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External account examined

ISLAMABAD: Finance Minister Ishaq Dar Monday chaired a meeting at the Ministry of Finance to review the external account position, including the current account, trade account, exports, imports, remittances and financing.

The meeting was attended by Commerce Minister Pervaiz Malik, Finance Secretary, Secretary Commerce, Secretary Textile Industry and senior officials of the Ministries of Finance, Commerce, Textile Industry, as well as the State Bank of Pakistan, stated a press release.

The finance secretary gave a briefing to the meeting and explained that the recent increase in the current account deficit was largely driven by a sharp increase in imports of machinery for power generation, textile construction and import of petroleum products.

He said that these were healthy imports which will increase the production capacity of the economy, and enable higher growth and exports in the future. He also stated that the decline in exports in the last few years was mainly due to global economic conditions, energy shortages for industrial and agriculture sectors, and reduced availability of exportable surplus.

The finance secretary informed that, due to improvement in the global economic outlook, uninterrupted supply of electricity and gas to industrial sector and increased output, the export decline had begun to bottom out as exports during Jan-June 2017 registered a growth of 0.52 percent compared to the same period last year. He highlighted that exports in July 2017 posted a healthy growth of 10.5 percent compared to July 2016. He also highlighted that workers' remittances, which had remained stagnant due to global conditions, have shown an impressive growth of 16 percent in July 2017 compared to July 2016.

A detailed discussion on various options to give an immediate boost to exports, manage imports and build on the recent month's growth in remittances was held during the meeting. The finance minister said that a significantly higher export target should be achieved to improve the trade deficit. He said that the export incentive package announced by the government earlier this year was fully endorsed by the industry and all effort should be made to achieve the growth targets set under this package.

The finance minister directed the finance secretary, secretary commerce and secretary textile industry to remove any impediment that may hinder the achievement of this target. Comprehensive proposals to incentivise remittances were also discussed in detail. In this regard, the finance secretary said that several meetings have been held with the stakeholders, and various measures have been identified including the proposed remittance scoring card, road shows in major corridors, transaction efficiency and settlement of TT charges.

The finance minister emphasized that remittances were an important foreign exchange stream for the country, and directed that the proposed initiatives in this regard should be finalized immediately. He also highlighted the need to incentivise overseas Pakistanis to invest in Pakistan.

The meeting was also briefed about various financing measures to finance the current account deficit in the short term. It was explained that increased inflows of Foreign Direct Investment and other investments under CPEC will largely fill this gap. Other options such as tapping of capital markets and trade finance facilities were also discussed.

The finance minister said the economy was passing through an expansionary phase, and the resultant dividends for the country will be much higher than the cost presently being borne as a result of widening of trade deficit which is only a short-term phenomenon.—PR

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LNG operations:
First-ever LNG terminal earns $91m revenue

RECORDER REPORT

ISLAMABAD: Pakistan's first-ever LNG terminal at Port Qasim has earned revenue of approximately $ 91 million from LNG operations since the inception of the first LNG terminal in March 2015.

FOTCO Oil Terminal at Port Qasim handles roughly 6 to 8 million tons per annum (MTPA) of petroleum products and PQA royalty is roughly $ 4 to 5 million per annum whereas SSGC and Engro Vopak Terminal (EVTL) handles roughly 500 kt LPG per annum through which PQA earns approximately $ 2.4 million.

Port Qasim is becoming the energy hub of the country as it handles oil, LPG, LNG and coal for the energy needs of the country. Apart from the dedicated oil, LPG, LNG and coal handling terminals, Port Qasim is also becoming the power generation hub of the country with approximately 1,980 MW of coal-based power plants and approximately 1,350 MW RLNG-based power plants are at different stages of development and construction.

Sharing details of different under-development power projects, sources informed that KE is working on 900MW RLNG-based power plant, Engro is working on 450MW RLNG-based power project, 1,320MW coal-based power project is being developed by Sinohydro and Lucky Electric is working on 660 MW coal-based power plant at Port Qasim.

Sources also informed that another LNG terminal of 600 MMCFD with an investment of approximately $ 130 million is also under construction at Port Qasim and is likely to achieve commercial operations in 2017. Furthermore, multiple consortiums are working on projects to add more LNG terminals in Port Qasim and this will increase the energy footprint of this port even more.

The PQA sources informed that Engro LNG Terminal is receiving an average six LNG cargos a month which means it is re-gasifying approximately 600 MMCFD of LNG becoming the single largest source of gas in the country. In last 28 months, Pakistan has imported historic 6.1 million tons of LNG through country's first and only LNG terminal at Port Qasim.

Ever since the induction of LNG into the country's gas distribution network, the government has brought 2,200MW of power generation online by switching it from expensive liquid fuels. This infrastructure breakthrough has enabled the government to address the energy crisis through investment in new gas-fired power plants for additional 3,600MW power generation capacity. These power plants are under construction at Sheikhupura, Jhang and Kasur districts and will be Pakistan's most efficient power generation units.

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CA posts over $2bn deficit in July

RIZWAN BHATTI

KARACHI: The country's current account posted a deficit of over $2 billion during the first month of this fiscal year, mainly due to rising goods' imports/exports disparity.

Economists said the rising goods' imports largely contributed to higher current account deficit during the initial month of this fiscal year. Goods' imports jumped to $ 4.696 billion in July 2017 up from $ 1.618 billion in July 2016. Although goods' exports also posted some growth, however the growth in exports is lesser than goods' imports, they added.

They said higher goods' imports are directly hurting the external account, therefore there was need for making a long-term policy to discourage the luxury or unwanted imports.

The State Bank of Pakistan (SBP) Monday revealed that current account deficit rose sharply by 210 percent during the first month of current fiscal year (FY18). The country's current balance posted a deficit of $ 2.053 billion in July of FY18 compared to $ 662 million in the same period of last fiscal year (FY17), depicting an increase of $ 1.391 billion.

The detailed analysis showed that cumulative deficit of goods, service and income surged by 65 percent during the period under review. With current increase, combined deficit of goods, services and income reached $ 3.738 billion in the first month of current fiscal year compared to $ 2.297 billion in the same period of last fiscal year.

Economists said inflows of home remittances registered some growth during the period under review and after witnessing a 3 percent decline in FY17, inflows of workers' remittances increased by 16 percent in July 2017. Overseas Pakistani workers remitted $ 1.542 billion in the first month of FY18 as compared to $ 1.328 billion received during the same period in the preceding year, depicting a decline of $ 214 million.

With $ 4.696 billion imports and $ 1.809 billion export, the country's goods deficit surged to $ 2.887 billion in July 2017 against $ 1.618 billion trade deficit in the corresponding period of last fiscal year.

During the period under review, services trade deficit posted an increase of 42 percent or $ 145 million. Services trade deficit stood at $ 489 million, with $ 404 million exports and $ 893 million imports in the first month of this fiscal year.

Similarly, the deficit of income sector also witnessed some growth. With $ 409 million payments and $ 47 million receipts, primary income sector deficit surged to $ 362 million in July 2017.

The country's current account posted $ 12 billion deficit, up 148 percent, during the last fiscal year on the back of a widening trade deficit and slowdown in remittances.

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Reko Diq project controversy:
PM to brief Senate in in-camera session

ZULFIQAR AHMAD

ISLAMABAD: Prime Minister Shahid Khaqan Abbasi on Monday said that he would brief the house about Reko Diq gold and copper mining project controversy in an in-camera session as promised by him when he was minister for petroleum in Sharif administration.

In April, the government had agreed to give an in-camera briefing to the Senate about a ruling of an arbitration tribunal of the World Bank's International Centre for Settlement of Investment Disputes (ICSID) in relation to denial of a mining lease to Reko Diq project in 2011.

The ICSID's ruling came after Tethyan Copper Company Limited (TCC), a joint venture of Antofagasta and Barrick, filed an arbitration claim against Pakistan for unlawfully denying a mining lease for the Reko Diq project. The chairman Senate asked the prime minister to inform him about his availability so that the secretariat could place the issue on the agenda of the day during the ongoing session of Senate.

PM Abbasi, unlike his predecessor Nawaz Sharif, turned up in Senate that was largely appreciated by chairman Senate as well as opposition benches, terming the move a step towards becoming a 'tradition breaker.' It was first Senate session after Abbasi took over as prime minister on August 01, and his participation in the session of the Upper House of the Parliament came quite surprising as former Prime Minister Nawaz Sharif hardly paid a visit to Senate during his four-and-a-half-year stint.

"The chair reserved for leader of the house [prime minister] looks good when the person who deserves this seat gives respect to its sanctity. Though we are very happy with Raja Zafarul Haq, who is leader of the house in Senate, yet the prime minister who is leader of the house has no replacement," said Aitzaz Ahsan, leader of the house in Senate.

In the same breath he continued that the way new prime minister honored the Senate by attending its first session after taking over the charge of his office, the house will expect he would prove himself to be the tradition breaker – a clear reference to his predecessor who seldom turned up to the Senate.

The Senate welcomed the new prime minister and stated that importance to Upper House of the Parliament by the Prime Minister will certainly strengthen the federation, adding under the rules the premier is supposed to attend Senate session once a week. "I'm hopeful that your government will play its due role in strengthening the democratic process and the empowerment of the Parliament," he added. He drew the attention of the Prime Minister towards tracheotomy of power and expressed hope that his government would ensure equal power among all the stakeholders as envisaged in the Constitution of Pakistan.

Taking part in the discussion on a motion on women rights Senator Farhatullah Babar drew attention of the Prime Minister towards the plight of a section of women who, he said, are the "most wretched and most unfortunate" even among the women who were generally dispossessed, deprived and most discriminated. "Mr. Prime Minister I wish to draw your attention towards the women whose brothers, sons, husbands and fathers have disappeared mysteriously without a trace in Balochistan, Sindh, FATA and KP and all doors are shut on them," he said addressing the PM who also attended the session briefly.

