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CPEC: Minister sees crucial FBR role

RECORDER REPORT

Federal Minister for Planning, Development and Reforms Ahsan Iqbal has asked the Federal Board of Revenue (FBR) to finalize a detailed plan to ensure its crucial role in China-Pakistan Economic Corridor (CPEC) by setting up business-friendly and state-of-the-art documentation system, monitoring and implementation as well as evaluation and assessment mechanism.

He issued these instructions addressing a Business and Research Seminar on CPEC under the aegis of Directorate of Training and Research (Customs), FBR, here on Friday. Secretary Planning, Development & Reform, Shoaib Ahmad Siddiqui, was also present on the occasion while Project Director CPEC Hassan Daud Butt briefed the participants on the CPEC projects.

The minister noted that the Customs would have to play a crucial role in CPEC facilitating effective channels for engaging Pakistan in global supply chain and assist in developing Pakistan''s market-oriented economy and industries.

"Pakistan needs to synergize with fast industrialization process and innovations in technologies to ensure rapid growth and inclusive development in the country," he said, adding that the CPEC had provided an opportunity to promote new markets and connectivity across the region and there was need for further cooperation.

Ahsan Iqbal said that historically, all countries progressed by virtue of partnerships. He said that Japan and South Korea had developed due to USA and India progressed due to alliance first with USSR and now with the USA. Days of non-alignment are over. He said that Pakistan is lucky to have a time-tested relationship with China.

"Our Vision 2025 and China''s Annual Plan complement each other," the minister said, adding that CPEC has transformed this bilateral relation from strategic to economic nature. He said that currently, CPEC is the fastest developing corridor in entire Belt and Road Initiative and a number of its early harvest projects are attaining completion.

He said Pakistan has completed Sahiwal coal-fired critical technology plant in a record time, setting a precedent that together, Pakistan and China can do wonders. Ahsan Iqbal said today is the age of discovery, innovation and speed wherein old concepts and paradigms have become redundant. "In past, the big used to eat the small but now the fast eat the slow. Every nation-state has to adapt to new ways and technology," he said, adding that four "I''s are crucial for development of any country and they are investment, industries, information and individuals and they are now beyond control of nation-states.

He said that every country has to attract global investment to make itself attractive investment destination. He said that security, stability of policies and sustainable growth pave way for ensuring an attractive investment destination. He said that engaging country in global supply chain is crucial for industrial development. He said that today, manufacturing has taken shape of global supply chain as industries are going global. Toyota Japanese automobile industries are producing more vehicles in USA than in Japan.

"Information can''t be confined to geography due to age of internet while individuals have to go with tide of time and make valuable contributions by spotting opportunities and hitting at right spots without waiting for any help, he said.

The minister said: "We are at the tip of the 4th industrial revolution; an age of big data, cloud computing and robotics where basic economics have to redefine their ways. We might be victims if we don''t embrace change." He said that there can be three responses to such changes; embrace change proactively by developing capacity and becoming competitive, wake up when the change happens and make compromise with the change, or ignore the change and get wiped off the scene forever.

He said that in 2013, Pakistan was facing 18 to 20 hours of power outages and the country had a serious threat of civil war, whereas, industries were packing up and multi-nationals were leaving Pakistan. He said that the present government has

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developed Vision 2025 to build a long-term development plan which has put Pakistan back to center stage of economic growth. "We aim to enlist Pakistan in top 25 economies of the world," he said.

Ahsan Iqbal said that today, deficit is down to 5% of overall GDP and foreign reserves have risen to US $22 billion while Pakistan Stock Exchange index has gone to 50,000 points until recent political instability and negativity that has done huge harm to the development and progress. "We need to ensure stability, social solidarity, internal harmony and reforms to improve and align ourselves with international happening. Otherwise our ship will sink," he alerted.

He further said, "We have seize the moment when 85 million labour intensive jobs in China are to be relocated. Otherwise the opportunities will go to Laos, Cambodia and other parts of world." He said that our industrialization should be robust and competitive in order to completely capitalize on this geo-economic mega regional initiative. The minister informed that 4 auto mobile companies have evinced interest in investment in Pakistan, while there will be more interest in investment from around the world provided that internal harmony is developed and political stability is ensured.

"Prime Minister Nawaz Sharif and Premier Li Keqiang together began this initiative and we have to take it to heights of development," he remarked. Referring to an article, the minister said that CPEC is not stealth but a transparent and open project. "CPEC is Airbus A380 that is flying around the world, spreading positive vibes, bringing investment into Pakistan and restoring our energy," he said.

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MPS today:

Key policy rate may be kept unchanged

RIZWAN BHATTI

The State Bank of Pakistan (SBP) will unveil the Monetary Policy Statement today (Saturday) with expectations of maintaining the status quo. The independent Monetary Policy Committee (MPC) of the SBP is scheduled to meet on July 22, 2017 for deliberations on key economic issues and make a decision on interest rate for next two months. The newly-appointed Governor SBP, Tariq Bajwa will chair the meeting of the MPC to be held at SBP Karachi. In the previous policy announced in May this year, the committee kept the policy rate unchanged at 5.75 percent.

Although, the country"s foreign exchange reserves are on the decline and current account is deteriorating with $12 billion deficit during last fiscal year, the inflation outlook remains positive. The recently-released statistics revealed that Headline CPI inflation has been recorded at 3.9 percent on year-on-year basis in June 2017, as compared to 5.0 percent in the previous month and 3.2 percent in the corresponding month of last year. The CPI inflation on month-on-month basis is recorded at -0.4 percent in June 2017 compared to zero level in the previous month and 0.6 percent during the corresponding month last year.

The SBP is already expecting the inflation to remain within the target of 6 percent during FY18 amidst some pick up on the back of recovery in global prices of oil and other commodities, and a push from domestic demand factors. With subdued inflation, majority of economists and analysts are expecting that the committee is most likely to maintain policy rate stable at current rate for another two months. Keeping in view the delicate balance between macroeconomic risks and ongoing growth momentum, the policy rate was already kept unchanged at 5.75 percent throughout the year FY17.

Khurram Schehzad, CCO, JS Global Capital said the SBP is most likely to maintain the status quo for next two months. "CPI inflation remained in the target at the end of last fiscal year (FY17) while CPI inflation is expected to be around 3 percent for July," he said and added that oil outlook is also soft and current account deficit is still manageable.

"There"s a considerable pressure from current account deficit side which may tempt the central bank to hike rates to make rupee more attractive, but judging by the latest inflation numbers and the last T-Bill auction, it seems rates will remain unchanged," said Eman Khan of Tresmark. Muhammad Suhail, CEO, Topline also anticipated that the SBP will keep the discount rate stable in the upcoming policy on lower inflation outlook.

