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July-May current account deficit up 177 percent

RECORDER REPORT

The country''s external account continues to deteriorate as current account deficit sharply increased by some 177 percent to reach $9 billion during 11 months of this fiscal year (FY17), mainly due to rising goods import-export disparity. Economists said rising import bill and lower exports largely contributed to the C/A deficit.

The widening gap between imports and exports resulted in a massive surge in the C/A deficit. It was already being expected that current account deficit will surge during this fiscal year, mainly due to growing import-export disparity, they added.

Home remittances are also slow and declined by 2 percent during the first 11 months of this fiscal year (FY17). Overseas Pakistani workers remitted $17.464 billion during July to May of FY17, compared with $17.844 billion received during the same period in the preceding year, depicting a decline of $380 million, they said.

The State Bank of Pakistan (SBP) Thursday revealed that the country''s current account posted a deficit of $8.929 billion during July-May of current fiscal year compared to $3.217 billion in the corresponding period of last fiscal year (FY16), depicting a surge of 177.5 percent or $5.712 billion. The detailed analysis shows that cumulative deficit of goods, services and income surged by 19 percent during the period under review. Combined deficit of goods, services and income increased to $29.692 billion in the first 11 months of current fiscal year compared to $23.986 billion in the same period of last fiscal year.

With $42.492 billion imports and $19.830 billion exports, the country''s goods deficit reached $22.662 billion during July-May of FY17 against $16.357 billion in the corresponding period of FY16. During the period under review, services trade deficit stood at $2.778 billion, with $5.086 billion exports and $7.864 billion imports in July-May of this fiscal year. Similarly, with $4.848 billion payments and $596 million receipts, primary income sector deficit rose to $4.252 billion in first 11 months of this fiscal year.

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Uncertainty on CSF inflows to mar budget projections

ZAHEER ABBASI

The government"s reliance on commercial borrowing may considerably rise in 2017-18 subsequent to the Trump administration hardening its stance against Pakistan which makes the disbursement of the budgeted $1.3 billion on account of Coalition Support Fund (CSF) unlikely. The budget projected Rs 143 billion inflows from the US under defence services receipts as non tax revenue in the budget documents for 2017-18.

Sources said the budget deficit for next fiscal year was projected at 4.1 percent on the basis of CSF disbursement but without it, the deficit would either increase or government borrowing to bridge the gap and limit the deficit would rise. Delays in disbursement of CSF in the past had created problems for Pakistani administrations in terms of containment of widening fiscal and current account deficits.

The government budgeted Rs 170.754 billion on account of CSF for 2016-2017 but the amount was revised downward to Rs 74 billion in the budget documents for the next fiscal year. However, sources said that worsening current account deficit and balance of payment situation may increase reliance on expensive commercial foreign loans. Official documents reveal that the government would be required to repay $858 million commercial loans from February 2017 to June 2018.

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PSEs: Government, ADB sign $300 million loan agreement

RECORDER REPORT

The government and Asian Development Bank (ADB) signed a loan agreement of US $300 million for Public Sector Enterprises Reform Program (Subprogram-2), says a press release issued here on Thursday. The loan agreement was signed by Secretary Economic Affairs Division (EAD), Tariq Mahmood Pasha on behalf of the government and Xiaohong Yang, Country Director, Asian Development Bank (ADB).

The subprogram-2 of the PSEs, would help government achieve and sustain reform initiatives aimed at enhancing the performance of PSEs by improving their corporate governance and accountability, and reducing their contingent liabilities. The programme will facilitate creating fiscal space for critical development expenditures.

To facilitate reform initiatives of the government, ADB approved subprogram-1 of the programmatic approach in June 2016. Subprogram-2 will carry forward all the reforms initiated under Subprogram-1 to its logical conclusion. The Programmatic Approach addresses the following important challenges while initiating critical PSE reforms:

Facilitate co-ordination across various government departments to (a) implement good corporate governance principles effectively; (b) articulate crucial guiding principles, such as transparency and consistency, on issues related to labor (including retirement benefits); (c) monitor and evaluate PSE performance; and (d) implement critical structural reform in some selected PSEs to get maximum benefits.

Some of the reforms already initiated under subprogram 1, by their very nature, have a long-term implementation cycle. These reforms will need to be carried forward. A continued assistance for such reforms would consolidate and sustain gains made towards better performance of the federal PSEs.-PR

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THE RUPEE: Mixed trend

RECORDER REPORT

The rupee moved both ways against the dollar on the money market on Thursday, dealers said. The rupee gave up over night gains versus the dollar, shedding one paisa for buying and selling at Rs 104.86 and Rs 104.87, they said.