Acknowledging that the new prime minister has started on a positive note, he asked Shahid Khaqan Abbasi to pay heed to the recent report of the Senate Committee of the Whole recommending measures to address the issue of missing persons in the country. All the 104 members of Senate have recommended unanimously adopting legislation to bring the state agencies under the ambit of the law as advised also by the Supreme Court, he said. Unless the issue of missing persons, which has affected women the most, is addressed in right earnest, all talks of empowering women or addressing their issues will be futile, he said.

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Speaking on another motion moved by Senator Sherry Rehman on devaluation of rupee, Senator Saleem Mandviwalla asked the government to stop interference in matters of State Bank of Pakistan (SBP). He said, “The government had intentionally devalued rupee against the dollar, adding there could not be a huge spread between dollar and rupee. The government rate was Rs 104 but in the market, the dollar was being sold at Rs 107. This is simply not possible. There could hardly be 50 paisa spread or maximum Rs 1 in official and market rates. When there is Rs 3-4 difference [in dollar and rupee], it means there is something wrong,” he added. He said that the issue was adjusted by the SBP, which upset the Ministry of Finance, and it warned of an inquiry, adding there could be no inquiry against the regulator [SBP], and the SBP had taken the right decision. He also said that the Finance Ministry knew it could not hold any inquiry against the SBP, adding when the SBP adjusted the dollar, it came down to Rs 106, which was the right decision.

However, responding on behalf of the Finance Ministry, Commerce Minister Pervez Malik said that the inquiry against the SBP is still going on and it will be made public once it is completed.

Rabbani said that the inquiry was supposed to be completed within ten days and there should be no further delay, adding it should be made public as soon possible.

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Sindh moves CCI

MUSHTAQ GHUMMAN

ISLAMABAD: The government of Sindh has approached the Council of Common Interests (CCI) to bar federal government from misuse of forums such as the Economic Coordination Committee (ECC) of the Cabinet and Cabinet Committee on Energy (CCoE) against Article 154 of the Constitution by taking decisions which negatively impact provinces, well-informed sources in Sindh government told Business Recorder from Karachi.

The CCI, which is scheduled to meet on August 28, 2017 with Prime Minister Shahid Khaqan Abbasi in the chair, is expected to discuss this issue in detail. Sindh is expected to get support from KPK government.

According to sources, in the recent months the Economic Coordination Committee of the Cabinet and the Cabinet Committee on Energy, the federal government, by overstretching its domain, has taken several decisions on subjects on natural gas and electricity. A few examples of arbitrary decisions of the ECC and the CCoE include RNLG imports, its pricing, utilization, transmission, distribution, mixing and swapping with indigenous gas, construction of RLNG based power plants in Punjab from federal Public Sector Development Program (PSDP), issuance of guidelines to Ogra for upward tariff determination and adjustment of phenomenally high Unaccounted for Gas (UfG) percentages in the tariff for securing profitability of Sui Companies, dismantling of gas pricing agreement of Mari Petroleum Company Limited (MPCL) from cost plus formula to crude oil based formula, etc. Article 154 of the Constitution clearly stipulates that the Council of Common Interests (CCI) is the competent forum to formulate and regulate policies in relation to matters of part-II of the Federal Legislative List and may exercise supervision and control over related subjects.

The sources further stated that natural gas, projects owned wholly or partially by the federation, electricity and related incidental matters appear at entry number 2, 3, 4& 18, part II, federal legislative list, respectively. Thus, CCI is the only competent forum to formulate policies on such matters in part II, federal legislative list.

“The ECC and CCoE are fora where provinces have no representation. National press resultantly is the only source of information for the decisions taken in these fora. Formulation of policy by ECC and CCoE on any matter appearing in part II, Fourth Schedule, Federal Legislative List is clearly an encroachment in the functions of the CCI,” the sources quoted Chief Secretary Sindh as claiming in a summary for the CCI.

Sindh government maintains that in order to ensure sanctity of Constitution of Pakistan, CCI is requested to issue the following directions to the federal government: (i) desist from use of diverse fora like ECC and CCoE for formulation of policy on matters falling in the part II, Fourth Schedule, Federal Legislative List; (ii) place all such policy matter decided by ECC or CCoE before CCI for discussion and decision; and (iii) strictly implement the mandate of the CCI in pursuance of article 155 of the Constitution.

The sources said, Sindh government has also requested the CCI to allocate 1200 cusecs (650.5 MGD) additional water for Karachi city (K-4 project). The provincial government argues that the CCI should allocate water from Sindh from Centre’s share.

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PM defers CCI meeting till 28th

RECORDER REPORT

ISLAMABAD: Prime Minister Shahid Khaqan Abbasi has deferred Council of Common Interests (CCI) meeting till August 28, 2017, according to sources in the Ministry of Inter-Provincial Coordination.

Sources said that previously the meeting was scheduled for August 23, however, now it has been rescheduled for August 28 to take briefing from Pakistan Bureau of Statistics (PBS) on preliminary results of population census completed in May 2017. An official of PBS said that approval of the preliminary results would be placed before the CCI for approval before making them public.

Additionally, an official of IPC whose role is of liaison officer between federation and provinces on matters involving CCI said that meeting is expected to deliberate on oil and gas issues, especially of new domestic connections ahead of next general election.

The official further stated that LNG import was on the agenda of last CCI meeting of May 2 2017 but the meeting decided that the summary should be circulated to all provinces for soliciting comments and then it should be presented to it in the next meeting.

This would be the first CCI meeting to be chaired by PM Abbasi after its reconstitution with raising representation of the Punjab provinces as opposed to equal representation in the past.

Former Finance Minister Saleem Mandviwalla said that higher share to Punjab in the CCI appears an attempt to get contentious issues of gas connection and LNG import approved through a majority vote.

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THE RUPEE: Modest appreciation

RECORDER REPORT

KARACHI: The rupee recovered modest ground against the dollar on the money market on Monday in the process of trading, dealers said.

OPEN MARKET RATES: The rupee posted fresh gain of 20 paisas in relation to the dollar for buying and selling at Rs 106.30 and Rs 106.50, they said.

The rupee, however, held the weekend levels in terms of the euro for buying and selling at Rs 124.00 and Rs 125.00, they said.

In the first Asian trade, the

Open Bid	Rs. 106.30
Open Offer	Rs. 106.50

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

Bid Rate	Rs. 105.39
Offer Rate	Rs. 105.40

RUPEE IN LAHORE: The Pakistani rupee registered appreciation versus the US dollar and British pound in the local currency market on Monday.

According to currency dealers, the US dollar dollar steadied, edging away from four-month lows against the yen plumbed in the previous session as investors turned their focus from political turmoil in Washington to the Federal Reserve's annual central banking conference in Wyoming.

The dollar was flat on the day at 109.22 yen, after slipping to as low as 108.605 yen on Friday on concerns over President Donald Trump's ability to push through tax reform and stimulus measures.

It largely shrugged off the University of Michigan's resumed trading on a negative note and remained under pressure following lack of buyers' interest in the market.

As a result, it slid to Rs 106.20 and Rs 106.50 on buying and selling side, respectively, as compared to last closing trend of Rs 106.50 and Rs 106.70 respectively, they added.

Likewise, the local currency also followed the same suit against the pound sterling.

The pound's buying and selling rates decreased from consumer sentiment index, which improved to its strongest in seven months, reflecting confidence in the outlook for the economy and in personal finances as the US stock market holds near record highs.

The dollar was trading against the Indian rupee at Rs 64.050, the greenback was at 4.286 in terms of the Malaysian ringgit and the US currency was at 6.673 versus the Chinese yuan.

Inter bank buy/sell rates for the taka against the dollar on Monday. 80.70-80.70 (previous 80.70-80.70).
Saturday's closing rates of Rs 135.50 and Rs 136.50 to Rs 135.30 and Rs 136.00 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 Monday.

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

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How Pakistan has thwarted industrialization

The new PM apparently has a different idea about managing the economy than Dar; as he sidelined the Finance Minister within days of assuming role. The business community is seeing this as an opportunity. The Pakistan Business Council (PBC) presented a detailed overview of the economy to PM Abbasi last week in hopes that he may correct the policy framework to improve the manufacturing base.

The crux of the PBC presentation is that the country is de-industrializing prematurely. The council is spot on; and the need is to mend policies to undo the trend. The question why is this happening? What are the deterrents to manufacturing growth? Why do SMEs shy away from investing in green field manufacturing projects?

A simple snapshot of taxation distribution explains half of the problem—manufacturing contributes 13.5 percent to GDP while its share in taxation is at 58 percent. On the flipside, retail and wholesale (the primary vote bank of PMLN) constitutes 18.5 percent of GDP while the sectors contribution merely 1 percent in tax revenues. Similar is the story of agriculture.

Manufacturing pays 4.3 times of taxes relative to its size. Why would anyone want to invest in such a heavily taxed sector? This explains why business conglomerates are making fresh investments in retailing; such as Nishat, Lucky and Packages groups have invested in Malls, hotels and dairy businesses while Sapphire has committed to build a retail clothing brand.

How many business groups have started any new venture in manufacturing? The only sector where local big guns in the last decade or so have taken a fresh start is power generation where the guaranteed returns in dollar terms are lucrative enough. A few of them have expanded their existing business lines; but none has perused green field manufacturing project apart from power generation.

The skewed taxation burden is narrated by the PBC; but the council did not explain the poor incentive structure as investment in power sector demonstrates that right incentive structure is the key. The businesses are opportunist and they simply invest where either they have expertise or the returns are too good.

Moreover, the cost of production in manufacturing is also inflated whilst the labour productivity is low. The high cost amid low efficiency structure have not only made our exports uncompetitive but is also replacing domestically produced goods by imports (even if some sectors like auto, fertilizer, cement, steel etc. are growing at the clutches of import protection). Though PBC does not talk about labour productivity, its calculations show that the gas and labour costs are almost double of that in India, Bangladesh and Sri Lanka.

In case of labour, the comparison is based on minimum wage which the incumbent government is increasing every year. The need is to lower the costs for exports to become competitive.