According to SBP, the low interest rate and benign business environment, stimulated demand for credit by the private sector reached Rs 438.6 billion at the end of Mar 2017, against Rs 323.4 billion in the same period last year. The credit expansion is likely to maintain its pace with better prospects for investment and business activities on lower interest rate.

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Kabul agrees to hold seventh meeting of APTTCA next month

MUSHTAQ GHUMMAN

Afghanistan has agreed to hold 7th meeting of Afghanistan-Pakistan Transit Trade Co-ordination Authority (APTTCA) during the third week of August aimed at resolving the trade-related issues between the two countries, well-informed sources told *Business Recorder* . This has been conveyed by Pakistan''s Ambassador to Afghanistan, after a detailed meeting with Afghan Commerce Minister Humayoon Rawaw in Kabul.

However, Afghanistan has not yet made up its mind to start negotiations on Preferential Trade Agreement (PTA), the draft of which is lying with the Afghan National Security Advisor for clearance for the last two years. Afghanistan''s trade and security policies are massively influenced by New Delhi through its Advisors. The source said Pakistani Ambassador has held a very constructive meeting with Afghan Commerce Minister in which the Minister highlighted that Afghan-Pakistan trade has been affected due to unpredictability at Karachi port and on Chaman and Torkham due to which Afghan traders have been forced to develop other markets both for transit and bilateral trade including Iran, China and Tajikistan, (Tajikistan is competing with cement exporters of Pakistan).

According to sources, Afghan Commerce Minister, also emphasized that the Afghan government wants separation of political and economic issues and that it is very keen that Pakistan allows them to trade through Wagha border. Ambassador maintained that for understandable reasons, if Afghanistan cannot trade with India through Wagha which he has conveyed to Afghan Commerce Minister as it is an intricate issue, even then they are willing to proceed with Pakistan on bilateral basis. Pakistan, sources said, has conveyed to Kabul that it is ready to further shorten the negative list to facilitate transit trade through our ports. Pakistan''s exports to Afghanistan have declined massively due to souring relations between the two countries.

After detailed meeting, Pakistan ambassador to Afghanistan suggested to Islamabad that 7th meeting of APTTCA which was to be held in March 2016 may be held in the 3rd week of August 2017. However, the date will depend on the convenience of the Minister keeping in mind that Thursday and Friday are closed holidays in Kabul. According to the ambassador, he has shared a copy of Preferential Trade Agreement (PTA) draft which was given to the Afghan side in the Joint Economic Commission (JEC) meeting in November 2015 and the Afghan Minister agreed to study it and give his response in due course. Pakistan''s ambassador also observed that unpredictability on borders had damaged traders'' confidence, suggesting that this must be addressed forthwith through appropriate arrangements by the government of Pakistan.

Commerce Minister argued that the effects of Pak-India relations are also being seen on Pak -Afghanistan relations despite the fact that Pakistan extended substantial trade concessions to Afghanistan from April 2015. This implies that Afghanistan once again is playing into Indian hands. Commerce Minister said that there would be no change in trade regime with India as Pakistan has serious security concerns on opening of Wagha border for Afghan trucks. A couple of months ago both sides had expressed willingness to resume trade as soon as possible; Commerce Minister conveyed to a delegation of Pakistan Afghanistan Joint Chamber of Commerce and Industry (PAJCCI) that better sense should have prevailed on the other side of the border.

According to the Minister use of transit trade has declined which is evident from the fact that complaints this year are less compared to previous years. He said Pakistan Railways has been requested to review transport fares for goods destined for Afghanistan.

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Money laundering:
200 STRs being investigated

SOHAIL SARFRAZ

Directorate General, Intelligence & Investigation-Inland Revenue (IR) is investigating around 200 suspicious transaction reports (STRs) received from Financial Monitoring Unit (FMU) of State Bank of Pakistan (SBP), covering high risk areas of money laundering. Sources told *Business Recorder* here on Friday that the agency has received these STRs from FMU which are under investigation. As soon as cases are finalized, FMU shall invariably be informed about the outcome of the same, sources said.

The agency highlighted that the proceeds of crime can easily be invested in the stock market for purpose of money laundering as no compliance with AML is required. Suspicious transactions are not reported to FMU. There is no effective mechanism to check sources of proceeds of an institutional investor.

Major risk areas in money laundering revealed that Pakistan promulgated its first money laundering law in the form of the Anti-Money Laundering Ordinance in 2007 which was reframed as theAnti Money Laundering Act, 2010. According to the AML Act, 2010, offence of money laundering includes that a person shall be guilty of offence of money laundering, if he acquires, converts, possesses, uses or transfers a property knowing or having reason to believe that such property is proceed of crime or a person conceals or disguises the true nature, original location, disposition, movement or ownership of a property, knowing or, having reason to believe, that such property is proceed of crime. Money laundering is the process of disguising the proceeds of crime and moving value through the use of any medium like trade, investment in real estate, etc, in an attempt to legitimize their illegal origins.

Proceeds of crime are invested in those sectors where there is least documentation and it becomes easy to give legal cover to ill-gotten money. The serious threat posed by this menace to the very existence of the state and social fabric is paramount. The AML Act criminalized the offence of money laundering and added a wide range of predicate offences. Sectoral vulnerabilities to the acts of money laundering in Pakistan manifest great variety. Some sectors of economy have very effective frameworks and procedures in place to check money laundering while other sectors lack fundamental regulatory mechanism. In order to counter the acts of money laundering, it is imperative to have knowledge of the national economic structure as well as vulnerabilities of different business sectors in relation to their contribution to money laundering threat. Major risk areas for money laundering in Pakistan include real estate dealers, precious metals and stones dealers, and financial sector.

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Tahir Mahmood made acting SECP chief

RECORDER REPORT

The federal government has appointed Commissioner Company Law Division, Tahir Mehmood as acting chairman Securities and Exchange Commission of Pakistan (SECP). It is reliably learnt here on Friday that the notification has been issued by the Finance Ministry in this regard. As per SECP Act 1997, as amended, the senior most commissioner to be notified as acting chairman when chairman is unable to perform his functions, sources said.

Under the SECP law, at any time when position of the chairman is vacant or the chairman is unable to perform his functions due to any cause, the federal government shall appoint senior most commissioner of the Commission to be the acting chairman of the Commission until appointment of the chairman on a regular basis. Provided that the federal government shall ensure the appointment of chairman on regular basis within hundred and twenty days from the date the post of chairman fell vacant.

Presently, Tahir Mehmood is the senior most commissioner who is on leave and will join office on Monday. Tahir Mehmood has been associated with the Securities and Exchange Commission of Pakistan/ the erstwhile Corporate Law Authority since 1989. Prior to his appointment as a commissioner by the federal government in September 2010, he had been serving as the executive director (enforcement) since July 2006.