INTER-BANK MARKET

Open Bid	Rs. 105.90
Open Offer	Rs. 106.10

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

Bid Rate	Rs. 104.86
Offer Rate	Rs. 104.87

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

The currency dealers said the US dollar commenced trading on a positive note following fresh buyers' interest in the market.

The short supply phenomenon helped its appreciation at Rs 106.10 and Rs 106.30 on buying and selling counters as compared to the overnight closing rates of Rs 106.00 and Rs 106.15 respectively, they added.

Likewise, the national currency failed to maintain its day earlier recoveries as it depreciated against the pound sterling. The pound's buying and selling rates went up from Wednesday's closing rates of Rs 132.50 and Rs 134.00 to Rs 133.20 and Rs 134.30, respectively, they said.

RATES: OPEN MARKET RATES: The rupee also lost 10 paisas in terms of the dollar for buying and selling Rs 105.90 and Rs 106.10, they said. The rupee also fell against the euro, losing 30 paisas for buying and selling at Rs 117.50 and Rs 118.50, they said.

The dollar eased versus the yen on Thursday as a recent rally tied to bets on another US interest rate hike this year lost steam, while the New Zealand dollar rose after its central bank stopped short of aggressively trying to talk down the currency.

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

The dollar opened at Rs 105.95 (buying) and Rs 106.10 (selling). It closed at the same rate. Buying and selling rates of British Pound remained Rs 136.50 (buying) and Rs 138.50 (selling).

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RD on various items:

FBR to generate Rs 10 billion in 2017-18

SOHAIL SARFRAZ

The Federal Board of Revenue (FBR) will generate Rs 10 billion in 2017-18 from imposition of the regulatory duty (RD) on a number of items under SRO 504(I)/2017 and SRO 505(I)/2017. Sources told *Business Recorder* here on Thursday that the revenue impact of the revision of RD on a number of items as been worked out at Rs 10 billion during next fiscal year.

However, the FBR would also generate additional revenue from regulatory duty during the period of June 21 to June 30, 2017. The effective date for collection of RD under SRO 504(I)/2017 and SRO 505(I)/2017 is June 21. The FBR has notified regulatory duty (RD) within the range of 5 to 60 per cent on the import of 67 items under SRO 504(I)/2017.

Through SRO 505(I)/2017, the FBR has revised regulatory duty (RD) on the import of 441 items. Sources said that the replacement of customs duty with regulatory duty on the import of mobile phones would generate Rs 5 billion and exemption of customs duty and imposition of regulatory duty (RD) on the import of telecommunication items/apparatus would raise additional revenue to the tune of Rs 1.5 billion during the fiscal year 2017-18.

The levy of regulatory duty on the import of synthetic filament yarn would generate revenue to the tune of Rs 1.5 billion during 2017-18. Overall levy of RD on different items would generate Rs 10 billion in 2017-18. The government has increased regulatory duty from 10% to 25% on betel nuts and RD at the rate of Rs 200/kg levied on betel leaves. The revenue measure would generate Rs 1 billion in 2017-18.

The official said that reduction of duty and removal of RD on the import of grandparent stock of chicken would cause revenue loss of Rs 300 million to the national kitty. At the same time, the imposition of 2 per cent RD on the import of PVC resin would generate revenue to the tune of Rs 100 million. The imposition of the RD on the import of float glass would generate Rs 50 million.

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SBP extends deadline for export of sugar

RECORDER REPORT

Following the directives of the federal government, the State Bank of Pakistan (SBP) has extended deadline for export of sugar. According to the SBP circular issued on Thursday, in terms of the Ministry of Commerce, Government of Pakistan''s Office Memorandum No. 7(2)/2012-Exp.III dated June 17, 2017 the deadline for the shipment against sugar export quota has been extended up to July 31, 2017.

Accordingly, it is advised that all exporters must ship the sugar within 60 days from the date of the SBP approval regarding quota allocation or by July 31, 2017, whichever comes earlier. However, for exports bound for Afghanistan through land route, the exporters must ship the sugar within 82 days from the date of FEOD''s approval regarding quota allocation or by July 31, 2017, whichever comes earlier. All other instructions on the subject shall remain unchanged, it added.

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Six-month extension granted f or import of cash US dollars

RECORDER REPORT

The State Bank of Pakistan (SBP) has granted six month extension for import of cash US dollars against export of permissible foreign currencies by the Exchange Companies. As on March 31, 2016, exchange companies were allowed to import cash US dollars against export of permissible foreign currencies up to June 30, 2017. However, now the SBP has decided to extend this arrangement by December 31, 2017 unless advised otherwise. While, all other terms and conditions on the subject shall remain unchanged, SBP said.

