs, 200 billion annually in the past. This brought down power sector's burden on national budget from 2.4% of GDP in 2012-13 to around 0.7% of the GDP in 2014-1 5, (only subsidy allocations).

The other stream of cash flow into the power sector are the subsidies payments out of federal budget, which are announced by the government from time to time, with an aim to provide relief to low income groups, less developed regions and to allow competitive cost of production to industries and agriculture. A large part of subsidies payment is through imposition of Tariff Rationalization Surcharge (TRS) on high end consumers. A reconciliation process is going on between the Ministry of Water and Power and the Ministry of Finance over some subsidy claims and arrears which are expected to be settled in the coming months.

Pursuant to the approval of the Economic Co-ordination Committee (ECC) of May 16, 2014 syndicated term finance facility for Rs 30.95 billion was executed between Power Holding (Private) Limited and consortium of local commercial banks for the purposes of funding the repayment liabilities of the Discos on the terms and conditions approved by the Finance Division.

The major terms and conditions of Rs 30.95 billion financing facility was disbursement of 25.70 billion on May 21, 2014 and Rs 5.25 billion on June 6, 2014. The tenor was up to five years, inclusive of grace period of twenty four months from the first disbursement date with grace period applicable to principal repayments only.

The loan was obtained at 6 month KIBOR (base rate) + 2.00% per annum (spread). However, there was one percent rebate/reduction in spread, in case installment payments are made within 30 days of the due date. Mark-up loans had to be paid in installments on a semi-annual basis whereas principal had to paid in 6 equal semi-annual installments after completion of grace period.

The sources said, Ministry of Water and Power has imposed Debt Service Surcharge (DSS) on electricity consumers for the purposes of payments on account of mark-up, to the syndicate as and when due, in respect of the PHPL financing facilities including Rs 30.95 billion syndicated term finance facility. However, due to limited available fiscal space and liquidity, power sector does

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not have the capacity to pay principal installments. Ministry of Water and Power and Ministry of Finance are working on a settlement plan for the PHPL financing facilities. The grace period of twenty four months of Rs 30.95 billion syndicated term finance facility has been completed and payment of semi-annual installments on account of principal portion amounting to Rs 5,158,333,333 has become payable semi-annually.

The Distribution Companies (Discos) / power sector will have to arrange funds through borrowings from local commercial banks in order to discharge their liability towards syndicate on account of principal installments in respect of Rs 30.95 billion syndicated term finance facility. The proposed loan will be arranged on behalf of power distribution companies by Power Holding (Pvt.) Limited through a syndicated term finance facility and this will be cash neutral transaction. The consortium of local banks comprising Meezan Bank Limited, Allied Bank Limited & Bank of Khyber has agreed to provide fresh financing facility of Rs 30.95 billion and in this regard draft term sheet received from the syndicate.

Power Holding (Private) Limited is a public sector entity without assets and will be responsible for arranging loans amounting to Rs 30.95 billion for power sector companies for the purposes of adjusting the existing facility of Rs 30.95 billion executed pursuance to the Economic Co-ordination Committee (ECC) of the Cabinet. In the other four summaries, with similar wording, Water and Power Ministry has sought permission to get Rs 40 billion, Rs 25 billion, Rs 7 billion and Rs 82 billion totaling it to Rs 154 billion from other consortium of banks. The ECC is expected to consider these summaries during its next meeting. The sources said Finance Ministry has agreed only to summary of Rs 30.95 billion and asked Water and Power Ministry to share terms and conditions of remaining loans.

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ECB leaves ultra easy monetary policy unchanged despite better growth

RECORDER REPORT

The European Central Bank left its ultra easy monetary policy unchanged on Thursday and did not even discuss clawing back stimulus, suggesting it may delay an inevitable decision on tapering bond buys until the latest possible moment. Maintaining a pledge to extend or even increase debt purchases if needed, ECB President Mario Draghi said the bank did not even go so far as to ask staff committees to prepare options for tweaking stimulus. Policymakers would revisit the topic only in the autumn, he said.

Having been burned by a mini tantrum in financial markets last month when he raised the prospect of policy tightening, Draghi was careful to give away as few hints as possible about the bank's next move, emphasising the need for patience and persistence to raise inflation back to target.

"We were unanimous in communicating no change to the forward guidance and also we were also unanimous in setting no precise date for when to discuss changes," Draghi told a news conference. "We simply said that our discussions should take place in the fall." "We need to be persistent and patient because we aren't there yet, and prudent," Draghi said. The benign tone, coming just weeks after Draghi said better growth would provide the ECB room to tighten policy to keep the broad level of accommodation, was seen as trying to delay an inevitable decision on asset buys, now set to run until the end of the year.

Those comments in the Portuguese mountain town of Sintra doubled German 10-year yields and sent the euro more than 3 percent higher, raising fears that the ECB could undo its own work by moving too early. "Draghi clearly wanted to put the Sintra dogs back on the leash," ING economist Carsten Brzeski said. "It was an attempt to force a calm summer in financial markets by stopping and even rewinding latest taper speculations."

Economists prior to Thursday predicted a decision on the quantitative easing (QE) programme in September but Draghi's comments make October a more likely option with December now also put in play. Not tasking staff committees may be a significant sign as many major policy changes in recent years have been preceded by the announcement of such work.

The euro rose to its highest level in nearly two years but bond yields dropped a touch and the premium investors demand for holding euro zone periphery government bonds over top-rated German peers narrowed. "In fact, Draghi seems to allow for the possibility that the decision on how to extend QE will not be announced in September, and the exact details may follow later - 26 October, or even 14 December," Marchel Alexandrovich, an economist at Jefferies said.

ECONOMIC OUTLOOK With the euro zone economy now growing for the 17th straight quarter, its best run since before the 2007-08 global financial crisis, the ECB is growing more confident with the outlook, supporting Draghi's suggestion of easing off the accelerator after printing nearly 2 trillion euros to jump start growth. But the prospect of reduced monetary stimulus is keeping financial markets edgy, with investors sifting through clues to gauge how big central banks around the globe will unwind unconventional policy that have kept borrowing costs at rock bottom.