A fellow member of the Institute of Cost and Management Accountants Pakistan (ICMAP) and the Institute of Corporate Secretaries of Pakistan (ICSP), he has a degree in law with extensive experience in company law administration, take-over laws, corporate restructuring, mergers and take-overs, corporate finance, judicial order writing, etc. In his capacity as adjudicating officer and member of appellate bench - while working as executive director/commissioner - he has issued around 400 judicial orders. A large number of these orders have been published in the Corporate Law Decisions (CLD), and are regularly referred to by the legal community in their corporate law practice. In addition, he is a member of various professional forums, including the National Council of the ICMAP, and the South Asian Federation of Accountants (SAFA).

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THE RUPEE: Firm trend

RECORDER REPORT

The rupee managed to keep overnight rates against the dollar on the money market on Friday, dealers said. The rupee held the overnight levels versus the dollar for buying and selling at Rs 105.33 and Rs 105.35 respectively, dealers said.

INTER-BANK MARKET RATES: OPEN MARKET RATES: The rupee also did not show any change against the dollar for buying and selling at Rs 107.10 and Rs 107.30 respectively, they said. The rupee was trading versus the euro for buying and selling at Rs 122.30 and Rs 123.30 respectively, they said.

In the final Asian trade, the dollar headed for weekly losses on Friday, wallowing at its lowest levels against the euro in nearly two years after what markets perceived as hawkish talk from European Central Bank chief Mario Draghi.

But the Australian dollar skidded against the greenback after contrastingly dovish comments from a Reserve Bank of Australia official.

The dollar index, which tracks the U.S. currency against a basket of six major rivals, was flat on the day at 94.322, not far from its overnight low of 94.090, its deepest nadir since August 2016. It was down 0.9 percent for the week.

The euro caught its breath and steadied at $1.1626 after climbing as high as $1.1659 on Thursday, its loftiest level since August 2015.

Draghi said that no exact date had been set for discussing any changes to the ECB's ultra-easy monetary programme but did say policymakers would revisit the topic in the autumn.

The dollar was trading against the Indian rupee at Rs 64.335, the greenback was at 4.285 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 Friday.

Bid Rate	Rs. 105.33
Offer Rate	Rs. 105.35

RUPEE IN LAHORE: The Pakistani rupee depreciated versus the foreign currencies including the US dollar and the British pound in the local currency market on Friday.

According to the currency dealers, the short supply phenomenon of the US dollar in the currency market helped its appreciation at Rs 107.40 and Rs 107.50 on buying and selling side, respectively, as compared to the overnight closing trend of Rs 107.10 and Rs 107.40 respectively, they added.

Likewise, the local currency also followed the same suit against the pound sterling. The pound's buying and selling rates went up from Thursday's closing rates of Rs 138.00 and Rs 138.80 to Rs 138.70 and Rs 139.40 respectively, they said.

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

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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Unclaimed/unpaid dividend:

Hub Power asks SECP to explain treatment of interest/profit

RECORDER REPORT

A leading power producer has asked the Securities and Exchange Commission of Pakistan (SECP) to clarify the treatment of interest/profit earned by the company on unclaimed/unpaid dividend under Unclaimed Shares, Modaraba Certificates, Dividend and Other Instruments Regulations, 2017. According to the comments received by the SECP on the regulations, Hub Power company has commented that the SECP should explain treatment of interest/profit earned by the company on unclaimed/unpaid dividend.

The draft regulation said that the "Act" means the Companies Act, 2017 (VI of 2017). SA Associates has commented that it is the Companies Act, 2017 (Act XIX of 2017and not VI of 2017). This error may be corrected wherever appearing. This should be applicable initially to listed companies.

SA Associates said that the unclaimed shares may not be included in the regulations, as it will have legal complications. The bonus shares are credited in the holding and if they are deposited with the commission and later sold, it will change the proportion of holding in the company and may end up in litigation. The unclaimed dividend to include dividend in specie may be added, it suggested.

The draft regulation said that claiming a refund (1) Subject to sub-section (9) of section 244 of the Act, any person claiming to be entitled to any money credited to the account, may apply to the Commission on a Form D along with such documents as provided in the said form.

It is suggested that the following should be added in the regulations:

It should be clearly mentioned whether the refund amount may include only principal or both principal plus interest. It should be clearly mentioned that interest and principal amount should be separately disclosed within the fund and the definition of principal amount should be included in definitions. The comments/suggestions of Hub Power said that the claim process for foreign shareholder and GDR holders also needs to be explained.

As per draft regulation, the Form "A" (final notice) said: To the shareholders or certificate holders or the owner, as the case may be, to file claim pursuant to Regulation 4 of unclaimed shares, Modaraba certificates, dividend and other instruments. [Regulation (4)].

Notice is hereby given that the shares of company XYZ/ Modaraba certificates of Modaraba XYZ issued/ dividend declared by company XYZ or Modaraba XYZ/Other instrument of the company XYZ; details whereof are appearing on the company"s website www.xyz.org.pk have remained unclaimed or unpaid for a period of three years from the date these have become due and payable. That a notice was sent by registered post acknowledgement due on the last known addresses of the shareholders/ certificate holders/owners of other instruments to submit their claims within three months to the company, but no reply there against has been received. The comments on the said law revealed that 30 days" notice period to be given to shareholders instead of 15 days so as to give reasonable time to them.

The draft regulation said that the filling of annual return of all unclaimed shares, Modaraba certificates, the instruments or dividend, every company shall within a period of thirty days of the close of each financial year, submit to the Commission the year-wise return of unclaimed shares, Modaraba certificates, dividend and other instruments in its books of accounts on Form E along with the auditor certificate authenticating the year-wise amount of shares, Modaraba certificates, the instruments or dividend. The company shall also upload it on its own website, a searchable claimant wise statement having year-wise break-up of unclaimed shares, Modaraba certificates, dividends and other instruments containing following information including names and last known addresses of the persons entitled to receive the sum. Insertion of CNIC number, passport number or incorporation ID is suggested.

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<u>Draft tax return:</u>

FBR seeks stakeholders' comments

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The Federal Board of Revenue (FBR) Friday issued draft income tax return form for Tax Year 2017 vide SRO 688(I)/2017, dated 20.07.2017, and invited comments from stakeholders within 15 days. The FBR said that any objection or suggestion, which may be received from any person, in respect of the draft, before the expiry of the period, shall be considered by the FBR.