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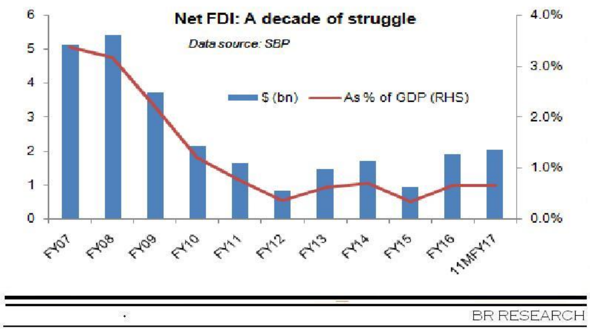
FDI: getting better



It's nowhere close to the high seen in 2007-08, but the net FDI tally may finally be turning a corner after struggling throughout this decade (see illustration). Latest figures by the State Bank of Pakistan put net FDI at $2.028 billion in the eleven months ended May 2017. That's a strong, 23 percent improvement over same period last year. With a month still left, it's turning out to be the government's best year on FDI.

The the FDI story hasn't changed much: the amelioration in net FDI in recent years has mostly been brought on by declining outflows, even as inflows have remained stagnant, failing to cross the $3 billion mark. In 11MFY17 as well, the net FDI improved so because of a sharp, 55 percent decline in outflows ($370.4 mn), whereas inflows were three percent down year-on-year to $2.398 billion.

The aggregate picture is muddled, because while declining outflows are surely a good omen, little to no growth in inflows is concerning. There are exceptions, of course, and the month of May was one of them. Gross inflows actually surged 115 percent year-on-year in May to $328 million, even as outflows declined 8 percent to $33 million. If June gives a powerful performance like that, the narrative will be encouraging.

With a 43 percent contribution to the Jul-May net FDI, China is writ large over the numbers. Gross inflows were dominated by China with a 38 percent share, followed by 20 percent for Netherlands, and 8 percent for France. At the going rate, gross inflows from China will likely cross a billion dollars by the close of FY17. Outflows were dominated by Norway (29%), United States (15%), and Germany (13%).

The sectoral breakup shows gross inflows concentrated in three sectors: power (24%), food (20%), and construction (18%). The sectors representing most of the gross outflows were telecommunications (31%), pharmaceuticals (12%), and financial business (10%).

Connecting the dots, it is clear that the FDI figures this fiscal have been dominated on the inflows side by Chinese power and construction-related investments linked to CPEC and Friesland Campina's purchase of Engro Foods, whereas on the outflows side, there was Telenor Pakistan's telecom business.

If it were not for a significant net outflow of equity investments worth $411 million, Pakistan's foreign private investment during the period under review could have been better than $1.616 billion. During the Jul-May period, issuance of debt securities - of about $1.027 billion - helped Pakistan score total foreign investment, both public and private, of $2.643 billion. That's more than double the same period last year. Let's wait see how the figures, especially gross FDI inflows, stack up in June.

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Oil gloom deepens

Oil has hit a 10-month low. The year-to-date decline has extended beyond 20 percent - the worst performance in over 20 years. Oil is now effectively a bear market, and that has happened after quite some time. All this, right after the extension of Opec deal, the ink of which has not even dried yet, but investors appear to be in a frenzy, and reasons are aplenty.

First and foremost, is the ever increasing US oil production, which has shown no signs of receding even at current levels. The US active oil rig count has increased for 22 weeks in a row, which is a new record, and the Opec members are effectively forfeiting their share to the US producers. This instils fear amongst investors, as it raises the possibility of smaller Opec members cheating on the agreed production limit.

Even if Opec stays true to its word, which it has up until now, there is ample reason to be worried. The likes of Libya, Nigeria and Iraq are fast approaching record high production. Recall that these countries are not part of the Opec production freeze deal. The global stockpile has proved to be stubborn, and has continued to rise week after week. Global demand has not picked up as earlier anticipated either.

The evidence of robust compliance by Opec and even non-Opec members has not been bought well by investors. Worse still, the appointment of new Saudi crown prince has been viewed as a net negative event for oil prices. It appears less likely that the new crown prince will tinker with the oil policy anytime soon, but his rigid views on foreign policy, could well bring the geopolitical risk premium back to the table. In the absence of any visible bull triggers, this alone could be enough to send oil prices packing to new lows.

"The biggest headwind for the market remains the steady trend of rising U.S. oil output as it is offsetting the efforts of global production-cut agreement, and at the same time damaging morale among [the Organization of the Petroleum Exporting Countries] producers who are actively forfeiting market share to the U.S.," reads a report from a leading US commodity research house.

Market analysts have tipped the next few weeks very critical for the price direction, banking heavily on the US stockpile. There is near consensus that if the inventories do not fall sharply, and soon, oil in $30s a barrel does not seem too far off.