The biggest headache for the ECB may be the apparent disconnect between inflation and growth. Having bought trillions of euros worth of government and corporate debt for years, the ECB has rekindled growth and the euro zone is creating jobs faster than expected. But wage growth remains anaemic, keeping a lid on inflation, which is likely to undershoot the ECB's target of almost 2 percent at least through 2019. This suggests that easy monetary policy will have to continue for years to come.

Draghi argued on Thursday that while wage dynamics have indeed changed in the decade since the start of the crisis, these are temporary so rather than changing tools or targets, the ECB just needed patience. Policymakers told Reuters earlier that they would not want to put an end date on the buys or a schedule on tapering, maintaining flexibility and avoiding a perception that it was on a preset course.

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Fiscal accounts:

IMF/World Bank to assist in improving compilation

RECORDER REPORT

The International Monetary Fund/World Bank will provide technical assistance to improve/strengthen compilation of fiscal accounts to Pakistan and the government has given its assurance that it would adopt government finance management manual GFSM (2001) over the medium term.

This was revealed in Article-IV consultation report uploaded on the IMF website in the second week of July stated that "the authorities have hinted their intent to adopt the methodology GFSM 2001 over the medium term" and in line with the Board decision of October 2010 to strengthen fiscal analysis". The Pakistan government has compiled, with IMF assistance, a fiscal table in the GFSM 2001 presentation. However the report adds that "further improvements in government finance statistics are needed and the authorities are making progress toward that objective in the context of the Project for the Improvement of Financial Reporting and Auditing (PIFRA)".

The Article IV Consultation report however notes that in Pakistan no data is reported on transactions in non-financial and financial assets and liabilities. And, the report adds that the government reports "higher frequency data for inclusion in the International Financial Statistics (IFS)." The principal issue involving GFS is to reduce the size of the statistical discrepancy between the financial and non-financial accounts which is reported to Middle East and Central Asian Department (MCD).

The IMF Statistics Department's GFSM 2001 updated the 1986 edition of the manual on government finance statistics to cover concepts, definitions, classifications, and accounting rules, as well as provide a comprehensive analytic framework within which the statistics can be summarized and presented in a form appropriate for analysis, planning, and policy determination. GFSM 2001 provides principles for economic and statistical reporting for compiling statistics as well as providing guidelines for the presentation of fiscal statistics.

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BoD finalises valuation of PSM land

MUSHTAQ GHUMMAN

Pakistan Steel Mills (PSM) Board of Directors (BoD) on Thursday finalised valuation of 1,500 acres of land at Rs 14 million per acre for establishment of Special Economic Zone (SEZ) near PSM under the aegis of China Pakistan Economic Corridor (CPEC). However, one of the participants told *Business Recorder* that Board has not approved Rs 14 million per acre price and recommended for revaluation of land price as prevalent price is around Rs 25 million.

The decision was taken by the Board headed by Engineer Jabbar Memon in its meeting held in Islamabad. The Board also directed PSM to finalise deal with NIP for 930 acres of land for industrial park. Well informed sources in Privatisation Commission told *Business Recorder* that the Ministry of Industries and Production (MoI&P) in its letter of January 26, 2017 stated: "Prime Minister has accorded approval for utilization of 15, 00 acres of PSM land for development land of an industrial park under CPEC". The Ministry had also directed PSM to place the issue before the Board of Directors for final approval.

According to sources in compliance with MoI&P directives, the matter was placed before the BoD wherein it was suggested that 1,508 acres of unutilized land, already declared as investment property, may be leased out for industrial park under CPEC on "as is where is" basis for a period of 60 years @ Rs 40 million per acre and annual ground rent of Rs 10 per square yard per annum with 10 per cent annual increase.

The Board discussed the matter in its 389th and 390th meetings held on April 6, 2017 and May 12, 2017. After detailed discussion, the Board advised PSM management to evaluate 1,508 acres of land already declared as investment property and proposed it as CPEC industrial park from one of the top listed valuators M/s K.G Traders(Pvt.) Limited, approved by State Bank of Pakistan/Pakistan Banks Association to enable PSM to get a fair market value of its land.

M/s K.G Traders(Pvt.) Limited evaluation was as follows: (i) 305 acres - DSIE-III land Rs 16 million; (ii) 428 acres Badal Nala land Rs 13 million; and (iii) 775 acres Badal Nala Rs 14 million per acre. The average per acre land has been evaluated at Rs 14 million. The source said, Board will write to the Prime Minister secretariat and ask that the government should pay the amount upfront so that mills liabilities are cleared.

The issues are as follows: (i) judgment of June 2, 2014 passed by the court of appeal for British Colombia in appeal filed by Sociedade-de-Fomento Industrial Private Limited versus Pakistan Steel Mills; and (ii) Arbitration case between M/s Sesa Goa and Pakistan Steel Mills before the sole arbitrator appointed by ICC and payment of outstanding dues of M/s Concord and handing over of COB-1 to COBP.

Revision of pay scales and grant of ad-hoc relief allowance-2015 of management/ executive grade officers of PSM from July 1, 2015, payment of basic pay scales and promotion of General Manager (PMMC-III) to PEO (PSMC-II) cadre were also on the agenda of the meeting.

According to a press release, the Board after thorough discussion of the agenda items, made following decisions, issued instructions and provided strategic directions to the management. The Board inducted new directors namely, Sardar Ahmed Nawaz Sukhera holding charge of Privatization Commission and Captain Aijaz Ahmed, Additional Secretary -I MOIP. The Board confirmed the minutes of last BoD meeting and deferred the recommendations made by Board Human Resource Committee in regard of promotion and decided to ask management to revisit the entire issue by identifying the essential promotions along with financial impact for reconsideration of the recommendations made by BHRC.