According to the SRO 688(1)/2017, the draft of certain further amendment in the Income Tax Rules, 2002, which the FBR proposes to make in exercise of the powers conferred by sub-section (1) of section 237 of the Income Tax Ordinance, 2001, is hereby published for the information of all persons likely to be affected thereby and, as required by sub-section (3) of the said section, notice is hereby given that the draft will be taken into consideration by the Federal Board of Revenue after seven days of its publication in the official gazette.

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Pakistan Apparel Forum welcomes payment of ST refunds

RECORDER REPORT

Chairman, Pakistan Apparel Forum, Muhammad Jawed Bilwani hailed the Government and the Federal Finance Minister for keeping their promise to clear all pending sales tax refunds whose RPOs up to the value of rupees 1 million have been sanctioned by April 30, 2017. He said that following payment of stuck-up Sales Tax refund to the exporters, exports are likely to pick up as it would make the liquidity position of exporters better who would be able to make prompt shipments.

He requested the Government particularly the Federal Finance Minister Senator Ishaq Dar that instead of waiting for the date 14th August, 2017 to clear the remaining pending sales tax refunds whose RPOs (value more than Rs 1 million) have been sanctioned by 30th April, 2017, the payments should be made to the exporters at earliest so that businessmen can plan their investments in balancing, modernization and replacement (BMR). This will give a good impression to foreign buyers. He informed that of Rs 180 billion PM Export Package, only Rs 3 billion were released so far to exporters under Duty Drawback of Taxes (DDT) Claims.

Bilwani said that further DDT claims worth Rs 5.9 billion has been processed and finalized to release at the level of SBP but that were lying pending as the Finance Ministry has to transfer the said funds to SBP for onwards release to the exporters whose claims have matured. Therefore, he earnestly requested the Federal Finance Minister to also release funds for payments under DDT Claims. He expressed hope that the sales tax refund as well as Custom Rebate and Duty drawback of Taxes refunds will all be paid in time and there should no delay in future.

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Business activity rises on cotton market

RECORDER REPORT

Business activity picked up on the cotton market on Friday in the process of trading activity, dealers said. The official spot rate was unchanged at Rs 6300, they said. In ready business, about 2000 bales of cotton changed hands between Rs 6300 and 6350, 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. Cotton analyst, Naseem Usman said that demand from spinners and mills helped the volume of business to pick up. Other experts said that shortage of lint kept buyers away from normal business. They also said that recent heavy rains in the country halted supply of seed cotton. Adds Reuters: ICE cotton futures hit one-month highs on Thursday after a positive weekly exports sales report from the U.S. government suggested higher demand for the natural fiber, 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. 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. The following deals reported: 600 bales of cotton from Tando Adam sold at Rs 6300-6350, 200 bales from Hyderabad at Rs 6300, 400 bales from Mirpurkhas at the same rates and 800 bales from Shahdadpur at Rs 6350, they said.

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

Rate For	Ex-Gin Price	Upcountry Expenses	Spot Rate Ex-Karachi	Spot Rate Ex-Karachi As on 20.07.2017	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

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Cotton futures slip; post biggest weekly rise since early-February

RECORDER REPORT

ICE cotton futures slipped on Friday, but marked their biggest weekly percentage rise since early February on a higher demand for the natural fibre. The December cotton contract on ICE Futures settled down 0.56 cent, or 0.81 percent, at 68.42 cents per lb. It traded within a range of 67.51 and 69.2 cents a lb.

"The market is returning some of the gains from yesterday (Thursday), but it is not a significant correction because it has been up more than 2 percent for the week," said Gabriel Crivorot, analyst at Societe Generale in New York. The contract gained about 2.8 percent to register its biggest weekly percentage gain since the week of February 3.

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 fibre. China sold 25,200 tonnes of cotton at auction of state reserves, which amounted to 83.6 percent of the 30,100 tonnes of cotton available at the auction, China's cotton industry website cncotton.com said on Thursday.

"Demand for US new crop bales remains strong, even as merchants have strengthened basis quotes to mills, which is bullish," said Louis Rose, co-founder and director of research and analytics at Rose Commodity Group. Total futures market volume rose by 5,514 to 22,648 lots. Data showed total open interest gained 875 to 217,465 contracts in the previous session. "The market will continue to see support in the mid-60s and we could even see a spike towards resistance at 72 cents on spec short covering," Plexus Cotton said in a note.

New York cotton

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The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
Oct'17	69.06	69.46	68.52	69.14	14:45 Jul 21	69.14	-0.41	10	69.55
Dec'17	69.00	69.20	67.51	68.42	14:45 Jul 21	68.42	-0.56	13365	68.98
Mar'18	68.70	68.80	67.23	68.11	14:45 Jul 21	68.11	-0.49	2812	68.60

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The perception of CPEC

FARHAT ALI

A leading newspaper of the country carried a report in May revealing a document that could be called the CPEC master plan. That report drew a sharp response from the government, particularly the minister of planning, who is in charge of all CPEC co-ordination. He argued that the report was "factually incorrect" and that the real long-term plan was under negotiation and would be released to the public upon its finalization.

The newspaper in its publication of July 20 reaffirmed that:

"A number of developments since then show that the plan, as revealed, far from being "factually incorrect," is in fact being implemented as we speak. The implementation is taking place beyond the headlines, and many of the initiatives outlined in the plan are being advanced by their being buried under other policy initiatives, to give them a different name and thereby deflect attention. This mode of implementation is contrary to how those CPEC projects the government is keen to tout are being projected as massive signature achievements. An entire website has been created simply for the purpose of purveying information about specific CPEC projects, but there are many that find no mention on that site.

The corridor is only minimally about transit trade. The power plants, too, are little more than "early harvest projects." The writer goes on to say: "Yet, this is where the reality of CPEC is. The corridor is only minimally about transit trade. The power plants, too, are little more than the 'early harvest projects' on commercial terms, designed to jump-start the economy before the real game begins. The real game of CPEC is about granting access to Chinese enterprises to Pakistan's domestic markets, raw materials and agrarian economy. But that side of the entire equation is being kept deliberately, quiet while we are encouraged to think of the projects in terms of roads and power plants alone. There is a growing and urgent need for our CPEC conversation to move beyond transit trade and balance of payments. The real game has not even begun, and few understand the form it will take."

The writer has supported his analyses with a number of examples. Beyond the views and analyses of the writer there is a bigger picture one has to look at, from the perspective of Pakistan. The last couple of decades have been the most challenging years in the short history of Pakistan. The nation faced unprecedented foreign-abetted terrorism, threats and aggression on its borders, a virtual economic collapse and an acute power crisis. The United States, not being content with "Do More" compliance, abandoned Pakistan and whole-heartedly embraced India as its strategic partner in the region. With lukewarm relations with other countries, which in any case mattered little in the global arena of influence, Pakistan stood diplomatically isolated. All this is on account of years of poor leadership and poor governance, and this is a ground reality the nation is confronted with.