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Cotton prices to remain weak

DR ZAFAR HASSAN

Cotton prices continue to remain weak since the past eight or nine days due to slow movement of yarn and fabrics from the textile mills who are facing very difficult conditions. Mainly, the textile mill owners have blamed the government for the supply of power and other inputs at exorbitant rates which have rendered the domestic textile industry incompetitive compared to the regional competitors including India and Bangladesh. Moreover, the textile millers are also complaining against non-refund of their very large amounts of money due to the domestic textile industry.

The domestic textile industry has met government functionaries, concerned ministers including Prime Minister Nawaz Sharif, but no relief or redressal is forthcoming resulting in large closures of spinning and weaving capacities. As a last resort, a large number of spinners also protested on the streets but to no avail. Thus the Pakistan textile is languishing in distress since the past several years. Weavers are also proposing to go on strike from 25 June to 8 July, 2017 to press for their demands. Yarn and fabrics are now said to be piling in the mills. Traders said in Karachi that anywhere from 50,000 to 75,000 bales (155 Kgs) from the current crop (2016/2017) is lying unsold with the ginners. Small quantities from the next crop (2017/2018) have made their debut in the ready market.

It is estimated that Pakistan is likely to produce anywhere from twelve to 12.5 million bales (155 Kgs) during the forthcoming season (August 2017/July 2018) subject to conducive weather. Regular rains are being received in the Punjab presently which till now are deemed beneficial to the standing cotton crop (2017/20018).

New crop (2017/2018) is presently being offered at a reported price range of Rs 6400 to Rs 6500 per maund (37.32 Kgs) on an ex-gin basis. In ready sales of 2017/2018 crop, 200 bales of cotton from Mirpurkhas in Sindh reportedly sold at Rs 6450 per maund (37.32 Kgs), while 200 bales each from Hyderabad and Shahdadpur also sold at Rs 6500 per maund.

Global cotton prices are also reported to be weak. Purchase activity is also slow. Besides incurring losses, mills will also close down as government has announced public holidays on the 26th, 27th and the 28th of June, 2017 due to the incoming Eid -ul-Fitr festival.

We thus see dull activity in the sundry markets till almost the end of this month. Therefore, business will slow down henceforth which will most likely pick up from the beginning of next month.

On the global economic and financial front, while the equity values have generally performed quite well since the beginning of 2017 and in several instances surpassed the higher levels obtaining before the 2007/2008 Great Recession levels, the commodities complex has lagged behind and is still comparatively lagging behind. In this regard, the global crude oil prices which had hit one hundred dollars a barrel are today languishing between Forty to Fifty American dollars per barrel.

It is not only crude oil, but the prices of such commodities like Cotton, Cocoa, Corn, Sugar and Wheat have also declined when compared to the equity markets. f course with sizeable drop in petrol prices, gas prices have also fallen largely. Thus a glut of oil is reported to be floating around the world. Oil producing countries are thus facing hard times.

In this regard, the elevation of Mohammed bin Salman as the new crown prince of Saudi Arabia on Wednesday is not without significance. It is believed that the experience and know-how of the incumbent Saudi crown prince Mohammed bin Salman can contribute by putting a new life to the oil producing and exporting countries (Opec) to bolster the oil industry not only in Saudi Arabia but also in other countries around the world. His role in uplifting the global oil industry is being understood positively. Thus the appointment of the new heir apparent of Saudi Arabia is a key development for the global oil industry. Thus crown prince bin Salman could put new life into the global energy industry, besides, of course, imparting a positive push to the Saudi Kingdom's energy sector.

Besides the woes of the energy sector, the world at large is plagued with security

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issues with continuous bombings, stabbings and ramming of vehicles into innocent people. With London, Paris, Brussels, Tehran, Kabul, Manchester, Baghdad, Istanbul, Peshawar and other cities having been attacked, it has made normal living and conducting business nearly impossible. Thus a global consensus is immediately required to find ways and means to stop this carnage and allowing people to work and live peacefully.

Several other issues around the world are posing difficulties which are hindering the normal course of doing business. The Brexit problem continues to pose a hindrance not only to the smooth running of the economy of the United Kingdom, but has also put the future of the European Union on a back burner. The widespread conflagrations around the Middle East, unsettled conditions in Afghanistan and the immigration problems on the Mediterranean Sea and in parts of Asia, they remain crucial issues which are hindering the growth of the global economy.

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Spot rate falls on slow business

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After a short break official spot rate dropped modestly on the cotton market on Thursday in the process of slow trade activity, dealers said. The official spot rate was down by Rs 50 to Rs 6600, dealers said. In the ready session, a single deal of 600 bales of cotton from Khipro reported at Rs 5750, they said. The seed cotton prices in Sindh and Punjab were unchanged, they said.