The Board adopted and approved the recommendations made by committee for National Industrial Park affairs and decided to ask Ministry of Industries and Production to resolve this issue by asking NIP to immediately settle the receivables on account of sale of about 600 acres land of 930 acres earlier given by PSM for establishing the

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industrial park. The Board adopted the recommendations of committee to ask NIP to make payment of land in accordance with the land values prevailing during the relevant period of sale of lands respectively five, six, seven and thirteen million per acre. The last valuation of Rs 13 million per acre is the reference value given by Privatization Commission based on land valuation made for PC for financial of privatization of PSM. The Board also asked management to convey to NIP that in case of delay in making payment, the same will be adjusted for settlement of liabilities of PSM. The Board also adopted the valuation an average of Rs 14 million for about 1500 acres of land for establishment of special economic zone as was desired by the PM Secretariat for establishment of SEZ. The information in relation of cases against PSM in overseas was noted with direction to management to take all necessary measures to protect the interest of PSM.

The other information in relation of important plants like coke oven battery was noted, the compliance with Public Sector Companies (Corporate Governance) Rules 2013 were advised to be rechecked for its compliance with Board Audit & Finance Committee (BAFC). The revision of pay scales and grant of ad hoc relief allowances by government up to recent past were recommended to Finance Ministry through MOIP.

The board also resolved to ask Privatization Commission about the time frame work based strategy of Privatization of PSM and also seek the clear direction so that other options of including rehabilitation can be prudently structured. The board also discussed the recommended reference by NA Standing Committee on Production as to the reasons of its long duration closure adding to the losses on an average of Rs 1.4 billion per month in addition to already existing huge portfolio of liabilities of Rs 170 billion.

The Board recommended audit committee to study the figure work as how much loss has incurred since closure of the mill and find out the reasons of long closure for more than 2 years and identify the responsibility in this regard.

The Board directed that committee should bring this report before the Board in next BoD meeting. The Board was of the opinion that it owns ownership of burden of discharge of his duties and role as assigned by Companies Ordinance, therefore all the options of cost cutting, savings, possible working of several units of PSM may constitute the development of comprehensive report and recommendations to Ministry of Industries and Production and to PC. The board on cost cutting measures directed that one more holiday in addition to two weekly holidays be implemented to save expenditures till PSM is back to production and further asked the management to examine all the venues where expenditure can be curtailed.

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THE RUPEE: Falling trend

RECORDER REPORT

Declining trend persisted on the money market on Thursday in the process of trading, dealers said. The rupee lost 10 paisas against the dollar for buying and selling at Rs 105.33 and Rs 105.35, dealers said.

INTER-BANK MARKET RATES: OPEN MARKET RATES: The rupee also shed eight paisas versus the dollar for buying and selling at Rs 107.10 and Rs 107.30 respectively, they said. The rupee did not fluctuate sharply in terms of the euro for buying and selling at Rs 122.30 and 123.30 respectively, they said.

In the fourth Asian trade, the euro held near a 14-month high against the dollar on Thursday as investors look to hints from the European Central Bank on tapering of its stimulus, while the yen barely budged after the Bank of Japan kept monetary policy on hold.

The ECB is expected to lay the groundwork for an autumn policy shift when it meets on Thursday, emphasising improved growth while trying to temper expectations after previously setting off a mini-tantrum in financial markets.

ECB President Mario Draghi opened the door to policy tweaks in a speech in Sintra, Portugal, in late June, leading to expectations that the ECB is ready to announce cuts in its asset purchasing programme.

The euro is now at $1.1515, backing off a tad from Tuesday's $1.1583, its highest level since May 2016 but still maintaining gains of 3.0 percent since Draghi's Sintra speech.

The dollar was trading against the Indian rupee at Rs 64.380, the greenback was at 4.288 in terms of the Malaysian ringgit and the US currency was available at 6.765 versus the Chinese yuan.

Open Bid	Rs. 107.10
Open Offer	Rs. 107.30

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

Bid Rate	Rs. 105.33
Offer Rate	Rs. 105.35

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

The dollar resumed trading on its overnight closing trend of Rs 107.20 and Rs 107.40 as its buying and selling rates respectively.

At the close, it gained by 10-paisa on buying counter and ended at Rs 107.10. However, no change in its value took place on selling counter as it sustained its opening rate of Rs 107.40, local currency dealers said.

Furthermore, the local currency showed strength as it recovered its day earlier losses versus the pound sterling.

The pound's buying and selling rates slid from Wednesday's closing rates of Rs 138.30 and Rs 139.20 to Rs 138.00 and Rs 138.80 respectively, they added.

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

The dollar opened at Rs 106.40 (buying) and Rs 106.50 (selling) against same last rate. It closed at Rs 106.40 (buying) and Rs 10650 (selling).

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AFD to provide euro 165 million for energy sector development

RECORDER REPORT

Pakistan and French Agency for Development (AFD) Thursday signed Euro 165 million soft loan agreements to improve energy sector. The agreements were signed by Secretary, Economic Affairs Division (EAD), Shahid Mahmood, Ambassador of France, Martine Dorance and Country Director French Agency for Development (AFD), Jacky AMPROU.

Finance Minister Senator Ishaq Dar witnessed the signing of loan agreements for financing of energy sector projects including Power Transmission Enhancement Investment Tranche-IV and Mangla Power Plant Rehabilitation Project. Speaking on the occasion, Ishaq Dar appreciated the AFD's continued support and assistance for economic development of Pakistan. He also lauded and welcomed AFD`s new strategy to develop and open new sectors of cooperation like water and sanitation in Faisalabad, Clean Energy project in Kyber Pakhtunkhwa and Punjab and Urban Transport System in Kyber Pakhtunkhwa. Ambassador of France Ms Martine Dorance said that France and Pakistan enjoyed long history of cooperation and that the Government of France was pleased to support the Government of Pakistan in different areas.

She said relations of both the countries would further be promoted in different sectors. The main objective of the programme is to make energy sector more affordable, reliable and sustainable, supporting the country's economic growth through expeditious implementation of the National Power Policy, 2013. Under these programs, the government has embarked on a substantial reform initiative that aims to address financial sustainability issues in the energy sector.