Pakistan had an urgency to fill in the gap created due to the US walking away, to retain its sovereignty and good standing in the region. It needed new global strategic, economic and political alliances and respect and a strong partner to balance the influence of the US and India bracketed together. China being the second biggest economy of world with a growing political influence was the only choice for Pakistan. It was the right choice, and a better one, as China has now emerged as the leader of free economy after the US went for "America first" and Britain moved out of the European Union with "UK first" as a slogan. Under the "One Belt One Road" initiative announced by the Chinese president at the world conference in Beijing this May, he rolled out six Economic Corridors with the invitation to global leaders present at the event from all the continents of the world. Over 60 countries have signed in to be part of it. CPEC is one of the most promising and fast moving one. It is a matter of great comfort for Pakistan to be a major part of this global alliance. Regarding the philosophy and truth in the agreement signed between China and Pakistan one needs to understand that all agreements on face value are fair, balancing the interests of both parties. The wisdom lies in its implementation, and that's what really matters.

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Pakistan, no doubt, is weak in contract implementation and interpretation on account of lack of skills and expertise, and often also on account of vested interests. But, then, the fault is with the governance issue in Pakistan, and not with the agreements. In principle, only those agreements are successful in the long-term which are structured and implemented fairly by both parties as equal partners.

For Pakistan CPEC is all about better connectivity through road and rail network to have better accessibility to markets for businesses, employment for people in remote areas and weeding out of the hideouts of those out to harm national interests. CPEC for Pakistan is to meet its energy needs by exploiting its renewable and thermal-energy resources. CPEC is a project of over 40 Special Economic Zones being set up promising employment opportunities to the youth and revenue generation for the nation. All of this is on the soil of Pakistan and its assets for all to benefit from.

CPEC has globally positioned Pakistan on a higher economic, political and diplomatic standing. Its diplomatic relations with Russia and the Central Asian states are now at a much higher level of understanding. Europe and the emerging markets are once again eying Pakistan as a location of opportunities. The Pakistan-China bracket is expected to last longer and work better than the India-US bracket. As a trade-off, China too seeks benefits out of CPEC, which is fair. However, its extent beyond the equitable share depends on how much Pakistan concedes, which is again a matter of negotiating skills and the will of its managers to perform in the best national interest.

(The writer is former President Overseas Investors Chamber of Commerce and Industry)

DAWN
Saturday, 22nd July, 2017

Don’t let this moment of opportunity slip away, IMF warns Pakistan

Khurram Husain

Prime Minister Nawaz Sharif holds a meeting with IMF delegation in New York.— Online/File

KARACHI: In a wide-ranging conversation with Dawn, the Resident Representative of the IMF to Pakistan followed up on the fund’s warning that the macroeconomic stability earned through stabilisationin the past three years needs to be used to make these gains more permanent.

“The moment of opportunity earned through the stabilisation programme is a hard-earned opportunity to advance deeper structural transformation of the economy to ensure future stability,” Tokhir Mirzoev said, cautioning that present trends could undermine macroeconomic stability “if the reforms do not continue”.

Key trends he pointed towards were widening of the current account deficit and a still vulnerable fiscal framework. “Realising the budgeted revenue will require significant effort,” he emphasised, while the decline in reserves and the growing current account deficit were sources of concern.

Also read: *Is the 'strong' rupee policy benefiting Pakistani economy?*

“Currently the economy is flying on one engine,” he says, “and that engine is importing sectors, while the second engine — exports — is lagging. Greater exchange rate flexibility will help rectify this imbalance, but beyond that, the government will need to engage with the exporter community more proactively to develop the plans with which to revive exports.”

“Adding more generation capacity to the system is crucial,” he agreed when asked about the nature of the reforms that need to be undertaken, “but more generation without reforming a leaky distribution system could add to the circular debt and may compromise long-term sustainability of new energy projects. In this context, finding a permanent solution to power sector arrears will be critical in the period ahead.”

Mr Mirzoev is currently on rounds meeting with business and opinion leaders around the country following the latest Article IV report released by the fund this week. “One important message of the report” he says, “is the need to rebalance the federal-provincial fiscal relations. There are important gaps in the devolution of resources and responsibilities to the provinces under the last NFC award”. That accord has created a mismatch between provincial government incentives and responsibilities, he emphasised. “The provincial governments should be empowered, but the devolution of powers needs to be better aligned with the devolution of resources; and the interests of the provinces could be better aligned with those of the centre and the broader national objectives.”

The outcome of this mismatch, he points out, is a fiscal system that is unbalanced, insufficiently flexible, and less prepared to absorb large shocks. In addition, provinces have a say in key national policy decisions, but often do not bear the equal obligation when it comes to funding such policies.

It is important to take appropriate steps to address the growing imbalances early on, he said, and not allow the economy to come back full circle to where it was before the “moment of opportunity” was attained. He refrained from speaking of or pointing towards a potential balance of payments crisis in the future, preferring to say that a “soft adjustment can be engineered given the right reforms”. He declined to get specific about the implications such an adjustment could have on the growth rate.

“Reserves are still adequate for the foreseeable future, and there is still some debt carrying capacity, so the situation is not exactly dire. But its recent trend is worrisome and to reverse this will require some concerted effort.”

DAWN
Saturday, 22nd July, 2017

Imports of food, oil surge

Mubarak Zeb Khan

ISLAMABAD: The import bill of food, machinery and oil edged up 29 per cent year-on-year to $28.79 billion in 2016-17, causing a higher-than-expected trade deficit of $32.6bn.

The overall import bill ballooned to an all-time high of $53bn in the last fiscal year. The share of these products in the overall import bill increased to 55pc from 50pc a year ago.

Analysts believe the import of these products has not only made Pakistan overly dependent on foreign goods, but also threatened its food sovereignty.

Official figures compiled by the Pakistan Bureau of Statistics (PBS) show imports under the petroleum group increased 30.24pc year-on-year to $10.9bn in July-June.

Its breakdown showed imports of petroleum products went up 28pc to $6.82bn in the 12-month period. However, 11pc growth was recorded in the import bill of petroleum crude, which amounted to $2.54bn.

The import bill of liquefied natural gas surged 132pc to $1.3bn while that of liquefied petroleum gas recorded a growth of 35pc to $215.28 million during the period under review.

The second biggest component in the import bill was of machinery, which went up 37.27pc to $11.76bn. The increase was mainly driven by power-generating machinery whose imports grew 64.64pc year-on-year to $3.04bn. It was followed by the imports of electrical machinery and appliances that rose 29.4pc to $2.32bn.

The import of other machinery went up 41.4pc to $3.35bn. However, no breakdown of other machinery was disclosed by PBS data.