Market sources said that against the last year, the mills and spinners not looking active to cover their immediate requirements ahead of Eid-ul-Fitr holidays. Commenting on the downward trend in the market, some experts said that both the government and the Trading Corporation of Pakistan (TCP) must come ahead to take measures to stabilise in the market. High costs of production making our stuff dearer, at the same time, local buyers were showing their interest in foreign cotton due to quality factor, they observed.

Reuters adds: ICE cotton futures dropped for a ninth straight session on Wednesday to more than eight-month lows, driven by investor liquidations as well as falling crude oil prices. Cotton contracts for December settled down 0.8 cent, or 1.16 percent, at 68.17 cents per lb. The contract traded within a range of 68.13 and 69.67 cents a lb.

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 21.06.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,600	135	**6,735**	**6,785**	-50
40 Kgs	7,073	145	**7,218**	**7,272**	-54

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Cotton falls to more than eight-month lows as investors liquidate

RECORDER REPORT

ICE cotton futures dropped for a ninth straight session on Wednesday to more than eight-month lows, driven by investor liquidations as well as falling crude oil prices. "There is no reason for cotton to go up when the synthetics are going down," said Jobe Moss, a broker with MCM Inc in Lubbock, Texas.

"The funds have got stuff down their throat. ... They are all long around 74-75 cents and have to liquidate. And then we have outside forces like crude oil prices," he said. Oil prices fell about 3 percent to a 10-month low in heavy trading on Wednesday.

Cotton contracts for December settled down 0.8 cent, or 1.16 percent, at 68.17 cents per lb. The contract traded within a range of 68.13 and 69.67 cents a lb. Prices hit a low of 68.13 cents, the worst since October 12, 2016. "We thought the December would hold around 68.50 and might get a pop-up somewhere. But looks like it will not. If we take out 67.80, we might see a support around 65.50," Moss said. Chances of bulk new crop harvest in major growing regions across the world are also pressuring prices, traders said.

US Department of Agriculture data on Monday showed that 94 percent of cotton crops were planted in the United States by the week ended June 18, slightly up from 92 percent in the previous week. It rated 61 percent of the US cotton crop in good to excellent condition, compared with 66 percent a week ago. Meanwhile, Tropical Storm Cindy weakened slightly on Wednesday afternoon as it headed toward landfall on the Texas-Louisiana border, but it still threatened to bring flash floods from Texas to Florida, according to the National Hurricane Center.

"Looks like we have got a good shot of some rains in west Texas and that should help the cotton," Moss said. Total futures market volume rose by 3,742 to 26,167 lots. Data showed total open interest fell 1,576 to 206,774 contracts in the previous session. The Thomson Reuters CoreCommodity CRB Index, which tracks 19 commodities, was down 1.32 percent. Certificated cotton stocks deliverable as of June 20 totaled 483,106 480-lb bales, up from 480,461 in the previous session.

New York cotton

RECORDER REPORT

The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
May'17	71.00	71.39	70.68	71.14	14:20 Jun 22	71.14	0.25	4094	70.89
Jul'17	68.27	68.27	66.34	68.03	14:20 Jun 22	68.03	-0.24	13	68.27
Oct'17	68.17	68.17	66.72	66.74	14:20 Jun 22	66.74	-1.43	17956	68.17

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Finance Act 2017:

Blatant constitutional violation

HUZAIMA BUKHARI AND DR IKRAMUL HAQ

The adoption of the Finance Bill 2017 on June 15, 2017 by members of the ruling party using the disgusting tool of majoritarianism, ignoring sane voices for sound tax policy needs, once again confirms the amount of contempt Pakistan Muslim League (PML-N) has for responsible democratic dispensation. It also reflects the apathy of the elected members towards economic growth and improving the overall conditions of the poor.

The government of PML-N was adamant to pass the Finance Bill 2017 without any meaningful debate. Taking advantage of boycott of Opposition, it conveniently chose to overlook their suggested amendments and those proposed by Senate as well as independent experts.

As expected, parliamentarians of the ruling party merely acted as rubber stamps. The Finance Bill 2017, handiwork of tax bureaucrats sitting in the Federal Board of Revenue (FBR), was not only passed in routine, as has been done every year, but gross violations of the Constitution were also committed. Interestingly, nobody in the National Assembly or Senate was ready to take FBR's top management to task on account of their incompetence to collect even Rs 3500 billion against actual potential of Rs 8500 billion although the target was just Rs 3900 billion.