This includes recently passed legislation that will improve governance through more clearly defined roles for both the government and the energy sector regulator, reducing debt levels in the energy sector, and increasing investment. The energy reform program demonstrates government's commitment to improve the reliability, sustainability, and affordability of the energy sector. Maintaining the momentum for reform will help ensure that all Pakistanis have access to electricity, while keeping the economy on a high-growth path.

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Country's reserves decline to $21 billion mark

RECORDER report

The country's foreign exchange reserves continued downward trend and reached below $21 billion mark in the end of the last week. According to State Bank of Pakistan's (SBP) weekly foreign exchange reserves report issued on Thursday, the country's total liquid foreign reserves were declined $ 618 million to $ 20.83 billion during the week end on July 14, 2017 as compared to $ 21.448 billion as on July 7, 2017.

During the week under review, reserves held by SBP witnessed downward trend and declined by $ 719 million during the last week. SBP's reserves reached below $16 billion mark and stood at $15.479 billion end of the last week down from $16.197 billion a week earlier. However, reserves held by banks posted an increase of $ 101 million to $ 5.352 billion.

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Master bill of lading should be a mandatory document for import: Apparel Forum

RECORDER REPORT

Pakistan Apparel Forum has asked the government to make master bill of lading a mandatory document for import of goods more especially fabrics. This demand was made in a letter, sent by Chairman PAF, Muhammad Jawed Bilwani, to the Federal Commerce Minister, Khurram Dastgir Khan. Bilwani also expressed concerns over release of 106 loaded containers of fabric smuggled from India that would flood the local market, upstaging the country's own manufactured items.

"The House Bill of Lading as such is not a lawful document while the Master Bill of Lading is a valid legal document which can be verified online," the letter says. Bilwani pointed out that the Customs had seized 18 containers loaded with banned Indian cloths. He said that some 106 of such containers with the illegal goods were cleared that subsequently flooded the local markets, purportedly cleared with the involvement of some dishonest elements at the dry ports of Lahore, as media report reveals.

Bilwani demanded of the government to punish the organized racket of the fabric smugglers and its facilitators in accordance with the law. He urged the relevant authorities to take strict preventive measures to end the menace of smuggling of the banned Indian goods into Pakistani markets. He said that the smuggled goods have turned the local industry unviable and pushed it near to closure.

He further said that more than 221,500 power looms have been closed amid disastrous effects of smuggled fabric to local markets. Majority of looms closed in the major districts of Punjab as the banned Indian grey cloths were smuggled in the guise of imported fabric of Chinese origin.

The most affected cities where power looms are closed and scrapped included: Gujranwala, Faisalabad, Kasur and Multan. Resultantly, he said, the manufacturing units scaled back to the lowest level of production. He feared the smuggled goods would bring the local industry to the dead end if continued to flood the local markets of the country.

Further, he said, the closures of units would spur layoff of employees that may lead to social disorder in the country. He said that the government has turned a blind eye to the critical situation of the local textile sector. He said the smuggled goods also cause losses to the tune of millions of rupees to the industry.

"To eradicate smuggling, eliminate under-invoicing and expose and punish the culprits behind such scandalous acts, we reiterate our demand to the Government, which we are raising for the last one decade, that the Government must declare mandatory that the all imported products (particularly fabrics) must only be imported and allowed only under Master Bill of Lading issued by the shipping companies instead of House Bill of Lading issued by Freight Forwarding Agents."

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APBUMA to hold seminar on July 25

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All Pakistan Bedsheets & Upholstry Manufacturers Association (APBUMA) and Trade Development Authority of Pakistan (TDAP) will organise an awareness seminar on July 25 in Multan to familiarise local exporters with recently introduced Registered Exporter System (REX) in order to facilitate the Pak exports to EU countries under GSP Plus scheme, said Khawaja Muhammad Younas, Chairman of APBUMA.He explained the GSP Plus status given to Pakistan in 2014 and said its basic objectives were to dilute the damages caused to Pak economy due to war on terror.

He said that during the first year of that facility, exports recorded a phenomenal growth of 23 percent but after that the exports experienced a steep decline. He said the government had taken a number of steps including uninterrupted electric supply to the industrial sector and declaring five important export sectors zero-rated from July 2016 to mitigate its problems but still the exports were not stable. He appreciated the recently introduced REX scheme and said it would further facilitate Pak exporters to make their exports to the EU countries without any hassle and unnecessary procedural bottlenecks. He said it was actually a self certification system and many European countries were already following it to streamline the exports from Pakistan under GSP Plus to the EU countries.

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Prices down on cotton market

DR ZAFAR HASSAN

Cotton prices moved lower this week while the prices of seed cotton (Kapas/Phutti) and cottonseeds (Binola/Kakra) also slid due to rains, particularly in Sindh, and also due to the miserable condition in which the domestic textile industry has sunk. Fear of rain damage and infusion of any moisture in cotton has presently dissuaded the domestic mills to buy cotton.

Lint prices are reported to have gone down by Rs 50 to Rs 100 per maund (37.32 Kgs) this week. Thus lint price in Sindh is reported to range from Rs 6300 to Rs 6325 per maund, while in the Punjab the lint price is said to range from Rs 6500 to Rs 6525 per maund in a very dull market.

Seed cotton price in Sindh is reported to have decreased by Rs 200 to Rs 500 per 40 Kgs. Thus the price of seed cotton from Sindh which was earlier said to have been selling from Rs 3100 to Rs 3250 per 40 Kgs is now reportedly selling in the range of Rs 2700 to Rs 3050 per 40 kilogrammes. Punjab seed cotton which was selling at Rs 3000 to Rs 3350 per 40 Kgs is now selling at Rs 2800 to Rs 3100 per 40 Kilogrammes. Some rain-damaged seed cotton from Sindh also sold at Rs 2500 to Rs 2600 per 40 Kilogrammes. Cottonseed (Binola/Kakra) from Sindh which was selling at Rs 1525 to Rs 1550 per maund later sold at Rs 1325 to Rs 1350 per maund due to being rain-damaged.