Industry contributes 21percent of GDP in Pakistan as compared to 30 and 40 percent in India and Indonesia, respectively. Dar policies have damaged further the manufacturing potential—retained earnings are being discouraged by higher taxes to disincentivize capital formation which is already too low. A strong policy shift is needed by new PM. The tax structure should be encouraging capital formation, and new export avenues should be incentivized like power sector. The existing exporting sectors should get gas at rates comparable to competitors. Importers should move away from full and final taxation regime to discourage under-invoicing.

FTAs should be

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renegotiated which have worsened trade balance; especially the one with China. There should be less tax on input production to promote value addition – for example making yarn and fabric easily available for value added textile that does well in foreign markets. Ultimately, we need to break lobbies, generate employment, and export surplus to get this economy on a growing track.

High tax rates and regime not supportive of corporatization		
	Corp Tax %	**VAT/GST%**
Pakistan	38%	17%
Singapore	17%	17%
Sri Lanka	15%	12%
Bangladesh	25%	15%
Vietnam	22%	10%

Incl WWF/WPPF/Super Tax Source: PBC

Manufacturing carries disproportionate share of taxes		
	% of GDP	**% Tax Rev**
Agriculture	19.5%	<1%
Manufacturing	13.5%	58%
Retail/Whole	18.5%	1%
Services Total	59.6%	37.5%

Source: PBC

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Corporate Rehabilitation Bill:

Cos may be entitled to approach courts for dismissal of cases

RECORDER REPORT

ISLAMABAD: The companies may be entitled to approach courts for dismissal of cases or suspension of proceedings against them under a major amendment to section 17 (dismissal of a case) of the Corporate Rehabilitation Bill, 2017.

Chairman of the Senate Standing Committee on Finance Saleem Mandviwalla told Business Recorder here on Monday that the committee has proposed to incorporate amendments to the Corporate Rehabilitation Bill, 2017, which were excluded earlier.

Through proposed amendments to the Corporate Rehabilitation Bill, 2017, the corporate sector would be entitled to approach courts in certain situations prescribed in section 17 (dismissal of a case) of the Bill, 2017.

The committee has directed Securities and Exchange Commission of Pakistan (SECP) to submit the final draft of amendments in the Corporate Rehabilitation Bill, 2017 by August 31, 2017 to ensure rehabilitation and reorganization of distressed corporate entities.

The committee had further considered the bill to provide for rehabilitation and reorganization of distressed corporate entities [The Corporate Rehabilitation Bill, 2017] introduced in the House on January 19, 2017 and referred to the committee for consideration and report.

He said that the FBR has not yet submitted rules on the Benami Transaction (Prohibition) Act, 2015 required for effective enforcement of the Benami Law.

The amendment proposed by committee in section 17 (dismissal of a case) of the Corporate Rehabilitation Bill, 2017:

17. Dismissal of a case.— (1) Notwithstanding anything to the contrary in this act, the court may, on the application of any person concerned with the debtor or on its own accord, dismiss a case or may suspend all proceedings in a case under this act at any time, if the court determines that,—

(a) The continuation of proceedings would amount to an abuse of the judicial process;

(b) The person filing the petition has failed to provide the necessary funds for mediation after getting due opportunity in this regard; and

(c) The mediator has not been able to fully perform one or more of the functions specified in section 10 within a period of twelve months form his appointment.

(2) Unless the court for any reason orders otherwise, the dismissal of a case;

(a) Reinstates any proceeding or custodianship superseded under this act; any transfer avoided under this act; and any charge voided under this Act;

(b) Vacates any order or transfer ordered under this act; and re-vests the property of the estate in such person in which such property was vested immediately before the commencement of the case under this act.

The committee has also proposed insertion of new sections after section 38: Section 41. Act to override other laws, contracts, instruments, memorandum and articles.— Save as otherwise expressly provided in this act, the provisions of this act shall have effect notwithstanding anything to the contrary contained in any other law, contract, instrument, memorandum or articles of a company or in any agreement executed by a company or in any resolution passed by the company in a general meeting or by its directors, whether the same is registered, executed or passed, before or after the commencement of this act.

Proposed Section 42. (Limitation).— (1) Except as provided otherwise in this Act, the provisions of the Limitation Act, 1908 (IX of 1908) shall apply to the proceedings under this Act.

(2) Notwithstanding anything contained in the Limitation Act, 1908 (IX of 1908), in computing the time within which an administrator may

institute a suit for the recovery of any debt due to the debtor, the period which elapses between the filing of a petition under this act and the passing of an order for relief under this act or a period of one year, whichever be greater, shall be excluded.

Section 43: (Power to require delivery of properly).—Without prejudice to any obligation imposed under any other provision, the court may at any time after passing an order of relief under this act require any trustee, receiver, banker, agent, officer or employee or former officer or employee or auditor of the debtor to pay, deliver, convey, surrender or transfer forthwith or within such time as the court directs, to the administrator, if one has been appointed, any money, property or books and papers including documents in his hands to which the debtor is prima facie entitled, which is not subject to any charge.

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Strong demand pushes cotton prices up

RECORDER REPORT

KARACHI: Strong demand pushed rates up on the cotton market on Monday, dealers said.

The official spot rate recovered Rs 50 to Rs 6000, they said. In the ready session, 25,000 bales of cotton changed hands between Rs 6000-6200, they said. In Sindh, seed cotton prices went up by Rs 100 to Rs 2700-2900 and in Punjab, rates were at Rs 2600-2800 per 40 kg, they said.

Cotton analyst, Naseem Usman said that the arrival of fine type was short, which caused increase in prices. Besides, transportation problem was also of the factor behind the rise in rates, he added.

The ginners refrained from bring the rates down of better quality and it is most likely that prices may stabilise further before Eid-ul-Azha holidays, other experts said.

The following deals reported: 2000 bales from Sanghar at Rs 6000/6050, 3000 bales from Shahdadpur, 2000 bales from Mirpurkhas, 1000 bales from Hyderabad all transations sold at the same rates, 3000 bales from Kotri at Rs 6000/6075, 2000 bales from Tando Adam at Rs 6000/6100, 400 bales from Pak Pattan at Rs 6100, 1200 bales from Khanewal, 800 bales from Bahawalpur, 1600 bales from Burewala, 800 bales from Chichawatni, 1000 bales from Mian Chano, 600 bales from Chistian, 1400 bales from Haroonabad, 600 bales from Pir Mehal, 1000 bales from Vehari, 600 bales from Gojra, 1200 bales from Sahiwal, 600 bales from Jehanian all were finalised at Rs 6100/6200, they said.

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

Rate For	Ex-Gin Price	Upcountry Expenses	Spot Rate Ex-Karachi	Spot Rate Ex-Karachi As on 19.08.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,000	145	**6,145**	**6,095**	+50
40 Kgs	6,430	155	**6,585**	**6,532**	+53

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Cotton up for third straight session on short-covering

NEW YORK: ICE cotton gained on Monday for a third straight session as investors covered their short positions after heavy rains in US growing regions hurt output.

"The market was a little higher today just on a little short covering," said Keith Brown, principal at cotton broker Keith Brown and Co in Moultrie, Georgia, adding that "the crop condition (report's) numbers ... should be a little bit worse because of heavy rains in the US Delta region."

"The market is also oversold in general. We've come down over 400 points without any upside correction, so that's what we're trying to do."

The market was focused on the weekly crop progress report from the US Department of Agriculture which was released after the market close on Monday.

Cotton contracts for December settled up 0.28 cent, or 0.42 percent, at 67.56 cents per lb., trading within a range of 67.17 and 67.8 cents a lb.

On Friday, speculators cut their net long position by 3,387 contracts to 27,688 contracts for the same week, after three consecutive weeks of increasing their net long positions, US Commodity Futures Trading Commission (CFTC) data showed.

Total futures market volume fell by 4,864 to 10,891 lots. Data showed total open interest gained 2,723 to 224,330 contracts in the previous session.

Certificated cotton stocks deliverable as of Aug. 18 totalled 13,983 480-lb bales, down from 15,786 in the previous session.

The dollar index was down 0.34 percent. The Thomson Reuters CoreCommodity CRB Index, which tracks 19 commodities, was down 0.54 percent.—Reuters

New York cotton

RECORDER REPORT

The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
Oct'17	67.91	68.78	67.51	68.71	14:45 Aug 21`	68.71	0.92	-	67.79
Dec'17	67.23	67.80	67.17	67.56	14:45 Aug 21	67.56	0.28	11636	67.28
Mar'18	66.96	67.52	66.96	67.30	14:45 Aug 21	67.30	0.24	3248	67.06

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Criticality of credible statistics

A notification was issued separating the Statistics Division from the Finance Division soon after Prime Minister Shahid Khaqan Abbasi took oath on 1st August 2017 – a decision fully supported by this newspaper which has consistently maintained that Pakistan Bureau of Statistics (PBS) should be made autonomous as few finance ministers have resisted the temptation to manipulate data to show better performance than has been in fact the case. Thus a clear conflict of interest has been evident with PBS under the administrative control of the Ministry of Finance. What is extremely disturbing is that manipulated data has, and continues to compromise the capacity of the Ministry of Finance to take informed policy decisions that would target the problems at hand.

It is unfortunate that Minister of Finance Ishaq Dar, during his over four-year tenure, has been accused of data manipulation on a scale never before seen in this country. This claim has been easily substantiated due to the failure of PBS to: (i) reconcile data released by other government ministries/departments as well as credible industry sources; (ii) manipulating data not from a year before, which may to some extent be justified, but from two years ago to show better performance in comparison to when the portfolio of Finance was held by Dar's predecessor; (iii) consistent failure of PBS officials to meet with those who have challenged its data even though Dar did mention after the budget speech in 2014 that he would direct the relevant office to hold a press conference; and (iv) mention in a quarterly report issued by the State Bank of Pakistan that the discrepancy between the trade figures it has compiled and those the PBS releases on a monthly basis have widened and that there is a need to rationalize and reconcile data.