The import bill of office machinery went up 59pc, textile machinery 21pc, construction machinery 55pc and agriculture machinery 36pc. The import values for each product were around $500m in 2016-17.

The import bill of the telecom sector witnessed a decline of 0.38pc to $1.35bn. Imports of mobile phones witnessed a negative growth of 5.78pc, but those of other apparatus went up 6.3pc during the period under review.

The third biggest component in the import bill was food commodities. Their imports rose 14pc to $6.13bn in the 12-month period.

This increase can be attributed to massive imports of palm oil, which went up 12pc to $1.9bn followed by the rise of 13.76pc in the imports of ‘other’ food items amounting to $2.05bn. The import of pulses edged up 60pc to $952.25m. Imports of dry fruits and milk products also grew during the period under review.

DAWN
Saturday, 22nd July, 2017

Housing cost contributes most heavily to CPI

Shahid Iqbal

KARACHI: House rent contributed the most to inflation in June, reflecting the grave situation prevailing in the housing sector, according to the Inflation Monitor issued recently by the State Bank of Pakistan (SBP).

The housing situation has only worsened as property prices skyrocketed in the last five years. Costly housing units have also led to higher rent. As a result, many people are forced to move into illegal housing built mostly on unauthorised land. The weighted contribution of house rent to inflation was 32.76 per cent in June. House rent increased throughout 2016-17 as reflected by 6.94pc inflation in June.

The second highest weighted contribution to CPI was by education, which remained 11.93pc. Inflation for education in June was 10.98pc against 7.38pc in the same month a year ago. Data shows that respective inflation recorded by housing and education was notably higher than the overall annual inflation of 4.2pc.

Drug medicine showed the highest ‘irreversible’ inflation of 20.3pc in June. This is called irreversible because drug prices rarely come down after registering an increase. Drug prices are going up also because of insufficient production of life-saving drugs in the country.

The SBP report said inflation for motor fuel was 8.92pc in June. Higher fuel costs hurt the entire economy. Fuel inflation showed a decline of 12.26pc in the same month of the last fiscal year.

Rice, which is exported in a vast quantity, did not witness a price decline in 2016-17 unlike the preceding fiscal year when it came down 10.8pc. Rice registered inflation of 13.95pc in June.

Wheat flour was the only commonly used product that noted a price decrease of 0.33pc in June.

The Inflation Monitor showed the non-food group caused higher inflation than the food group. “The weighted contribution of non-food group increased to 75.08pc in June from 59.54pc in the previous month,” said the SBP report.

The weighted contribution of the food group to overall inflation decreased to 24.92pc in June from 40.46pc in the previous month. It was 29.29pc in June 2016.

DAWN
Saturday, 22nd July, 2017

Moderate trading on cotton market

The Newspaper's Staff Reporter

KARACHI: Revival of buying interest from spinners at the lower level led to moderate trading activity in the cotton market on Friday.

Although the quality of cotton continues to be doubtful due to a persistent wet spell, spinners booked some deals to meet their immediate needs.

Most global cotton markets closed easy in line with New York cotton.

Meanwhile, All Pakistan Textile Mills Association (Aptma) leaders once again tried to draw the government's attention to the deepening crisis in the textile industry.

Aptma's former chairman Gohar Ijaz said a large number of looms have closed down in big cities already. Over 100,000 people have become jobless, he said, adding that the government must address the situation quickly. He said 30-40 per cent of the industry is either shut down or operating partially.

Spot rates of the Karachi Cotton Association remained steady at the overnight level.

The following deals materialised on the ready counter: 400 bales from Mirpurkhas at Rs6,300, 200 bales from Hyderabad at Rs6,300, 600 bales from Tando Adam at Rs6,300-6,350 and 800 bales from Shahdadpur at Rs6,350.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2015-16 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/32" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL			
Rate For	**Ex-Gin Price**	**Upcountry Expenses**	**Spot Rate Ex-Karachi**
37.324 Kgs Equivalent	**6,200**	**135**	**6,335**
40 Kgs	**6,645**	**145**	**6,790**

THE NEWS
Saturday, 22nd July, 2017

Non-textile exports up 5 percent in June

KARACHI: The country's non-textile exports rose five percent year-on-year to $693 million in June, while they remained flat as compared to the previous month, official data showed.

Pakistan Bureau of Statistics (PBS) said non-textile exports amounted to $660 million in June 2016 and $688 million in May 2017.

Food exports increased 1.06 percent to $286.035 million in June 2017 over June 2016, while they decreased 19.07 percent over May. Key rice export remained flat year-on-year (YoY) at $143.523 million in June. It, however, surged 22.81 percent month-on-month (MoM). Sugar export doubled YoY to $2.520 million. It fell 95.47 percent MoM.

Underdeveloped leather sector also showed resilience in June as it fetched $47.695 million in revenue from exports of garments, gloves and other leather products, depicting increases of 12.42 percent YoY and 29.55 percent MoM.

Analysts termed the surge as an offspring of exporters' rush to avail condition-free rebate scheme, which ended on 30 June, 2017. The government announced one and half year incentive package for textile and leather exporters to rescue sagging exports. Now, duty drawback is conditioned with at least 10 percent increase in exports till end of the current fiscal year.

PBS data showed that export of non-textile products, however, fell four percent to $7.995 billion during the last fiscal year of 2016/17. Non-textile exports amounted to $8.339 billion in 2015/16.

Food exports decreased 6.94 percent to $3.712 billion during the past fiscal year despite massive surge in wheat export, while export of sugar and seafood also increased.

Wheat export climbed more than five times to $0.967 million as bumper crop ramped up its stock.

Sugar export fetched $161 million in FY17, up 21 percent over FY16. Exports of fish and fish preparations jumped 21.35 percent to $394.217 million in 2016/17. Leather sector's exports, however, fell 6.49 percent to $492.028 million in 2016/17.

Cement, which is also a major non-textile exports, earned the country $237.885 million in revenue during the last fiscal year, down 25.94 percent over a year ago. In FY17, textile exports remained flat at $12.452 billion. In June, textile exports, however, rose 23.53 percent YoY and 29.74 percent MoM, respectively at $1.217 billion.

The country's total exports dropped 1.63 percent to $20.447 billion in 2016/17, while annual imports climbed 18.67 percent to $53.025 billion.

PBS data further showed that machinery imports continued to ratchet up in FY17 as the country imported $11.768 billion worth of power generation machinery, electrical equipment and telecom apparatuses during the period, showing 37.27 percent rise over FY16.

In June, machinery import increased 10.96 percent YoY to $884 million. Yet, it decreased 14.43 percent MoM.