According to media release of Free and Fair Election Network (FAFEN), National Assembly passed the fifth budget of the ruling party during its 43rd session that spanned just over 15 sittings. The general discussion on the budget consumed nine sittings with 68 lawmakers (20%) taking part in it. Last year, the budget debate continued for 11 sittings. The overall duration of the budget session was also reduced to less than half of last budget session. The duration of the current budget session was 37.4 hours while the budget session during last year continued for 80.2 hours. Moreover, the average delay in the commencement of sittings witnessed a surge from 10 to 38 minutes. This shows the level of apathy of our legislators in attending important budget session, what to speak of contributing towards productive and quality debate.

The FAFEN adds that the House took two days to approve the current and supplementary Demands for Grants. The government moved 150 Demands for Grants for the upcoming financial year (2017-18) and 124 Demands for Grants for the financial year ending on June 30, 2017. The opposition lawmakers submitted 1,704 Cut Motions on these demands; however, none of those was moved due to the absence of the relevant lawmakers from the budget proceedings. In addition to the Finance Bill, the House considered two government and nine Private Members' bills. One of the government bills, the Companies Bill, 2017 was passed while the others were referred to the relevant committees for review.

The Finance Minister, as in the previous years, seems to have committed gross violations of the Constitution and none of the members of ruling party raised his or her voice by resisting the amendment in the Fiscal Responsibility and Debt Limitation Act, 2005 that could not be made part of Money Bill and required approval of Senate as well. This amendment saying that "total debt of the Government is public debt less accumulated deposits of the Federal and Provincial Governments with the banking system" was not even approved by the Cabinet in violation of law laid down by the Supreme Court in Messers Mustafa Impex, Karachi v Government of Pakistan (2016) 114 Tax 241 (S.C Pak.). Securing an amendment in the Fiscal Responsibility and Debt Limitation Act, 2005 (a law originally passed by both the Houses) through the Finance Bill, in utter disregard of the Constitution, once again reflected sadly on the mindset of PML-N leadership that has always been keen to violate the supreme law of the land as well as established laws and rules.

The Finance Act 2017 also contains provisions to nullify the judgement of the Supreme Court in Messrs Mustafa Impex, Karachi v Government of Pakistan (2016) 114 Tax 241 (S.C

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Pak.). It could not have been done through Money Bill but the National Assembly did so blatantly on June 15, 2017 by inserting the following provisions:

Customs Act, 1969 [section 221A]

Validation.-All notifications and orders issued and notified in exercise of the powers conferred upon the Federal Government, before the commencement of Finance Act, 2017, shall be deemed to have been validly issued and notified in exercise of those powers, notwithstanding anything contained in any judgment of the High Court or Supreme Court.

Sales Tax Act, 1990 [section 74A]

Validation.- All notifications and orders issued and notified in exercise of the powers conferred upon the Federal Government, before the commencement of Finance Act, 2017, shall be deemed to have been validly issued and notified in exercise of those powers, notwithstanding anything contained in any judgment of the High Court or Supreme Court

Income Tax Ordinance, 2001 [section 241]

Validation. - All notifications and orders issued and notified, in exercise of the powers conferred upon the Federal Government, before the first day of July, 2017 shall be deemed to have been validly issued and notified in exercise of those powers.

Federal Excise Act, 2005 [section 43A]

Validation.- All notifications and orders issued and notified in exercise of the powers conferred upon the Federal Government, before the commencement of Finance Act, 2017, shall be deemed to have been validly issued and notified in exercise of those powers, notwithstanding anything contained in any judgment of a High Court or the Supreme Court.

The above insertions clearly show the level of disrespect of the present regime towards the Constitution and verdicts of the highest court of the country. What makes the situation worse is the criminal silence of even experienced parliamentarians of the ruling party fully conversant with law that the only remedy to undo the verdict of Supreme Court in Messrs Mustafa Impex, Karachi v Government of Pakistan (2016) 114 Tax 241 (S.C Pak.) was amendment in the Constitution itself and not through Money Bill.

(The writers, lawyers and partners in HUZAIMA, IKRAM & IJAZ, are Adjunct Faculty at Lahore University of Management Sciences)

DAWN
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Current account deficit jumps 177pc to $9bn

Shahid Iqbal

KARACHI: The current account deficit jumped to almost $9 billion in the first 11 months of 2016-17, the State Bank of Pakistan (SBP) reported on Thursday.

It increased 177 per cent year-on-year from $3.217bn in the first 11 months of 2015-16. This means the country's external sector is under pressure.

A separate report shows the trade deficit has also risen to $30bn in the 11-month period. Imports have been rapidly increasing for the last three years. The government argues that a big part of these imports consists of machinery that will ultimately enhance the export capacity of the country.