Given the nature of data manipulation the general perception amongst independent statisticians is that there was little if any finesse employed while manipulating data during the past four years. This implies that the last number was changed without bothering to either reconcile component data (for example cement output had a growth rate that was not backed by construction industry's growth rate) or change the weightage of components of a specific sector (thus while during Dr Hafeez Sheikh's tenure as Finance Minister the weightage of food items in the Consumer Price Index was reduced to show lower inflation during Dar's tenure no such decision was taken). The fact that the PML-N leadership, including the disqualified Prime Minister, continue to cite the doctored macroeconomic data shows that there is still no acknowledgement of the extent of data manipulation and the real state of the economy.

Prime Minister Abbasi has designated Kamran Michael as the Minister for Statistics and while he may not have any expertise in the subject matter of the ministry he now heads what is critical is that he does not interfere or allow anyone else to interfere in data compilation. There is however a real danger that Prime Minister Abbasi may be tempted to manipulate data as this is an election year and the lure to show better performance than is actually the case is at an all time high.

To ensure data integrity, according to experts, an autonomous statistics board be set up, staffed by qualified statisticians and individuals who have no stake in politics. One would hope that Prime Minister Abbasi takes this bold step and be remembered for taking a decision that was in the country's best interest.

BUSINESS
RECORDER
Tuesday, 22nd August, 2017

Faisalabad yarn and fibre prices

RECORDER **REPORT**

FAISALABAD: Cotton yarn rates in rupees per 10 Lbs on Monday (August 21, 2017).

6-8/S Cone (Cotton)

ARY 490.00

Sher 400.00

Nelibar 640.00

Al-Falah 540.00

Chagi 400.00

Shaheen 400.00

Nelum 400.00

10/S Cone (Cotton)

Sufi 480.00

Model Soft 670.00

Adil 510.00

Neilum 530.00

Nelibar 670.00

Owais Karni 500.00

Gold Star 570.00

Urooj 550.00

Shaheen 480.00

Al-Falah 480.00

Zam Zam 500.00

A.T.M 510.00

Sun flower 490.00

Apple Soft 670.00

Apple Hard 650.00

Ton-Ton 630.00

10/S Cone (Soft)

Es Guard 980.00

S.B. 940.00

Kinoo 970.00

Malta 1000.00

Ayesha 940.00

12-14/S Cone (Cotton)

Super Motia 800.00

Model 750.00

Qadri 630.00

Adil 640.00

16-18/S Cone (Cotton)

Nova 700.00

Chagi 680.00

Adil 700.00

BUSINESS RECORDER

Tuesday, 22nd August, 2017

Model 810.00

Neeli Bar 1190.00

Super Motia 800.00

Prince 730.00

Prince W 1100.00

Acro 980.00

Apple 830.00

20/S Cone (Cotton)

Zahidjee 1230.00

Anmool 1250.00

J.K. 1220.00

Pamra 1230.00

Bajwah 1210.00

Darulsalam 1200.00

Hadabia 1230.00

Rashim 1230.00

Tayyab 1210.00

Ejaz 1210.00

Khokar 1290.00

22/S Cone (Cotton Warp)

Crescent 1310.00

Yahya 1290.00

HAR 1300.00

Tayyab 1310.00

Polo 1280.00

Ulfat 1280.00

24/S Cone (Cotton Warp)

Crescent 1310.00

Prince 1330.00

Concord 1250.00

H.A.R. 1290.00

Silver Lines 1300.00

ATM 1310.00

Anmool 1300.00

30/S Cone (Cotton Warp)

Al Noor 1420.00

Crescent 1420.00

Acro 1410.00

Glamour 1350.00

Pamera 1430.00

J.K. 1400.00

Gulistan 1550.00

BUSINESS
RECORDER
Tuesday, 22nd August, 2017

Ujalla 1390.00

Khalid Shafique 1440.00

Shafi 1300.00

Chakwal 1550.00

Anmool 1430.00

Ittehad 1420.00

Hadabiya 1440.00

32/S Cone (Cotton)

Ahmad 1410.00

Malikwal 1440.00

Chand 1420.00

J.K. 1525.00

Target 1450.00

Hadabiya 1430.00

A Three 1425.00

Araian 1420.00

Al-Qadir 1430.00

Tophy 1525.00

H.H. 1430.00

40/S Cone (Combed Cotton)

JK 1675.00

JK Carded 1540.00

Acro 1700.00

Nishat 1700.00

Betray 1575.00

Ittihad 1550.00

Al-Nasar 1700.00

Ejaz 1675.00

Superior 1650.00

Nisar 1700.00

Three-G 1520.00

Suraj 1750.00

Alcott 1725.00

Superior 1650.00

Ahmad 1520.00

Super Shaheen 1520.00

Darul Islam 1500.00

Four-G 1540.00

A. Three 1530.00

Azam 1510.00

Wasal Kamal 1520.00

Super Gold 1530.00

Jubilee 1480.00

Babri 1550.00

Sally 1530.00

BUSINESS
RECORDER
Tuesday, 22nd August, 2017

52/S Cone (Combed Cotton)

Crescent 1950.00

Alcott 1950.00

Ittihad 1975.00

Suraj 2100.00

Al-Nasar 1975.00

Tanveer 2000.00

Sultan 1750.00

Diamond 1800.00

Koiyal 1975.00

Malikwal 1700.00

Parado 1700.00

Four Star 1950.00

Nisar 2050.00

Prime Plus 1680.00

Saif 1830.00

Super Shaheen 1700.00

Ejaz 1925.00

Habib 1925.00

Colony 1725.00

Umer auto 1680.00

Two-G 1680.00

60/S Cone (Combed Cotton)

Nishat 2225.00

J.K. 2125.00

Mapal Leaf 2175.00

Koiyal 2300.00

Gujjar Khan 2200.00

Pagri 2175.00

Deen 2175.00

Alam 2150.00

Saphair 2100.00

72-74/S Cone (Cotton)

Prime 2375.00

Commander 2375.00

N.P. 2300.00

Tower 2350.00

80/S Cone (Cotton)

Gold King 2550.00

Super King 2575.00

Mapel Leef 2775.00

Amjad 2720.00

Khan Buhadur 2600.00

Admiral 2750.00

BUSINESS

RECORDER

Tuesday, 22nd August, 2017

Commander 2675.00

Four Star 2825.00

Rolex 2825.00

Diamond Gate 2875.00

Al Falah 2775.00

Chairman 2850.00

Battery 2850.00

Shanshah 2675.00

30-31/S Cone (Polyester Cotton)

Gold Star 140.39

Sun 131.30

JK 107.00

Bilal 104.00

Tahir Rafique 108.00

Zahidjee 104.00

Bashir 112.00

Shadman 104.00

Sarfraz 103.00

Cherry 104.00

Khalid Nazir 104.00

Wasal Kamal 101.00

North Star 103.00

Super Khuwaja 108.00

Anaar 114.00

Action 99.00

Marjan 108.00

Pak Panther-II 104.00

Nayab 109.00

Kiran 108.00

NP 110.00

Mehtabi 107.00

H.T.M 104.00

K.K. 108.00

Ruby 111.00

Metro 99.00

38/S Cone (Polyester Cotton)

Gold Star 151.50

Shahpur 130.00

North Star 120.00

A.D. 113.00

Multan 112.00

Golden 116.00

Kirshma 112.00

Al-Azhar 120.00

Sarhad 112.00

Aslam 107.00

Corolla 117.00

BUSINESS

RECORDER

Tuesday, 22nd August, 2017

Royal 107.00

Chairman (N) 109.00

40/S Cone (Polyester Cotton)

A.A. 161.60

Mehtabi 122.00

Shadab 130.00

Mazan 123.00

40/S Cone (AV)

Koiyal 171.00

Super LG 163.00

A.J. 169.00

Ahmad Fine 169.00

Asheana 202.00

40/2 Cone (AV)

Koiyal 189.00

Super LG 176.00

A.J. 176.00

Ahmad Fine 183.00

30/S Cone (CVC)

Ayesha 125.00

SUN 135.65

Mazan 132.00

26/S Cone (PV)

AA 121.20

Ashiana 120.18

MM 96.00

Blue Star 98.00

Super Jett 100.00

Shuttle 95.00

M-4 101.00

Bemisal 94.00

Ghouri 96.00

U-2 97.00

Cheeta 92.00

U-7 91.00

Triple two 94.00

AJ Gold 96.00

Candle 96.00

Jaguar 97.00

34-36/S Cone (PV)

A.A. 143.42

Ashiana 142.40

Sapna 135.00

BUSINESS

RECORDER

Tuesday, 22nd August, 2017

Blue Star 107.00

Super Jett 107.00

Shahzad-H 108.00

Shuttle 103.00

Bemisal 104.00

Shuttle less 106.00

Cheeta 102.00

Candle 105.00

Target 104.00

U-7 102.00

Royal 98.00

Spin Cott 105.00

H.R. 104.00

S.S. 113.00

Tanveer 114.00

44-46/S Cone (PV)

A.A. 171.70

Ashiana 170.68

Sapna 154.00

Super Jet 120.00

Bemisal 119.00

Marghala 120.00

U-2 120.00

Cheeta 119.00

Target 121.00

S.S. 135.00

65/S Cone (PV)

Ashiana 224.22

U-2 161.00

Bemisal 163.00

Ghori 160.00

Cheeta 160.00

A.J Gold 163.00

Tanveer 165.00

Maqbool 165.00

L.G. 165.00

34/S Cone PP

Zamin 106.00

Shadman 124.00

Ellahi 127.00

Dewan 107.00

U-2 110.00

60/S Cone PP

Zamin 131.00

Anwar 128.00

Taj Mahal 126.00

BUSINESS

RECORDER

Tuesday, 22nd August, 2017

36-38/S Cone (Staple)

Diamond Gate 1620.00

Marghala 1580.00

Saif 1570.00

Four Star 1570.00

A.J. 1590.00

Fazal Cloth 1600.00

L.G. 1580.00

Super Gold 1575.00

Azam 1590.00

Best 1610.00

K.P.K. 1530.00

Colony 1490.00

Martial 1570.00

30/S Cone (Ecrylic)

Koial 168.00

Saif 176.00

Combine 165.00

40/S Cone (Ecrylic)

Koial 184.00

Saif 189.00

Combine 175.00

Pagri 187.00

BUSINESS

RECORDER

Tuesday, 22nd August, 2017

Karachi Yarn Market Rate

RECORDER **REPORT**

KARACHI: Karachi Yarn Market Rates on Monday (August 21, 2017).