Import bill of petroleum, oil and lubricant products soared 30.24 percent to $10.902 billion in the past fiscal year. Import of petroleum products surged both in terms of quantity (46.12pc) and value (27.91pc) to 14.799 million tonnes and $6.827 billion, respectively.

In June, oil bill soared 10.79 percent YoY to $1.006 billion. It fell 10.97 percent MoM.

In FY17, import of agriculture products and other chemicals rose 4.96 percent to $7.584 billion.

Such imports increased 6.53 percent YoY to $655 million, yet decreased 5.02 percent MoM. Food imports increased 13.92 percent to $6.138 billion during the last fiscal year. In June, food bill stood at $488 million, sliding 5.29 percent YoY and dipping 12.33 percent MoM, according to PBS.

THE NEWS
Saturday, 22nd July, 2017

‘Clearance of tax refunds to shore up exports’

KARACHI: Muhammad Jawed Bilwani, chairman Pakistan Apparel Forum (PAF), on Friday showered the government with kudos for finally starting releasing sales tax refunds, giving the country’s dwindling exports a much needed impetus.

The refund payment orders (RPOs) valuing up to Rs1 million, issued until 30th April, 2017, were cleared on July 15, 2017, while orders involving more than Rs 1 million shall be paid by August, 14, 2017. “Following the payment of refunds, exports are likely to pick up as an improved liquidity position will definitely enable exporters to launch new shipments,” Bilwani said in a statement. It must be noted that the finance minister had given his word during the budget 2017-18 speech that this longstanding issue would soon be resolved.

Praising the finance minister for keeping his promise, Bilwani urged the government that instead of waiting till August 14, the payments should be cleared as soon as possible so that businessmen could plan investments for balancing, modernisation, and replacement. “It will leave a good impression on foreign buyers,” he said. In the first phase, the payments were made in a ceremony held at Federal Board of Revenue under the chair of finance minister last Saturday. He said that as yet, out of Rs180 billion export incentive package announced by the Prime Minister, only Rs3 billion have been released to exporters under Duty Drawback of Taxes (DDT) claims.

Wrapping up his statement, Bilwani hoped that the refunds as well as custom rebate, duty drawbacks, and taxes refunds would all be paid in time.

THE NEWS
Saturday, 22nd July, 2017

OGDC may go for buying foreign assets worth over $500 million

KARACHI: State-owned Oil and Gas Development Company (OGDC) may acquire an exploration and production firm in Middle East or Africa after the country's biggest energy firm secured multibillion rupees in bonds maturity, its top official said.

"OGDC is already investing sufficient amount on exploration and development activities within the country," Zahid Mir, managing director of OGDC told The News. "We are evaluating several opportunities, which include probable acquisition of a company or bloc abroad in Middle East, Egypt or Africa," Mir said.

OGDC has received a sum of Rs53.4 billion against maturity of Pakistan investment bonds, which the company subscribed in July 2012 to settle receivables originating from circular debt. "Now that we have received such a sum, OGDC may go for buying assets abroad worth over $500 million even if found feasible in all respects," Mir added. "It is only for the board to decide how to use the money."

MD OGDC said liquidity has never been a problem for the company, which is investing fund as much as possible through the annual exploration budget. Higher numbers of wells are being spud and larger area is being surveyed for seismic recordings. Mir said OMV, a Vienna-headquartered engaged in upstream and downstream businesses, is on sale. The company is also evaluating OMV's assets for possible acquisition.

He said OGDC is inclined to acquire a company or bloc abroad to develop its global network yet "when new blocs are offered by the government we would also look into that (opportunity)."

Analyst Faizan Ahmed at JS Global Capital said strong financial muscle of OGDC helped it sustain its position despite exposure to the circular debt. "As the company's balance sheet remains strong (zero debt), we believe that some portion of this cash may be paid out as dividends along with FY17 results," Ahmed said.

Presently, OGDC's overall receivables stand at around $1.5 billion and most of it is receivable from gas utility companies.

In March 2013, the government offered 50 blocks for grant of exploration licences and most of these were won by OGDC and Pakistan Petroleum Limited. There has been no bidding round since then.

OGDC is looking to bolster growth by acquiring assets on its own outside Pakistan, as apparently no exploration blocks are being offered for bidding in the country at the moment.

Being the market leader in exploration and production sector, OGDC holds the largest acreage, which as of march 31, 2017 stood at 11,604 square kilometers covering 33 percent of the country's total area under exploration. OGDC's exploration acreage spreads across the country and currently comprises of 60 owned and operated exploration licences. The energy firm also possesses working interest in five blocs operated by other companies.

The company posted a net profit of Rs47.595 billion, translating into earnings per share of Rs11.07 for nine months ended March 31, 2017.

THE NEWS
Saturday, 22nd July, 2017

Cotton unchanged

Karachi

Slow trading was recorded at the Karachi Cotton Exchange on Friday, while spot rates remained unchanged.

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

An analyst said monsoon rains in the cotton growing areas had reduced trade volume in the market. “The trade will pick up soon after the rainy season ends,” he added. KCE recorded four transactions of 2,000 bales only from the new Sindh crop. Of these, 400 bales of Mirpurkhas and 200 bales of Hyderabad were traded at Rs6,300/maund, 600 bales of Tando Adam at Rs6,300 to Rs6,350/maund and 800 bales of Shahdadpur exchanged hands at Rs6,350/maund.

The Nation on Web
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Traders welcome GSP Plus continuation in UK market

Our Staff Reporter

LAHORE - The business community has welcomed the continuation of GSP plus status to Pakistan in UK market after Brexit.

According to reports, British High Commissioner to Pakistan, Richard Crowder has confirmed that UK wants to maintain and strengthen the access to the UK markets for developing countries after leaving the EU. “For Pakistan, which benefits from zero tariffs on two-thirds of all products export to the UK, we aim to maintain these levels of access,” he added. The businessmen feel that the assurance by the UK High Commissioner in Pakistan that the country's products would continue to enjoy preferential treatment in the UK market after Brexit is really heartening.

PIAF chairman Irfan Iqbal Sheikh said that there were some apprehensions in the market that Pakistan and some of the other developing countries could lose GSP plus status in the British market in the post-Brexit period. It is very reassuring that such apprehensions have been removed and the Brexit would not make any difference on the present trade relations between the UK and Pakistan, he added. However, Irfan said that exporters have failed to materialise new export order which will further decline exports in the coming months, as their genuine demands were not met by the government.

PIAF Senior Vice Chairman Tanveer Ahmed Sufi and Vice Chairman Khawaja Shahzeb Akram alleged that the FBR officials are treating exporters and tax-payers as thieves and arbitrarily debiting amounts directly from the banks accounts of exporters since last four decades. FPCCI former president Mian Idrees said, “Trade deficit has touched $30 billion market due to decrease in exports while, our competitor Bangladesh's textile exports alone have touched $28 billion mark and they have set their target of $35 billion in next five years.” Presently, Pakistan has the highest-ever cost of doing business/manufacturing as compared to its eight competing countries in the region.