As a result of the rains the domestic cotton market is subdued even though the arrivals have decreased. If the rains decrease gradually and do not inflict any damage henceforth, Pakistan could still reap a crop of 12.5 to 13 million bales (155 Kgs) during 2017/2018. Domestic mills are projected to consume between 14 to 14.5 million bales during 2017/2018 (155 Kgs) if they revive from their current malaise soon enough.

However, presently the domestic textile industry is in deep trouble and claims that it has been woefully neglected by the government. According to the claims of the All Pakistan Textile Mills Association (APTMA), about 35 to 40 percent capacity has been closed down and more than a million workers have become unemployed. Thus the condition of the domestic textile industry has become serious. Besides the one million workers who have become jobless, the country's exports are suffering to which the domestic textile industry has been a leading and major contributory. The textile industry also claims that a very large portion of its refunds lying with the government has not been released. It is now nearly three to four years since the domestic textile industry is suffering and its problems need urgent redressel.

On the global economic and financial front, several countries have recently seen their equity markets rising upwards in a sustained manner. In the United States, some people believe that the unconventional political approach of President Donald Trump whose popularity rating has gone down to 35 percent, would send equity markets plunging and business floundering. However, the bourses in America, and indeed in many parts of the world, have presently seen equity prices at record high levels.

Ashutosh R. Shyam of Economic Times has observed that "the total market capitalization of global equities has surged to a record Dollars 77 trillion, more than four times the U.S. GDP of Dollars 18.5 trillion". Ashutosh added that the rush into equity markets is being prompted by the liberal policy of several central banks in the advanced economies and what is being perceived as a record low volatility of risky assets.

In fact, not only the United States stocks have ended at record levels at midweek, they have shown the way to other equity markets around the world which have also risen sharply. Indeed on Wednesday it was reported that all the three leading shares indices rose to fresh records due to solid earnings and rising oil prices. In this regard, AFP has reported from New York that on July 19, 2017 "The Dow, Standard and Poor's and Nasdaq all ended at new peaks as investors shrugged off worries about Washington, where President Donald Trump's agenda has languished amid opposition to his health care reform proposal". Indeed the equities markets in Tokyo, Hong Kong and Shanghai have also risen commensurately.

In other news, the Eurozone

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interest rates are reported to have been kept unchanged with the benchmark rate having been retained at zero percent. However, the markets will be keenly awaiting the comments of the president of the European Central Bank Mario Draghi whether he would announce any change in the stimulus policies of the European Central Banks (ECB).

Encouraging economic news from several markets helped investor confidence to remain buoyant. Whereas the consumer goods sector in Britain pushed FTSE to higher levels on Wednesday technology shares reportedly enjoyed its best day in ten months as earnings drove up the European shares. In China robust economic growth data pushed blue chips to 18-month high levels. Hong Kong shares hit two-year high levels, while Tokyo shares moved up on bargain hunting. It appears that despite the constitutional wrangling in America, business sentiment remains bullish, at least for now.

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Lean business seen on slow arrivals

RECORDER REPORT

Not much activity was seen on the cotton market on Thursday owing to slow arrivals after rains in the country, dealers said. The official spot rate was unchanged at Rs 6300, they said. In ready business, only 200 bales of cotton from Sanghar sold at Rs 6300, they said. In Sindh, seed cotton rates were at Rs 2700-3100, per 40 kg and in Punjab prices of phutti were at Rs 2800-3200, per 40 kg, they said. According to the market sources, most of the leading buyers were on the sideline due to less buying interest.

Cotton analyst, Naseem Usman said that there was no normal arrival of seed cotton due to continued monsoon rains. Adds Reuters: ICE cotton futures were little changed in thin trading on Wednesday ahead of weekly U.S. export sales data on Thursday amid concerns over dry weather hurting crops in the major cotton-growing state of Texas.

After gaining for three straight sessions, the December cotton contract on ICE Futures settled down 0.11 cent, or 0.16 percent, at 68.11 cents per lb. It traded within a range of 67.73 and 68.47 cents a lb. Total futures market volume fell by 9,001 to 11,140 lots. Data showed total open interest fell 36 to 216,102 contracts in the previous session.

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

Rate For	Ex-Gin Price	Upcountry Expenses	Spot Rate Ex-Karachi	Spot Rate Ex-Karachi As on 19.07.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,300	135	**6,435**	**6,435**	NIL
40 Kgs	6,752	145	**6.897**	**6.897**	NIL

BUSINESS
RECORDER
Friday, 21st July, 2017

Higher export sales, weaker dollar lift cotton to one month high

RECORDER REPORT

ICE cotton futures hit one-month highs on Thursday after a positive weekly exports sales report from the US government suggested higher demand for the natural fibre, with prices further supported by a sagging dollar. The December cotton contract on ICE Futures settled up 0.87 cent, or 1.28 percent, at 68.98 cents per lb. It traded within a range of 68.10 and 69.25 cents a lb, its highest since June 21.

"Today's report is supportive for December futures," said Louis Rose, co-founder and director of research and analytics at Rose Commodity Group. The US Department of Agriculture early on Thursday reported net upland sales of 27,200 running bales for 2016/2017 crop year, up noticeably from the previous week. For 2017/2018 net sales of 166,200 were also significantly higher from the previous week.

Exports of 280,500 bales were up 44 percent from the previous week, the report showed. "US cotton exports are likely to remain strong. The improving macroeconomic environment in the US, EU and China should support demand," Societe Generale said in a note.

The dollar fell to its lowest in nearly two years against the euro on Thursday. The dollar index was down 0.49 percent.

"The dollar is sharply lower and the Chicago grains are higher which are lending some powerful support to cotton," said Keith Brown, principal at cotton broker Keith Brown and Co in Moultrie, Georgia.

US corn and soybean futures rallied on Thursday to their highest respective levels in more than a week, supported by forecasts for hot weather that will stress crops in key growing regions, traders said. Total futures market volume rose by 5,796 to 17,048 lots. Data showed total open interest gained 488 to 216,590 contracts in the previous session.