CONES CARDED

10/1.

Popular Fibre 920.00

Diwan 950.00

Tritex 930.00

12/1

Nadeem Textile 1120.00

Indus 1140.00

Popular Fibre 1080.00

Bajwa 1150.00

16/1.

Nadeem Textile 1170.00

United 1170.00

Popular Fibre 1120.00

Abdullah Textile 1150.00

Indus 1190.00

A. A. Cotton 1200.00

Tritex 1170.00

Bajwa 1210.00

21/1.

Al-Karam (A.K) 1250.00

Suriya Tex 1250.00

United 1210.00

GulAhmed (G.Lite) 1250.00

Popular Fibre 1220.00

Shadman 1240.00

Indus Dyeing 1260.00

Abdullah Textile 1220.00

Lucky Cotton 1230.00

A. A. Cotton 1300.00

Diwan 1240.00

22/1.

Bajwa 1270.00

United 1260.00

24/1.

A. A. Cotton 1370.00

Tritex 1320.00

26/1.

AL-Karam 1370.00

Dewan 1320.00

Amin Text 1350.00

Shadman Cotton 1350.00

Diamond Int'l 1320.00

Popular Spinning 1300.00

BUSINESS
RECORDER
Tuesday, 22nd August, 2017

Ishtiaq Textile 1320.00

Lucky Cotton 1320.00

A. A. Cotton Hosiery 1450.00

28/1

Abdullah Textile 1350.00

30/1.

Amin Tex. 1450.00

Al-Karam 1430.00

Jubilee Spinning 1350.00

GulAhmed (G.Lite) 1430.00

Lucky Cotton 1350.00

Diamond Intl 1400.00

A. A. Cotton Hosiery 1480.00

32/1

Abdullah Textile 1380.00

40/1

Lucky Cotton 1650.00

52/1

Lucky Cotton 1700.00

COMBED CONE

40/1

Indus CF 1740.00

20/2.

GulAhmed 1340.00

Amin 1350.00

Indus Dyeing 1360.00

Bajwa 1350.00

Shadman Cotton 1340.00

42/1

Abdullah Textile 1650.00

52/1

Abdullah Textile 1750.00

20/1. SLUB

Abdullah Textile 1300.00

30/1 SLUB

Abdullah Textile 1520.00

60/1.

Abdullah Textile 1750.00

70/1

Abdullah Textile 1850.00

CHEES CONES

10/1.

Kasim Tex 700.00

Latif Tex. (Latif) 700.00

Super 690.00

Abdullah Textile (OE) 690.00

BUSINESS
RECORDER
Tuesday, 22nd August, 2017

16/1. (O.E.)

Kasim Textile 880.00

Masal 870.00

RATES OF PAKISTANI/IMPORTED POLYESTER

YARN (PER LBS) + GST

Imported 50/36 FDY 90.00

Local Mill 130.00

Rupali 75/78 FDY NA

Import 75/72 FDY 72.00

Local Mill 82.00

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

Imported 75/36/0 DTY 84.00

Local Mill 83.00

Rupali 75/128 INT DTY 100.00

Local Mill 115.00

Imported 75/72 INT DTY 83.00

Local Mill 105.00

Imported 75/144 INT DTY 83.00

Local Mill 110.00

Rupali 300/96/INT DTY 80.00

Imported 300/96/INT DTY 70.00

Local Mill 66.00

Rupali 300/96/0 DTY 74.00

Imported 300/96 DTY 69.00

Local Mill 63.00

Rupali 75/24 INT DTY 100.00

Imported75/36 INT DTY 96.00

Local Mill 85.00

Rupali 150/48/0 DTY 76.00

Imported 150/48/0 DTY 71.00

Local Mill 70.00

Rupali 150/48 INT DTY 81.00

Imported 150/48 INT DTY 74.00

Local Mill 73.00

Imported 150/144 SIM 76.00

Local Mill NIL

RATE OF BLANDED YARN IN RUPEES

(PER LBS)

P.V. CONES

18/1 PV

A.A. Textiles 108.00

20/1 PVB

A.A. Textile 111.00

A. A. Cotton 110.00

BUSINESS

RECORDER

Tuesday, 22nd August, 2017

24/1 P.V. BRIGHT

A.A. Tex. 116.00

Sana 109.00

A. A. Cotton (80:20) 115.00

26/1.PV Bright

A.A. Tex. 121.00

Sana 111.00

30/1 PV

A.A. Tex."Z" Twist 127.00

Sana 120.00

A. A. Cotton 126.00

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

A.A. Textile 121.00

A. A. COTTON 128.00

36/1 PV (SD)

A.A. Textile 143.00

40/1. (PVB)

Sana 138.00

A. A. Cotton 140.00

A. A. Textile 147.00

46/1 PVSD

Ibrahim Fibre 170.00

28/1 PV SLUB

A.A. Clock Tower 150.00

30/1 PV SLUB

A. A. Cotton (PVB) 150.00

A. A. Cotton (PC) 155.00

A. A. Cotton SLUB (PP) 150.00

Sana SLUB (PP) 145.00

Sana (PV) 150.00

Sana SLUB (V) 165.00

40/1 SLUB

Sana (V) 180.00

SEWING THREAD YARN

Sana

21/1 PP 84.00

30/1 PP 96.00

40/1 PP 105.00

50/1 PP 122.00

20/1 PVT

Sana 118.00

30/1 PVT

Sana 128.00

10/1 PP

A. A. Cotton 95.00

12/1 PP

A. A. Cotton 100.00

16/1 PP

A. A. Cotton 105.00

BUSINESS
RECORDER
Tuesday, 22nd August, 2017

20/1 PP

Sana 110.00

Diwan 98.00

A. A. Cotton 112.00

Agar 96.00

26/1 PP

A. A. Cotton 117.00

30/1 PP

Agar 101.00

Anwar 109.00

Sana 120.00

Diwan 103.00

A. A. Cotton 122.00

34/1. (PP)

A. A. Cotton 99.00

40/1 PP

A. A. Cotton 135.00

60/1. (P.P)

Agar 124.00

Diwan 125.00

Anwar 130.00

A. A. Cotton 148.00

8/.1.

A. A. Cotton (52 48) 95.00

10/.1.

Zainab 117.00

A. A. Cotton 95.00

Lucky Cotton 135.00

12/1

A. A. Cotton 100.00

14/1

Zainab Tex 120.00

A. A. Cotton 105.00

16/1

AA SML Carded (52 48) 116.00

IFL (52 48) 122.00

A. A. Cotton 105.00

P.C. COMBED

20/1. PC

A.A.SMLCARDED 125.00

Zainab (Combed) 125.00

A. A. Cotton (Carded) 112.00

A. A. Cotton CVC (65 : 35 110.00

24/1. PC

A. A. SML Carded 125.00

Zainab (Combed) 130.00

A. A. Cotton 109.00

25/1

A.A. Cotton 117.00

BUSINESS

RECORDER

Tuesday, 22nd August, 2017

30/1. PC (52 : 48)

Zainab Textile (combed) 140.00

Stallion 100.00

K. Nazir 112.00

Al-Karam 112.00

AA SML (Carded) 133.00

A. A. Cotton (Carded) 123.00

A. A. Cotton CVC (65 : 35 114.00

36/1. PC

IFL Tex (Combed) 151.00

A. A. Cotton 140.00

40/1 PC

A.A. Textile (Combed) 161.00

45/1 PC

Zainab 174.00

10/1 CVC

A. A. Cotton (60:40) 100.00

12/1 CVC

A. A. Cotton (60:40) 107.00

16/1 CVC

A. A. Cotton (60:40) 112.00

20/1 CVC

A. A. Cotton (60:40) 117.00

AASML 114.00

24/1 CVC

A. A. Cotton (60:40) 123.00

Sana 146.00

AASML 111.00

30/1 CVC

A. A. Cotton 127.00

AASML 122.00

40/1 CVC

A. A. Cotton 140.00

40/.1. VISCOSE

Sana 160.00

Sana Acrylic 160.00

READY RATES OF STAPLE FIBER IN RUPEES

POLYESTER
K.G.

I.C.I. 1.D 128.00

I.C.I. 1.2 (SD) 128.00

I.C.I. Bright 130.00

Rupali 1.D 128.00

Rupali 1.2 (SD) 128.00

Ibrahim Fiber (SD) 128.00

Ibrahim 1.D 128.00

Ibrahim Fiber Bright 130.00

BUSINESS
RECORDER
Tuesday, 22nd August, 2017

Ibrahim Trilobal Bright 130.00

VISCOSE K.G.

FCFC 44 MM Taiwan 240.00

FCFC 51 MM Taiwan 240.00

Grysum India 240.00

Thai Reyon 51 MM 240.00

S.P.V. Ind. 51 MM Indones 240.00

ACRYLIC FIBER K.G.

Monty 1.2x51 Italy 210.00

Acelon Korea 1.2x51 210.00

DAWN
Tuesday, 22nd August, 2017

Business economists fret over Trump policy agenda

AFP

WASHINGTON: US business economists worry about the prospects for President Donald Trump's policy agenda, and the potential damage to the economy from his trade and immigration policies, according to a survey released on Monday.

The survey findings add to Trump's accelerating alienation with the business community. CEOs fled his advisory councils last week to distance themselves from his both-sides-are-to- blame response to a white supremacist rally in Virginia in which one woman among a group of counter-protesters was killed.

Although the survey was completed more than a week prior to the those events, they reflect growing concerns among businesses that had been cheered since the election about the possibility of seeing tax reform and infrastructure spending that could boost the economy.

"I do think that is some of the concern, that everything that has transpired recently, especially over last week, may impair the administration's ability to get its legislative agenda passed," said Frank Nothaft, a policy analyst with the National Association for Business Economics.