OUR STAFF REPORTER

The Nation on Web
The Nation
Saturday, 22nd July, 2017

Govt urged to provide cheap power to nation

LAHORE - The Wapda and Electricity workers on Friday took out a large procession under the aegis of All Pakistan Hydro Electric Workers Union CBA, demanding the government to develop hydel power and gas fuel thermal power station to provide cheap electricity to the nation.

The workers asked the government to not follow the recommendation of IMF for withdrawal of subsidy on electricity. They also urged the electricity management to take steps for protection of line staff from tragic accidents. The participants also demanded to the management of Wapda/Electricity management to fulfil the demand raised by the union in its Demand Notice.

The procession was led by veteran Trade Union Leader Khurshid Ahmed General Secretary along with Haji Muhammad Younas, Rana Abdul Shakoor, Muzaffar Mateen, Ch Maqsood, Haji Latif, Rana Akram, Zafar Shah, Nosher Khan, Sheikh Shoaib and others.

The participants in another resolution urged the policy makers and leaders of political parties to develop National Plan of Action to tackle growing unemployment of the youth and curb poverty. They also demanded free equal education for each child and elimination of rising irrational gap between the rich and poor in the society. By another resolution, the worker appealed to UNO and freedom-loving nations of the world to get stopped genocide of Kashmiri people struggling for their fundamental right of self-determination.

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Weekly inflation falls 0.19pc

APP

ISLAMABAD - The weekly inflation for the week ended on July 20 for the combined income groups decreased by 0.19 percent as compared to the previous week.

According to the data released by Pakistan Bureau of Statistics (PBS) on Friday, the Sensitive Price Indicator (SPI) for the week under review in the above mentioned group was recorded at 219.03 points against 219.45 points last week.

As compared to the corresponding week of last year, the SPI for the combined group in the week under review witnessed nominal increase of 0.42 per cent. The weekly SPI has been computed with base 2007, 2008=100, covering 17 urban centers and 53 essential items for all income groups.

Meanwhile, the SPI for the lowest income group up to Rs 8,000 decreased by 0.13 percent as it went down from 208.84 points in the previous week to 208.57 points in the week under review.

As compared to the last week, the SPI for the income groups from Rs 8001 to 12,000, Rs 12,001 to 18,000, Rs 18,001 to 35,000 and above Rs 35,000, also decreased by 0.16 percent, 0.18 percent, 0.21 percent and 0.22 percent respectively.

During the week under review, average prices of 11 items registered decrease, while 15 items increased with the remaining 27 items' prices unchanged.

The items, which registered decrease in their prices during the week under review, included bananas, chicken, sugar, garlic, gram pulse, wheat, gur, onions, masoor pulse, cooking oil and moong pulse.

The items, which registered increase in their prices during the week under review included tomatoes, eggs, rice (basmati broken), rice (irri-6), milk (powdered) curd, mutton, LPG, vegetable ghee, beef, wheat, potatoes, mash pulse, red chilly (powder) and vegetable ghee.

The items with no change in their average prices during the week under review included bread, milk (fresh), mustard oil, salt (powder), tea (packet), cooked beef, cooked daal, tea (prepared), cigarettes, long cloth, shirting, lawn, georgette, gents sandal, gents chappal, ladies sandal, electricity charges, gas charges, kerosene, firewood, electric bulb, washing soap, match box, petrol, diesel, telephone local call and bath soap.

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Saturday, 22nd July, 2017

Current account deficit reaches nine-year high

Our Staff Reporter

LAHORE - The country has posted a nine-year high of external Current Account Deficit (CAD) of $12.1 billion, which is 4 percent of Gross Domestic Product (GDP)), up by 1.5 times over the last year's CAD of $4.9 billion (1.7 percent of GDP).

According to experts, the higher CAD was primarily on account of 39.4 percent increase in trade deficit over last year to $26.9 billion due to higher than expected rise in imports of 17.5 percent to $48.5 billion. Further, exports remained more or less flat at $21.7 billion, contrary to expectations of growth. The sharp rise in imports is alarming and is due to strong demand of fuel, machinery and foods items, which were up 25.4 percent, 9.5 percent and 19.8 percent over last year to $9.5b, $7.1b and $5.0b respectively during 11-months period Jul-May 2017.

It should be noted that early harvest mega power projects of CPEC are currently under way in Pakistan with the inauguration of $1.6b 1,320MW Sahiwal Power Plant done as recently as May 2017. Further, import of machinery as shown by Pakistan Bureau of Statistics (PBS), which is on receipt of goods basis, is up by 40.5 percent to $10.8b during Jul-May 2017.

Lack of export growth was contrary to expectations as the government announced export package earlier this year, which has failed to give the required impetus to exports. Further, remittances also fell 3 percent to $19.3 billion due to fiscal consolidation in GCC countries (as a result of subdued oil prices) that led to layoffs of workers. GCC countries accounted for over 60 percent of remittances in FY17.

Despite the high CAD, overall balance in the balance of payments was a deficit of only $1.9 billion, due to funding by financial account which was up 42 percent to $9.6 billion. The increase in financial account was due to higher gross disbursements in the form of foreign loans, which were up by 65 percent over last year to $12.7 billion. Pakistan external debt is resultantly on the rise and is expected to be close to $65 billion (21.3 percent of GDP) as of June 2017 as compared to $58 billion (20.8 percent of GDP) last year.

The International Monetary Fund (IMF) in its recent country report has forecasted the country's CAD of $10-15 billion for the next five years. However, the IMF is projecting that this will be financed by the Financial Account as was the case in FY17 and is maintaining the country's foreign exchange reserves at current levels. The Topline analysts observed that market expectation of a sharp rupee devaluation of 10 percent-20 percent may be unrealistic as maintenance of foreign exchange reserves during the next few years as per the IMF should provide ample support to the rupee to prevent any adverse devaluation beyond 5-6 percent this year. Further, as per their estimates, the rupee to dollar rate assumption by the IMF in its 2018 forecasts is Rs112, which indicates a devaluation of around 6 percent during the current fiscal year.

The IMF in its report stated that on a Real Effective Exchange Rate (REER) basis, the rupee is undervalued by 10-20 percent range. However, the IMF has not given a timeline for this anomaly to correct. Further, analysts are of the view that for REER methodology to apply, exports must be at least 15 percent of GDP in order to positively impact the overall country's macroeconomic framework. During FY17, total exports were only 7.2 percent of Pakistan's GDP.