New York cotton

RECORDER REPORT

The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
Oct'17	69.23	69.46	68.70	68.57	14:45 Jul 19	68.76	-0.10	13	68.86
Dec'17	68.20	68.47	67.73	67.76	14:45 Jul 19	68.11	-0.11	16181	68.22
Mar'18	67.89	68.12	67.44	67.37	14:45 Jul 19	67.80	-0.10	3187	67.90

BUSINESS
RECORDER
Friday, 21st July, 2017

The export slide

RECORDER REPORT

The Economic Co-ordination Committee (ECC) of the Cabinet, the highest economic decision-making body in the country, under the chairmanship of Finance Minister Ishaq Dar approved export of 300,000 tons of sugar, half of the 600,000 tons recommended by the Ministry of Commerce which had based its recommendation on a letter from the Pakistan Sugar Mills Association claiming a record surplus of 1.475 million metric tons. The ECC's overarching legitimate concern with respect to determining the quantity of sugar exports is on its possible impact, if any, on the domestic price, especially during Ramazan. To ensure that domestic sugar price remains stable, the ECC also decided that it would review domestic price on a monthly basis. However, the ECC should also take cognizance of the fact that surplus sugar at present is a reflection of a decline in land under cotton cultivation, which is a major input for our textile value-added sector which accounts for the bulk of the country's exports, with a resulting negative impact on our ability to meet the domestic industry's requirements necessitating imports of raw cotton and yarn. The Economic Survey 2016-17 notes that the area under cotton cultivation declined by 14.2 percent last year compared to the year before due to "exceptional losses from previous year's pest infestation and low domestic prices at the sowing time that pushed growers away from cotton to other competitive crops (sugarcane and maize)". Economists have been urging the government to set a support price for cotton that would attract growers instead of pushing them away.

The textile sector continues to lament the lack of appropriate policies to encourage exports and recently pointed out that the 180 billion rupee export package announced by the Prime Minister in January this year is a non-starter as the government limited the fiscal/monetary incentives envisaged in the package to only those exporters who show a 10 percent increase in their export revenue. Without the timely release of sales tax refunds which compels the exporters to borrow to meet their liquidity requirements, which in turn adds to input costs, and with an overvalued rupee that makes exports uncompetitive in the global market there is little likelihood of a 10 percent rise in exports, the textile sector maintains. And also accuses the Ministry of Commerce for failing to prioritize the textile sector in allocations of the 6 billion rupees budgeted for export promotion.

In the Standing Committee on Commerce, the members took the Commerce Ministry to task accusing it of not only failing to finalize any free trade agreements or preferential trade agreements during the past four years but also for a steady decline in exports and a widening current account deficit during the year just past. The argument put forth by the Minister and the Secretary that the Ministry of Finance maybe held responsible for failing to release refunds on time, on an overvalued rupee and on the condition to limit the export package implementation to those companies that show a 10 percent rise in export revenue is only partially valid as it is the overriding responsibility of the Minister and the Secretary of the Ministry of Commerce to provide a compelling argument to the ECC, failing which to the cabinet, to ensure that its recommendations are supported by the majority which, in turn, may convince the Prime Minister to overrule the objections, if any, of the Ministry of Finance.

The members of the Standing Committee criticized the Commerce Minister yet again for failing to attend their meetings. This is unfortunate as government ministers, by and large, have shown a consistent lack of respect for parliament evident from their poor attendance record. With less than one year remaining for the end of the Sharif administration's tenure one can only hope that better sense would prevail and ministers begin to hold themselves accountable to parliament.

Friday, 21st July, 2017

Value-added textile exports grow

Mubarak Zeb Khan

ISLAMABAD: Textile and clothing exports posted a paltry growth of 0.04 per cent to $12.45 billion in 2016-17, the Pakistan Bureau of Statistics (PBS) reported on Thursday.

These exports stood at $1.21bn in June, showing an increase of 24pc over the corresponding month a year ago.

Foreign sales by the textile group, which constitutes a 60pc share in the country's overall exports, have remained stagnant at $12bn over the last few years.

Data showed the readymade garments sector was the only bright spot. Its exports grew 6pc year-on-year to $2.31bn in 2016-17. Garment exports witnessed a growth of 6.13pc in terms of quantity. These exports also posted a growth of over 20pc in June.

Exports of another value-added product, knitwear, posted a negative growth of 0.07pc to $2.36bn. However, knitwear exports recorded a growth of 0.66pc in terms of quantity.

In the last fiscal year, exports of bed-wear increased 5.6pc in value and 7.37pc in quantity. Exports of towels fell 2.04pc year-on-year in value and 0.87pc in quantity in 2016-17.

The value-added sector achieved growth because of the government's support. Another reason for the rise in exports of value-added textile products was preferential access to the 28-nation European Union under the GSP+ scheme.

Exports of intermediate commodities like cotton yarn fell 1.69pc in value, but grew 7.49pc quantity-wise. One reason for the drop was sluggish Chinese demand for yarn and fabric.

Cotton cloth exports fell 4.23pc in value, but increased 7.49pc in terms of quantity. Exports of raw cotton dropped 44pc in value and 49pc in quantity in 2016-17.

Exports of low value-added products, such as cotton-carded, edged up 62pc in value and 51pc in quantity. Tents and canvas exports grew 57pc in value while those of made-up articles, excluding towels and bed-wear, up 2.62pc.

However, exports of yarn other than cotton yarn fell 25pc in value and 30pc in quantity.

Friday, 21st July, 2017

Reserves dip by 2.8pc

The Newspaper's Staff Reporter

KARACHI: Pakistan's total liquid foreign exchange reserves amounted to $20.8 billion on July 14, down $617.6 million or 2.88 per cent from a week ago, the State Bank of Pakistan (SBP) said on Thursday.

Reserves of the SBP decreased $718m to $15.48bn, a statement by the central bank said.

Net foreign exchange reserves held by commercial banks amounted to $5.3bn on July 14, slightly up from the preceding week.

Friday, 21st July, 2017

GDP growth beats ADB's projection for 2016-17

The Newspaper's Reporter

ISLAMABAD: The Asian Development Bank (ADB) said on Thursday Pakistan's economic growth rate for 2016-17 surpassed the bank's estimate that the international lender had projected three months ago.