Stressing that he was not speaking for the NABE panelists in the semi-annual policy survey, Nothaft told AFP that the administration has a number of very important legislative proposals that could stimulate growth and boost spending.

However, "with everything that's transpired it puts that legislative agenda at jeopardy. Will anything get passed?" While the survey showed most economists judge fiscal policy to be "about right" currently, they "quite pessimistic about prospects for 'meaningful, revenue-neutral tax reform' in the near term," the survey showed.

Conducted July 18 to August 2 with 184 members, the survey showed only a 10 percent probability of such legislation this year and a 15 per cent (median) probability of passage in 2018.

Over half the respondents said tax reform could add less than one percentage point to real GDP growth over the next 10 years, while a third put the impact on growth at between one and two percentage points.

Business economists also worry about the "unfavorable consequences" of Trump's trade an immigration policies.

In those areas "survey participants give the administration unfavorable scores," said NABE Policy Survey Chair Richard DeKaser, who also is executive vice president and corporate economist at Wells Fargo.

Nothaft, chief economist at CoreLogic, explained that anything that clouds the environment for businesses to make investment decisions, whether for exports or imports, can cause firms to delay spending and impact the economy.

DAWN
Tuesday, 22nd August, 2017

Competition Commission retains its three-star rating

The Newspaper's Staff Reporter

ISLAMABAD: The Global Competition Review (GCR) has maintained the three star status for the Competition Commission of Pakistan (CCP) for its consistent performance in the annual ranking of the world's top antitrust competition authorities.

The Rating Enforcement is the annual ranking of the world's leading competition authorities that provides an extensive evaluation of their performance and how they compare with each other. The three-star rating out of five, keeps the CCP on a par with the competition authorities of Turkey, Portugal, Switzerland, Sweden, Singapore, Poland, New Zealand, Austria and Mexico. Pakistan and India are the only two countries from South Asia included in the Rating Enforcement 2017, with the Competition Commission of India (CCI) remaining a two-star agency.

The maximum rating is 5-stars, which has been given to the developed agencies of the world such as the US Federal Trade Commission, France's Competition Authority, Germany's Federal Cartel Office, Korea's Fair-Trade Commission, and US Department of Justice Antitrust Division.

DAWN
Tuesday, 22nd August, 2017

Dar seeks options as current account deficit triples

Mubarak Zeb Khan

ISLAMABAD: A high-level meeting on Monday failed to reach a consensus on the exporters' demand for the continuation of an unconditional cash subsidy on exports in 2017-18 under the premier's Rs180 billion incentives' package.

The meeting was called to discuss ways to rectify a deteriorating external sector. Data released on the same day showed the current account deficit for July tripled to $2.05bn year-on-year.

An official source told Dawn that the meeting headed by Finance Minister Ishaq Dar directed the secretaries of three divisions – commerce, textile and finance – to work on the continuation proposal for an unconditional subsidy to support exports.

The meeting was attended by Commerce Minister Pervaiz Malik and other senior officials.

The government allowed the unconditional subsidy in January-June. However, exporters assured the government they would achieve an incremental increase of 10pc in export proceeds during the year.

July data shows spike in 'healthy imports' amidst rising exports

According to a source, the commerce and textile divisions have already recommended that the condition be waived off.

The commerce division has also recommended that new potential items, such as horticulture, rice, spices and agri-processed foods, be included in the package.

Finance Secretary Shahid Mahmood briefed meeting participants on external accounts. He explained that the recent increase in the current account deficit was largely driven by a sharp jump in imports of machinery for power generation, textile, construction and petroleum products.

Data released by the State Bank of Pakistan shows imports of goods and services in July were $5.59bn, up 47pc from $3.8bn a year ago. The trade deficit came in at $3.37bn for July, up 71.7pc on an annual basis.

Month-on-month, the current account deficit increased 41pc from $1.45bn recorded in the preceding month.

The finance secretary told the meeting participants that these were healthy imports, which would increase the production capacity of the economy and enable higher growth and exports.

He also attributed the decline in exports in the last few years to global economic conditions, energy shortages for industrial and agriculture sectors and reduced availability of exportable surplus.

He was of the opinion that an improvement in the global economic outlook, uninterrupted supply of electricity and gas to the industrial sector and increased output meant the export decline had begun to bottom out. Exports in January-June registered a growth of 0.52pc over the same period last year.

He highlighted that exports in July posted a healthy growth of 10.5pc. He said workers' remittances, which remained stagnant due to global conditions, have shown an impressive growth of 16pc in July.

Mr Dar said a significantly higher export target should be achieved to improve the trade deficit. He said the incentives' package announced earlier this year was fully endorsed by the industry.

Proposals to incentivise remittances were also discussed in detail. The proposals included a remittance scorecard, road shows in major corridors, transaction efficiency and settlement of TT charges.

Mr Dar emphasised that remittances were an important foreign exchange stream for the country. He said the proposed initiatives should be finalised immediately. He also highlighted the need for encouraging overseas Pakistanis to invest in the country.

The meeting was also briefed on various measures to finance the current account deficit in the short term. It was explained that increased inflows of foreign direct investment and other investments under the China-Pakistan Economic Corridor would largely fill this gap. Other options, such as tapping capital markets and trade finance facilities, were also discussed.

Mr Dar said the economy was passing through an expansionary phase. Dividends for the country would be much higher than the cost presently being borne in the form of a widening trade deficit, which is only a short-term phenomenon.

DAWN
Tuesday, 22nd August, 2017

Cotton crop hit by severe pest attack

The Newspaper's Reporter

ISLAMABAD: The cotton zone districts of Punjab have come under pest attack, and the agriculture department has advised growers to carry out pest scouting twice a week.

Sowing season for the cash crop during kharif has already been completed, and harvesting will begin in September to be completed in October. Punjab produces 80pc of the total crop while Sindh has the share of 20pc.

Cotton Commissioner Dr Khalid Abdullah told Dawn that the government has revised the target of production, and now it is fixed at 12.6m bales against the original target of 14m bales.

According to officials of Punjab Agriculture Department, hot spots have been discovered in 11 cotton growing districts where growers have been advised to apply a new chemistry of pesticides before the pest attack reaches the level of economic loss.

Naveed Asmat Kahloon, an official of the agriculture department Multan, told Dawn that nearly a dozen types of pests have been found attacking the cotton crop. Among these pests are whitefly, jassid, thrips, mealybug, big bowl worm, armyworm and heliothis, which are sucking insect pests of cotton.

The less affected areas are Okara, Dera Ghazi Khan, Muzaffargarh, Lieyah and Rajanpur, whereas among the hard hit areas are Rahimyar Khan, Bahawalpur, Bahawalnagar, Multan, Sahiwal and Pakpatan.

Mr Kahloon said that the attack of thrips was becoming serious since it destroys buds and flowers, resulting in the declining production.

The department has advised cotton growers to carry out power spray twice a day, preferably, and avoid repeating use of the same pesticide. During rain and strong wind, the spray should be stopped.

DAWN
Tuesday, 22nd August, 2017

Cotton prices recover on strong demand

The Newspaper's Staff Reporter

KARACHI: Renewed buying interest from leading spinners on Monday helped cotton prices recoup part of the recent losses — with both the Sind and Punjab varieties moving above the Rs6,000 per maund mark.

The week began on an encouraging note, given that for the first time in last two weeks buyers were sufficiently present in the trading ring.

The lower cotton prices seem to have attracted buying from leading spinners who were seen active in replenishing their stocks.

Though phutti (seed cotton) arrival remained on a higher side as flow from Punjab kept its momentum but presence of buyers who indulged in big lot deals helped in partial recovery from the recent losses.

Meanwhile, ginners are reported to be facing problem in the haulage of phutti and cotton due to shortage of vehicles which are currently engaged in transportation of sacrificial animals for Eidul Azha from rural areas to urban cities of the country.

Nevertheless, steady flow of buying orders from spinners helped recover cotton prices between Rs100 to Rs200 per maund.

Cotton analyst Naseem Usman said many spinners were striving hard to build up their cotton stocks ahead of long the long Eid break.

Due to the rise in prices on ready deals, the Karachi Cotton Association (KCA) spot rates were also revised upward by Rs50 to Rs6,000 per maund.

The following deals were reported on Monday: 2,000 bales, Sanghar, at RS6,000 to Rs6,050; 3,000 bales, Shahdadpur, at Rs6,000 to Rs6,050; 2,000 bales, Mirpurkhas, at Rs6,000 to Rs6,050; 1,000 bales, Hyderabad, at Rs6,000 to Rs6,050; 3,000 bales, Kotri, at Rs6,000 to Rs6,075; 2,000 bales, Tando Adam, at Rs6,000 to Rs6,100; 1,200 bales, Khanewal, at Rs6,100 to Rs6,200; 1,600 bales, Burewala, at Rs6,100 to Rs6,200;1,000 bales, Mian Channo, at Rs6,100 to Rs6,200; 1,400 bales, Haroonabad, at Rs6,100 to Rs6,200; 1,000 bales, Vehari, at Rs6,100 to Rs6,200; and 1,200 bales, Sahiwal, at Rs6,100 to Rs6,200.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2015-16 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/32" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL			
Rate For	Ex-Gin Price	Upcountry Expenses	Spot Rate Ex-Karachi
37.324 Kgs Equivalent	6,250	135	6,395
40 Kgs	6,698	145	6,853

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MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	105.30	105.50	106.30	106.50
UK	135.59	135.85	136.00	137.00
Euro	123.76	124.00	124.00	125.00
S.Arabia	28.08	28.13	28.15	28.40
UAE	28.67	28.72	28.80	29.10
Japan	0.9641	0.9659	0.9639	0.9839

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.89	6.14
Six months	5.90	6.15
One year	5.96	6.46

LIBOR

Special US dollar bonds for Aug 18

Three months	1.31472 %
Six months	1.45639 %

THE NEWS
Tuesday, 22nd August, 2017

Govt mulls short-term steps to fund record C/A deficit

ISLAMABAD: The government on Monday mulled measures to drum up finances to fund a record high current account deficit, exhibiting over-reliance on China-Pakistan Economic Corridor (CPEC) related inflows and virtually dried-up direct foreign investment to fill the gap in the near term.