The government contained the current account deficit at $3.4bn in 2015-16, although the trade deficit rose quickly. Economic managers did not come up with a workable strategy to deal with the increasing trade and current account deficits.

The government bridged the growing trade deficit with remittances that overseas Pakistanis send home every year. But remittances also started declining due to changed political and economic conditions in the Middle East. Pakistan receives about 65pc remittances from the Gulf region every year.

Economists blame poor exports for the increased current account deficit. They also believe the commerce ministry has failed to play its due role in growing exports, which have been in decline for the last four years.

The textile sector, which brings in about 60pc of export proceeds, recently started a protest against the government that, it says, has failed to fulfil its promises. The government has yet to pay sales tax refunds that amount to around Rs300bn. Exporters say the government announced a package of incentives worth Rs180bn for the export sector, but released just Rs2bn.

The massive increase in the current account deficit can hit the exchange rate regime as foreign exchange reserves have been continuously declining since October 2016. The country's reserves are still over $20bn, but rising debt servicing is expected to bring them down.

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Govt blocking price relief to electricity consumers: Nepra

Khaleeq Kiani

PESHAWAR: A Pesco technician works on high voltage power cables on the city's outskirts in this file photo.—Reuters

ISLAMABAD: Terming the "backtracking on power sector reforms as disastrous", Nepra on Thursday said the government has been blocking the benefit of lower electricity prices approved by the power regulator to the electricity consumers and circular debt remains a major power sector challenge.

This has been observed in State of Industry Report and Annual Report 2015-16 of the National Electric Power Regulatory Authority (Nepra). It also appreciated 'definite signs of recovery' in the power generation sector but expressed concern over rolling back of governance reforms and centralisation of powers.

The reports noted with concern that all distribution companies including K-Electric were behind efficiency targets. It held that lack of investment by KE was a key reason behind 2015 power breakdown in Karachi and loss of lives. The reports also observed that the government despite 26 per cent shareholder of KE did not attend its board meetings and failed to protect rights of the consumers.

The regulator said the tariff determinations for ex-Wapda distribution companies (Discos) for fiscal year 2015-16 onward were issued by Nepra in the months of Feb-March 2016 but were not yet notified. The result that previous higher tariff was being charged by the Discos to consumers.

Even the tariff of ex-Wapda Discos for 2014-15 was intimated by Nepra to the federal government for notification but the government asked for reconsideration of amount of surcharges and subsidy for certain consumers which was accepted and surcharges were imposed in June 2015.

The high courts' held the recovery of these surcharges as "unconstitutional". The government has challenged this in the Supreme Court of Pakistan.

The Nepra noted that power generation was showing definite signs of recovery due to policies of the government. "Power generation projects on conventional fuels and renewables in general and CPEC projects in particular are going to ease electricity supply shortages for quite some time in the future", it said.

There was a big if, too. "While the take-off in the generation sector is on cards, a lot now depends on the transmission and distribution entities to strengthen their systems and make the delivery of uninterrupted power to end-consumers a reality".

It said the transmission and distribution companies had prepared elaborate plans, however with the exception of some projects, where the federal government has taken the lead, major challenges still exist for the transmission and distribution entities to meet critical time lines. Capacity issues, lack of financial support due to centralised control, procedural delays and setting of wrong priorities were noted as the major factors resulting in continued below par performance.

It said that unless quantum improvement

The regulator noted with concern recent opinions on the state of power sector that have put into question the very fundamentals of power sector reforms initiated some twenty years ago.

"Such proposals without the backing of comprehensive analyses are uncalled for and certainly add to the uncertainties about stated policies. Any back tracking from the reform process would be disastrous, as even today, over 75pc of the sector is directly controlled by the ministry. "Going further to centralised control (by the ministry) would be reinforcing the failure."

It said circular debt was still a major issue confronted by power sector and was created when licensees do not meet the relevant targets set by the Nepra. Generation companies have been unable to meet the efficiency levels and O&M (operations and maintenance) costs. In the distribution sector, the Discos are not able to meet the recovery ratios and transmission and distribution loss targets set by the Nepra, resulting in shortfall in revenue, than the desired levels.

The impact of this shortfall on loss reduction was estimated at Rs29 billion while failure to achieve billing recovery was

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estimated at Rs53bn. Non-recovering the billed amount is due to poor performance of some Discos which has resulted in total receivables of Discos amounting to Rs638bn as on June 30, 2016.

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Asian Development Bank approves $300m to reform PSEs

The Newspaper's Reporter

ISLAMABAD: The Asian Development Bank (ADB) signed a $300 million loan agreement on Thursday to support Pakistan's efforts to implement major structural reforms and efficiency initiatives to improve the performance, transparency, and financial sustainability of the country's federal government-run public sector enterprises (PSEs).