Published in April, the Asian Development Outlook (ADO) projected GDP growth to edge up to 5.2 per cent in 2016-17. In contrast, the economic survey released by the Ministry of Finance a month later stated that the growth rate reached the nine-year high of 5.28pc.

The supplement to ADO released by the ADB on Thursday said the country's economic growth was supported by a revival in agriculture as well as by continued expansion in construction and steady growth in services. Strong private consumption remained the largest contributor to growth.

The report says the economic outlook for South Asia remains robust, with growth on track to meet ADO 2017 projections of 7pc for 2017 and 7.2pc for 2018. The ADB has projected growth rate of 5.5pc for Pakistan in 2017-18.

Economic growth prospects in developing Asia for 2017 have improved on the back of stronger-than-expected export demand in the first quarter of this year, according to the ADB report. It also upgraded the growth outlook in the region from 5.7pc to 5.9pc in 2017 and from 5.7pc to 5.8pc for 2018. The smaller uptick in the 2018 rate reflects a cautious view on the sustainability of this export push.

"Developing Asia is off to a good start this year with improved exports pushing growth prospects for the rest of 2017," said Yasuyuki Sawada, ADB's chief economist. "Despite lingering uncertainties surrounding the strength of the global recovery, we feel that the region's economies are well placed to face potential shocks to the outlook."

Combined growth for the major industrial economies is forecast to remain at 1.9pc in 2017 and 2018. Improved forecasts for the euro area and Japan due to robust domestic demand have offset the slight growth downturn in the US to 2.2pc.

Friday, 21st July, 2017

Dull trading on cotton market

The Newspaper's Staff Reporter

KARACHI: Trading remained lacklustre in the cotton market on Thursday.

A new spell of rains has hampered the supply of phutti (seed cotton), causing an acute shortage of cotton. There was demand from spinners, but the shortage of lint kept trading dull. Phutti arrival from lower Sindh begins early in the season. But heavy rains in the area have brought it to a halt, brokers said.

Another major problem was the high content of moisture in phutti, which was rejected by ginners because of its smaller yield. Spinners were also reluctant to purchase cotton because of the high moisture content.

However, reports coming from cotton fields suggested that so far rains caused no damage. But there was apprehension that the next spell of rain originating from the Indian state of Gujarat could take a toll on standing cotton in Badin, Digri and Umerkot.

Meanwhile, ongoing rains in Punjab are being considered favourable to cotton crops because these are mostly at their initial stage in many parts of the cotton-growing areas.

Global cotton markets remained firm, but that of India came under pressure and closed lower.

Spot rates of the Karachi Cotton Association were firm at the overnight level.

Trading on the ready counter was negligible. Only 200 bales from Sanghar were traded at Rs6,300 per maund.

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
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40 Kgs	6,752	145	6,897

DAWN

Friday, 21st July, 2017

MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	105.25	105.45	107.10	107.30
UK	137.06	137.32	138.00	139.00
Euro	121.11	121.34	122.30	123.30
S.Arabia	28.07	28.12	28.40	28.65
UAE	28.68	28.74	29.05	29.30
Japan	0.9389	0.9407	0.9448	0.9648

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

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

LIBOR

Special US dollar bonds for July 19

Three months	1.30722 %
Six months	1.45322 %

THE NEWS
Friday, 21st July, 2017

SBP's contract obligations swell 80pc to $3.6bln in June

ISLAMABAD: The future contracts and obligations of the State Bank of Pakistan (SBP) stood at $3.6 billion in June as against $2 billion a year earlier, exerting pressure on foreign exchange reserves of the country, said International Monetary Fund (IMF).

"…the SBP's derivative position reached $3.6 billion in net obligations from $2 billion in June 2016, which could put additional pressure on reserves," the IMF said in a report that concludes the Article IV consultation with Pakistan last week.

Analysts said if the central bank factors in three billion dollars of payment obligations the country's reserves would come down to around $17.23 billion as against $20.830 billion reported as on 14 July 2017.

SBP's foreign reserves amounted to $15.478 billion, down $718 million as compared to the previous week, while net foreign reserves held by banks were $5.351 billion. The country's foreign reserves declined amid a widening current account deficit.

The country's current account deficit hit 4 percent of GDP for the last fiscal year, surpassing the annual targets of the government, State Bank and IMF, as the deficit amounted to $12.098 billion 2016/17 up 1.5 times over the last year. The current account deficit was recorded at $4.867 billion in the previous fiscal year of 2015/16.

Foreign reserves declined to $16.1 billion at end-April 2017 (3.4 months of imports) from $18.1 billion in June 2016 (four months of imports). The current account deficit, however, declined from a peak of 8 percent of GDP in FY2008 to about 1 percent in recent years.

"The fast pace of the recent increase, the structure of the deficit — a large trade deficit (6½ percent of GDP in FY2016) covered by remittances (7 percent of GDP) — and losses in international reserves during FY2017 highlight the importance of strengthening Pakistan's export competitiveness," said the Fund.

The financial account balance has hovered around $5–5½ billion over 2014–16, helping to finance the current account balance and to accumulate reserves.

The Fund, however, said the structure of the financial account shows reliance on debt issuance rather than on foreign direct investment flows, which have been on a declining trend over the last decade.

The net international investment position has been relatively stable, "even if slightly declining in the last years." "With increasing CPEC (China-Pakistan Economic Corridor) project implementation, there will likely be a pick-up in FDI, portfolio and other investment over the medium term," said IMF.

IMF said the exchange rate continued to remain stable against the US dollar, supported by the SBP's foreign exchange interventions, and further appreciated 6 percent in real effective terms during the last fiscal year (18 percent cumulatively over the past three years).

THE NEWS

Friday, 21st July, 2017

France, Pakistan sign €165mln loan accord for energy sector

ISLAMABAD: France on Thursday signed an agreement with Pakistan to provide the country with a loan of 165 million Euro to help it enhance power transmission network and rehabilitate a hydropower project.

Secretary finance Shahid Mehmood, Ambassador of France Martine Dorance and country director of the French Agency for Development (AFD) Jacky Amprou signed the soft loan agreement at the ministry of finance.