Finance Minister Ishaq Dar at a meeting to review the external account position also mulled tapping capital markets to check the current account deficit that swelled more than twofold year-on-year to $2.053 billion in the first month of the fiscal 2017/18.

The meeting also discussed dismal numbers of trade and remittances. “The meeting was also briefed on various financing measures to finance the current account deficit in the short term. It was explained that increased inflows of foreign direct investment and other investments under the CPEC would largely fill this gap,” said a statement. "Other options such as tapping of capital markets and trade finance facilities were also discussed."

Dar said the economy was passing through an expansionary phase and the ensuing dividends would be much higher than the cost currently being borne as a result of a widening trade deficit, which is only a short-term phenomenon. Dar directed the ministry to "finalise the proposed initiatives and take initiatives to incentivise overseas Pakistanis to invest in Pakistan".

“A significantly higher export target should be achieved to improve the trade deficit,” Dar said and added that the export incentive package announced by the government earlier this year was fully endorsed by the industry, and all-out efforts should be made to achieve the growth targets set under this package.

The finance minister also directed the secretaries of finance, commerce, and textile industry to remove any impediment that may hinder the achievement of this target. Comprehensive proposals to incentivise remittances were also discussed in detail.

Earlier, briefing the meeting, the finance secretary explained that the recent increase in the current account deficit was largely driven by a sharp increase in imports of machinery for power generation, textile construction and import of petroleum products.

“These were healthy imports, which will increase the production capacity of the economy, and enable higher growth and exports in the future,” said the statement. It added that the decline in exports in the last few years was mainly due to global economic conditions, energy shortages for industrial and agriculture sectors, and reduced availability of exportable surplus.

“Due to improvement in the global economic outlook, uninterrupted supply of electricity and gas to industrial sector and increased output, the export decline had begun to bottom out as exports during Jan-June 2017 registered a growth of 0.52 percent compared to the same period last year,” the statement added.

"... the exports in July 2017 posted a healthy growth of 10.5 percent compared to July 2016. Workers’ remittances, which had remained stagnant due to global conditions, have shown an impressive growth of 16 percent in July 2017 compared to July 2016.”

A detailed discussion on various options to give an immediate boost to exports, manage imports and build on the recent month’s growth in remittances was also held during the meeting.

THE NEWS
Tuesday, 22nd August, 2017

Current account deficit swells two-fold to $2.053bln in July

KARACHI: The country's current account deficit swelled more than two-fold year-on-year to $2.053 billion in the first month of the current fiscal year of 2017/18 as growing imports damped the positive impact of a rise in exports in July, the central bank data showed on Monday.

The country recorded a current account deficit of $662 million in the same month of the last fiscal year, said the State Bank of Pakistan (SBP).

Through exports rose 10.58 percent to $1.631 billion in July over the same month a year earlier, yet imports massively increased 36.74 percent year-on-year to $4.835 billion driven by infrastructure developments, bringing the monthly trade deficit to $3.204 billion, up 55.46 percent in July.

Analysts expressed concern over the widening current account deficit. "Rupee devaluation, regulatory duty on non-essential imports, export promotion, issuance of dollar bonds and bilateral borrowing could be some of the urgently-needed measures," Topline Research said in a report. "We expect this year's CAD (current account deficit) to be around $16 billion (5 percent of GDP), highest since FY2008."

The country posted a higher than expected CAD of $12.1 billion, four percent of GDP during the last fiscal year. Economist Ashfaque Khan forecast the current account deficit for the fiscal year of 2017/18 at $16 to 16.5 billion. The deficit stood at $12 billion in FY2017.

An analyst warned that the country would face a balance of payments crisis that unlike in the past could not be overcome by more borrowing with the help of an International Monetary Fund's (IMF) program.

"The program would have to be anchored on deep rooted structural reforms that expand exports, curtail imports, narrow down the current account deficit, encourage foreign direct investments in the export sector and rely on concessional multilateral assistance," the analyst said.

"Even if the economic situation does not explode before or during the elections, the subsequent political situation may not give any hope of such a reform effort by whichever party comes into power after the next elections."

A continual upside in the current account deficit with slide in the foreign exchange reserves is making the country vulnerable to external shocks and dampening the market sentiments. Foreign exchange reserves, held by SBP, fell to $14.310 billion during the week ended August 11, equivalent to less than three months of imports.

The country's total foreign liquid reserves fell to $19.941 billion during the last week from $20 billion a week earlier. Foreign exchange reserves of banks stood at $5.631 billion. An economist said the foreign exchange reserves fell $5 billion since October last year, which was approximately 30 percent of the total foreign exchange reserves of SBP.

Analysts said there are mounting concerns that how will the government fulfill its external debt servicing obligations. "The central bank's foreign currency reserves are borrowing-based," an analyst said.

"Any risks downgrade to the country's credit rating could erode the prospects of foreign inflows. So, the government is likely to go through the IMF again in March right after the senate elections."

THE NEWS
Tuesday, 22nd August, 2017

Renewable energy projects to reduce carbon emissions: minister

ISLAMABAD: Alternative and renewable energy projects have potential to achieve sustainable development goals and reduce the country's carbon emissions from energy sector, which accounts for nearly 50 percent of the total annual carbon emissions, climate minister said on Monday.

"The present government, therefore, has taken up a broad spectrum of initiatives for the tapping of country's renewable energy potential, particularly from solar and wind, to boost economic development and earn revenues by selling carbon credits to the industrialised countries," Climate Change Minister Mushahidullah Khan said in a statement.

Khan was addressing a workshop on the United Nation's Clean Development Mechanism (CDM). Climate change ministry, in collaboration with the UN Framework Convention on Climate Change and the Japan-based Institute for Global Environmental Strategies, organised the event.

Minister said in recent years a fast-paced industrial growth coupled with huge investment in trade development has been witnessed. "This scenario is benefiting from new policy architecture, major economic reforms and improving security situation in the country," he added. "But, energy projects are of paramount importance for sustaining the growth trajectory."

Climate Change Minister said climate change-resilience and sustainable development have been recognised as core components of the economic growth model by the present government.

"No socio-economic gains yielded by any economic growth or development models can sustain, if these are not climate change-resilient and adaptive to the fallouts of the global warming-induced shifting and erratic weather patterns," he said.

Khan told the participants that the present government's growth-centric economic model is aimed to achieve overall sustainable socioeconomic and environmental development through various policy measures, particularly poverty reduction, improved living standards of the people, good health and well-being, sustainable cities and communities, quality education, hunger eradication and increased energy access.

Efforts have been made to ensure that the policy measures for achieving overall socio-economic and environmental development is resilient to the impacts of the climate change-induced extreme weather events including, riverine and urban flooding, land erosion, shifting and unpredictable rainfall patterns, groundwater depletion and irregular river flows.

On CDM adoption in the country, the minister said the United Nations has so far commissioned 75 CDM projects, out of which CDM executive board have registered several projects. He said most of the 75 projects registered under the CDM are renewable and clean energy projects, which are at different stages of implementation.

The board supervises the CDM under the authority and guidance of the member countries of the United Nations Framework Convention on Climate Change. The CDM allows emission-reduction projects in developing countries like Pakistan, Nepal, India and Bangladesh to earn certified emission reduction (CER) credits, each equivalent to one tonne of CO2.

Developing countries can sell and trade the CERs. Industrialised countries can use them to a meet a part of their emission reduction targets under the Kyoto Protocol. The mechanism, in fact, aims to achieve sustainable development in poor countries and emission reductions in industrialised countries at the same time for tackling global warming by stabilising climate change.

UN-sponsored CDM Regional Collaboration Centre has been established in Bangkok, which is helping countries in the Asia and the Pacific region in identification and development of potential CDM projects and providing support to these countries regarding capacity-building.

"We are effectively engaging with the centre to building up capacity of different government and non-governmental organisation, which are interested in developing more clean development projects in different socio-economic and energy sectors," Khan said.

THE NEWS
Tuesday, 22nd August, 2017

Cotton improves

Karachi

Active trading continued at the Karachi Cotton Exchange on Monday, while spot rates increased Rs50/maund.

The spot rates rose to Rs6,000/maund (37.324kg) and Rs6,430/40kg. Ex-Karachi rates also increased to Rs6,145/maund and Rs6,585/40kg after an addition of Rs145 and Rs155 as upcountry expenses, respectively.

An analyst said prices improved. Some mills were short of the stocks, they entered in the buying. However, “Market still remained under pressure because of an increase in arrivals, especially after cotton picking in Punjab,” he said. KCE recorded 19 transactions of around 25,000 bales at a price of Rs6,000 to Rs6,200/maund. Transactions were recorded from Mirpurkhas, Sanghar, Hyderabad, Kotri, Shahdadpur and Tando Adam in Sindh, while deals were made from Pakpattan, Khanewal, Bahawalpur, Burewala, Chichawatni, Mian Channu, Chistian, Haroonabad, Pir Mehal, Vehari, Gojra, Sahiwal and Jehanian.

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CPEC projects

Major chunk of machinery being imported from China

Atif Khan

ISLAMABAD - For CPEC projects, Chinese companies are procuring major part of machinery, equipment and material, which is being imported from China at concessional rates.

According to the Ministry of Planning, Development and Reform data, material for civil work - sand, cement, steel - and consumable items like diesel, paints, major chunk of chemicals, gas required for power plants are procured locally. The major part of material, equipment and machinery is being imported. The reason for procuring the materials and machinery through import is due to non-availability of required items locally on such a large scale.

Mechanical, electrical equipment, cranes hydraulic turbines, boilers, generators, governors system, main transformers and GIS system are not available locally in large quantity so these all items are being imported from China. Under the CPEC, jobs have been offered to Pakistani unskilled and skilled labour for civil works, including engineers and technicians. Likewise, Pakistani engineers, technicians and office staff have been hired for operation of the projects in some proportion. Local companies are also getting business and jobs in transportation and security of the projects.

According to the Ministry of Finance data, the government has provided tax exemption to CPEC related projects executed by the Chinese companies. China State Construction Engineering Corporation Limited has been granted tax exemption for the construction of Sukkur-Multan Section of Karachi-Peshawar Motorway and to China Communication Construction Company for construction of Thakot-Havelian Section of Karakorum Highway.

Exemption from customs duty and sales tax has been provided on import of machinery, apparatus and materials by China Railway Corporation for Lahore Orange Line Metro Train Project. Following additional concessions have been provided to Concession Holder of Gwadar Port Authority, its operating companies, contractors and subcontractors:

Income derived by China Overseas Ports Holding Company Limited and its four operating companies namely China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company Limited from Gwadar Port operations has been granted exemption from income tax for a period of 23 years, with effect from February 6, 2007.

Interest income earned by a foreign lender or any local bank (having more than 75pc shareholding of the government or the SBP) is exempt from income tax for a period of 23 years with effect from the July 1, 2016. Income derived by contractors and sub-contractors of China Overseas Ports Holding Company Limited and its four operating companies from Gwadar Port operations has been granted exemption from income tax for a period of 23 years, since July 1, 2016.

Dividends received by China Overseas Ports Holding Company from its four operating companies have been granted income tax exemption for a period of 23 years with effect from 2016. Moreover, dividends received by China Overseas Ports Holding Company Pakistan (Private) Limited from other three operating companies have been granted similar exemption.

Exemption from Sales Tax, Federal Excise Duty and Customs Duty has been granted on materials, equipment and vehicles for construction and operation of Gwadar Port and Gwadar Free Zone. Exemption from sales tax and FED for a period of 23 years has also been provided to supplies to be made by businesses established in Gwadar Free Zone.

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Businessmen invited to invest in forestry sector

APP

ISLAMABAD - The South Punjab Forest Company (SPFC) has invited the business community to explore investment opportunities in forestry sector in South Punjab which offers one of the highest returns to the prospective investors.

SPFC Director (Operations) Hafiz Muhammad Owais said this while giving a detailed presentation on investment opportunities in forestation in South Punjab. He said Punjab government has earmarked over 99,000 acres of land for afforestation and range management in five districts of Punjab ie Bahawalpur, Rahim Yar Khan, Rajanpur, Muzaffargarh and Dera Ghazi Khan.

He said the SPFC would support the investors in obtaining sanctioned canal water from the irrigation department. Owais said the investment in this sector would curb deforestation in Punjab and promote sustainable economic development of the country.

He said business community should take full advantage of these lucrative investment opportunities by investing in forestry sector and thus contribute to promote the cause of grow green to earn green.

Speaking on the occasion, ICCI Senior Vice President Khalid Malik said forest area in Pakistan had gone down from 3.3 percent of total area in 1990 to just 1.9 percent of total area in 2015, which was alarming. In comparison, forest area was 22 percent of total area in China and 23 percent in India. He said, “depleting forest cover in Pakistan showed that our country was heading towards serious deforestation phenomenon that would entail harmful consequences for the overall economy.”

He stressed that the government should formulate new policies and offer attractive incentives to investors for investment in forestry sector. He appreciated the initiative of Punjab government for establishing the SPFC to work for promoting public and private sector investments in the forestry sector so that deforestation could be reduced in Punjab.

Khalid was optimistic that the private sector would take benefit of the incentives being offered by the Punjab government for investment in forestry sector. He assured that the ICCI would play role for highlighting the package of Punjab government for afforestation in South Punjab so that forest cover in the province could be further enhanced to ensure healthy and sustainable eco system for economic activities.

ICCI Vice President Tahir Ayub thanked SPFC for giving detailed presentation to the members of ICCI and assured that the chamber would extend full cooperation to the SPFC in attracting maximum investment in forestry sector in Punjab.

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Dar reviews external account position

ISLAMABAD - Top economic mangers of the country on Monday reviewed several options to avert an impending balance of payment crisis including tapping of capital markets.

Pakistan's foreign exchange reserves had sharply depleted by over $4 billion in last one year due to the growing pressures on external account because of increasing imports and decreasing exports. The current account deficit had widened an all-time high of $12.09 billion for 2016-17 due to the massive increase in trade deficit and decline in remittances. Pakistan's trade deficit has recorded at historic level of $32.58 billion during last fiscal year (FY17).

Feeling the heat of the situation, Finance Minister Ishaq Dar chaired a meeting to review the external account position, including the current account, trade account, exports, imports, remittances and financing. The meeting was attended by Minister for Commerce Pervaiz Malik, finance secretary, textile secretary and senior officials of the finance ministry, commerce ministry as well as the State Bank of Pakistan (SBP).

The meeting considered several options including tapping of capital markets and finance facilities. The government in the budget for the ongoing financial year 2017-18 had projected to generate $1 billion from issuing Sukuk bond in the international market. Issuing bond could boost the declining foreign reserves of the country. Pakistan had successfully tapped international capital market four times since 2014.

The meeting has also decided to enhance the country's exports and remittances in order to control the soaring current account deficit of the country. Finance Secretary Shahid Mahmood gave a briefing to the meeting and explained that the recent increase in the current account deficit was largely driven by a sharp increase in imports of machinery for power generation, textile construction and import of petroleum products. He said that these were healthy imports which will increase the production capacity of the economy, and enable higher growth and exports in the future. He also stated that the decline in exports in the last few years was mainly due to global economic conditions, energy shortages for industrial and agriculture sectors, and reduced availability of exportable surplus.

The finance secretary said that due to improvement in the global economic outlook, uninterrupted supply of electricity and gas to industrial sector and increased output, the export decline had begun to bottom out as exports during January-June 2017 registered a growth of 0.52 percent as compared to the same period last year. He highlighted that exports in July 2017 posted a healthy growth of 10.5 percent compared to July 2016. He also highlighted that workers' remittances, which had remained stagnant due to global conditions, have shown an impressive growth of 16 percent in July 2017 as compared to July 2016.

A detailed discussion on various options to give an immediate boost to exports, manage imports and build on the recent month's growth in remittances was held during the meeting. Dar said that a significantly higher export target should be achieved to improve the trade deficit. He said that the export incentive package announced by the government earlier this year was fully endorsed by the industry and all effort should be made to achieve the growth targets set under this package.

Dar directed the finance secretary, secretary commerce and secretary textile industry to remove any impediment that may hinder the achievement of this target. Comprehensive proposals to incentivise remittances were also discussed in detail. In this regard, the finance secretary said that several meetings have been held with the stakeholders, and various measures have been identified including the proposed remittance scoring card, road shows in major corridors, transaction efficiency and settlement of TT charges.

The minister emphasized that remittances were an important foreign exchange stream for the country, and directed that the proposed initiatives in this regard should be finalised immediately. He also highlighted the need to incentivise overseas Pakistanis to invest in Pakistan.

The meeting was also briefed on various financing measures to finance the current account deficit in the short term. It was explained that increased inflows of Foreign Direct Investment and other investments under CPEC will largely fill this gap.

Dar said that the economy was passing through an expansionary phase, and the resultant dividends for the country will be much higher than the cost

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presently being borne as a result of widening of trade deficit which is only a short-term phenomenon.

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Current account deficit mounts to $2.1 billion

Our Staff Reporter

LAHORE - Pakistan posted a glaringly high current account deficit (CAD) of $2.1 billion (0.6 percent of GDP) in July. Even though exports were up 26 percent to $1.8 billion, imports were up by a massive 51 percent to $4.7 billion in July, according to the central bank data.

Resultantly, trade deficit for the month was recorded at $2.9 billion, up 80 percent over last year. This high trade deficit has effectively eclipsed remittances, which were up 16 percent to $1.5 billion. Given the large CAD and few inflows in the financial account, the overall balance of payments have also declined by $1.5 billion, which is reflected in the ongoing decline in the country's foreign exchange reserves. The country's foreign exchange reserves are down to $19.9 billion (as of August 11), down 6.8 percent from $21.4 billion June end. While the central bank reserves have fallen 13 percent to reach year low of $14 billion as of August 11 which is three-month of import cover.

It should be noted that the country posted a higher than expected CAD of $12.1 billion (4.0 percent of GDP) during the last fiscal year. "We expect this year's CAD to be around $16 billion (5.0 percent of GDP), highest since FY08, which will be subject to revision if the above trend persists," experts said. Experts are of the view that the government needs to take assertive actions as soon as possible to arrest the CAD and to control the decline in foreign exchange reserves.

According to latest figures, the country's exports witnessed 10.58 percent increase during the first month of the ongoing fiscal year (2017-18), compared to the corresponding month of last year. Pakistan exported goods worth $1.631 billion in July 2017 compared to the exports of $1.475 billion in July 2016, showing upward growth of 10.58 percent. The merchandise imports during the month under review also increased by 36.74 percent compared to July 2016.

The imports into the country during July 2017 were recorded at $4.835 billion compared to the imports of $3.536 billion, the data revealed. The trade deficit during July 2017 was recorded at $3.204 billion, which showed growth of 55.46 percent when compared to the deficit of $2.061 billion during July 2016.

Meanwhile, on month-on-month basis, the exports from the country witnessed negative growth of 14.70 percent in July 2017 when compared to the exports of $1.912 billion in June 2017. The imports into the country increased by 6.64 percent in July 2017 when compared to the imports of $4.534 billion recorded during June 2017, according to the data.

Industry experts asked the commerce ministry to contribute to the national economy through trade facilitation and liberalisation, improve export competitiveness and reduce the cost of doing business. The government should provide direction and diversification to internal trade for enhancing supply chains to enhance the country's exports.

"We should explore new trade avenues and markets in different regions to get access to these markets for promotion of country's trade. The new trade policy should mainly target the international and internal trade for improving supply chain, enhancing use of technology and providing competitiveness," experts said.

According to experts, rupee devaluation, regulatory duty on non-essential imports, export promotion, dollar bonds, bilateral borrowing etc could be some of the measures that the government must take immediately. The burgeoning CAD has led to concerns on the economic front, which is taking a toll on the local equity market amid the ongoing fluid political situation.