Finance minister Ishaq Dar witnessed the loan signing agreement. The loan agreement is aimed at financing energy sector projects, including power transmission enhancement investment tranche-IV and Mangla power plant rehabilitation project.

Minster Dar appreciated the AFD's continued support and assistance for economic development of Pakistan. Ambassador Dorance said the main objective of the program is to make energy sector more affordable, reliable and sustainable, supporting the country's economic growth through expeditious implementation of the National Power Policy 2013.

"France is pleased to extend support to Pakistan in different areas," he added. In June, AFD also co-financed a loan programme worth over $400 million of Asian Development Bank to support the country's efforts to provide a more reliable and secure energy sector.

ADB approved financial assistance of $300 million, the third such loan under the sustainable energy sector reform programme, while AFD agreed to add €100 million as the co-financing. "As co-financing partner in the reforms project, AFD is committed to promoting green energies in Pakistan through investments in low carbon emission energy generation in line with Paris agreement approved by the Parliament of Pakistan," Amprou of AFD said in a statement.

Under the energy sector reform programme, Pakistan has embarked on a substantial reform initiative that will reduce energy subsidies and adjust tariff policy, improve sector performance and open the market to private participation, and increase accountability and transparency.

The reform measures aim at addressing the financial viability and reduce costs to taxpayers. Specific measures include recently agreed legislation that will improve governance through more clearly defined roles for both the government and the power regulator, and reduce debt level in the energy sector.

THE NEWS
Friday, 21st July, 2017

Govt borrowing from banks surpasses Rs1trln mark in FY17

KARACHI: Government borrowing from commercial banks has surpassed the Rs1 trillion mark during the last fiscal year ended in June, mainly due to high public spending.

The State Bank of Pakistan data released on Thursday showed that the government borrowed Rs1.087 trillion from banks for budgetary support in FY17, up 37.38 percent from a year earlier.

A widening budget deficit caused surge in bank borrowing during the last fiscal year. An increase in public spending, especially development and defence, weaker tax revenues and lower foreign inflows continued to weigh on public finances and pushed bank borrowing significantly up.

The slowdown in non-tax revenues caused by decline in inflows from the coalition support fund also contributed to a rise in bank borrowing. The government met a bulk of its financing requirements through borrowing from the SBP.

The SBP's figures revealed that the government borrowed Rs711 billion from the central bank to fund its budget-related spending in FY17. However, it repaid an amount of Rs369 billion in debts to the SBP in the previous year. The government resumed reliance on SBP financing since the first quarter of last year, following the completion of the IMF-supported Extended Fund Facility Programme.

Low participation and high rates in the auctions of market treasury bills and Pakistan Investment Bonds, with no external financing available, left no single options for the government but to meet its funding shortfall duly via borrowings from the central bank.

The government also returned to increased SBP borrowing to pay large one-off PIBs maturities in some of the quarters of last year. Analysts see the government is likely to continue borrowing during the current fiscal year and later due to increased economic activity and of course general elections. Hence, the domestic debt will go up.

They said short-term borrowing from the banking system along with rising dependence on the central bank could hurt the fiscal consolidation efforts of the government. The IMF, in its latest report, stated that fiscal pressures could rise during the period leading up to the mid-2018 general elections, and growth-supporting reforms could slow.

The Fund said fiscal consolidation slowed substantially in FY17. "The FY18 budget is subject to risks and reaching the deficit target will likely require significant additional revenue measures. Gradual fiscal consolidation should continue through the medium term to address debt-related vulnerabilities," the IMF advised.

"Fiscal performance has been affected by lower-than-expected revenues. Recent fiscal slippages and the 2017/18 budget imply that these targets will take longer to achieve."

The Fund stressed for gradual reduction in the stock of government borrowing from the SBP that would be important to support the independence and credibility of the monetary policy.

Analysts expect the budget deficit to reach almost six percent of the gross domestic product against the official target of 4.1 percent in FY18. It was at 4.2 percent in FY17.

The central bank also called for changes to the government's borrowing policy as it was creating hurdles in the financial intermediation function of banks.

The SBP, in its Financial Stability Review (FSR) for the year 2016 said the exposure of the banks to the public sector, in terms of advances, investments, money market activities, off-balance sheet items, and revenue generation remained significant.

THE NEWS

Friday, 21st July, 2017

Forex reserves fall to $20.83bln

KARACHI: Total liquid foreign exchange reserves of the country fell $20.830 billion during the week ended July 14 as compared to $21.447 billion during the previous week, the central bank said on Thursday.

The foreign exchange reserves held by the State Bank of Pakistan (SBP) decreased $718 million to $15.479 billion. The foreign exchange reserves of commercial banks increased to $5.351 billion as compared to $5.250 billion during the preceding week.

THE NEWS
Friday, 21st July, 2017

Cotton stable

Karachi

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

The spot rates remained firm at Rs6,300/maund (37.324kg) and Rs6,752/40kg. Ex-Karachi rates also stood unchanged at Rs6,435/maund and Rs6,897/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.

An analyst said the activity remained dull because of the monsoon rains in the cotton growing areas of Sindh and Punjab. “The activity might remain slow in the coming days, as well, as more rains are predicted,” he added. Cotton market recorded only single transaction of 200 bales of Sanghar at Rs6,300/maund. New York cotton market witnessed a decrease on all its futures. October futures decreased 0.10 cents to 68.76 cents/pound and December futures dropped 0.11 cents to 68.11 cents/pound.

The Nation on Web

The Nation

Friday, 21st July, 2017

Foreign reserves decline by $718 million

Our Staff Reporter

KARACHI:- The total liquid foreign reserves held by the country stood at $20,830.0 million on July 14, 2017.The break-up of the foreign reserves position released on Thursday showed foreign reserves held by the State Bank of Pakistan stood at $15,478.5 million and net foreign reserves held by commercial banks are $5,351.5 million. During the week ending 14th July, SBP's reserves decreased by $718 million to $15,479 million.–Staff Reporter