ADB Country Director for Pakistan, Xiaohong Yang and Secretary Economic Affairs Division, Tariq Mahmood Pasha signed the loan agreement on behalf of their respective sides.

"Pakistan's state-owned enterprises provide vital services to the people of Pakistan and to the country's economy," said Ms Yang. "ADB is proud to support the government of Pakistan's commitment to implement reforms that will ensure financially sustainability of these firms while improving efficiency and cost-effectiveness," she said.

The new ADB assistance is for the second sub programme under the PSEs reform programme, bringing total ADB financing for critical reforms in PSEs to $600m since June 2016. Last June, ADB had approved $300m to help Pakistan roll out major structural reforms to improve the performance and financial sustainability of its public sector enterprises.

The federal government owns 191 public sector enterprises employing around 420,000 workers. The financial performance of many PSEs has been weak in recent years despite budget support from the federal government.

A fiscal consolidation drive to improve federal finances has constrained the federal government from carrying out important reforms related to the public sector enterprises, including a reduction in contingent liabilities from pensions and other related costs.

The programme will support government's efforts to improve the performance of the PSEs by improving corporate governance and accountability, identifying and reducing financial burdens arising out of direct budgetary transfers to PSEs. This will strengthen fiscal sustainability and freeing of finances for priority development projects.

With ADB's assistance, under the Public Sector Enterprises Reform Programme, the government has carried out significant structural reforms and efficiency initiatives to help improve financial sustainability and operational efficiency of PSEs, and helped improve the compliance to the Corporate Governance Rules 2013.

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MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.75	104.95	105.90	106.10
UK	132.69	132.95	134.25	134.50
Euro	117.00	117.22	117.50	118.50
S.Arabia	27.93	27.99	28.00	28.20
UAE	28.51	28.56	28.80	29.00
Japan	0.9429	0.9447	0.9413	0.9613

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.88	6.13
Six months	5.89	6.14
One year	5.97	6.47

LIBOR

Special US dollar bonds for June 21

Three months	1.28944 %
Six months	1.44500 %

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Major structural reforms implementation: Pakistan, ADB sign $300 million loan agreement

ISLAMABAD: The Asian Development Bank (ADB) and Pakistan on Thursday signed a $300 million loan to support public sector enterprises (PSEs).

Under the agreement, Islamabad has accepted conditions to absorb funding cost for retirement of employees of eight power distribution companies.

The ADB and Pakistan signed a $300 million loan to support Pakistan's efforts to implement major structural reforms and efficiency initiatives to improve the performance, transparency, and financial sustainability of the country's federal government-run public sector enterprises (PSEs).

Under the first subprogram, Pakistan has designed the critical communication strategy and policies to address important issues pertaining to workers' voluntary separation scheme, pensions, and training. Under the second subprogram, the government will implement the strategy and policies.

"One critical component is to design and initiate funding of the retirement cost fund of eight power distribution companies". These companies included Faisalabad Electric Supply Company Limited (FESCO), Gujranwala Electric Power Company Limited, (GEPCO), Hyderabad Electric Supply Company Limited (HESCO), Islamabad Electric Supply Company Limited (IESCO), Lahore Electric Supply Company Limited (LESCO), Multan Electric Power Company Limited (MEPCO), Peshawar Electric Supply Company Limited (PESCO), and Sukkur Electric Supply Company Limited (SEPCO).

These companies had already set up the retirement cost fund with appropriate governance structure and the investment policies.

The government has earmarked Rs15 billion in the federal budget for 2017/18 to operationalise these funds. This will facilitate to make this critical reform effective.

Under the agreement, the government will also operationalise an information technology-based performance monitoring system of PSEs.

Finances of PSEs in Pakistan remain weak despite recent reform initiatives. The 183 PSEs owned by the government comprise 169 companies, seven development finance institutions, and seven federal authorities, employing more than 402,543 workers with the total assets of Rs10,823 billion ($108 billion) in the fiscal year FY 2015.

In that year, 172 PSE's (94 percent) disclosed financial statements, of which 53 PSEs, or 31 percent reported losses despite significant budget transfers.

Despite recent reform initiatives, PSEs continue to rely on significant regular fiscal transfers and sovereign credit guarantees to maintain their operations.

Pakistan International Airlines, Pakistan Steel Mills, the power distribution companies, and Pakistan Railways are major recipients of such transfers.

In FY2016, fiscal allocation to support day-to-day PSEs operations, including subsidies and other transfers, it constituted 65 percent of the overall budget allocations to the PSEs, severely limiting critical capital development expenditures to improve PSE efficiency.

The government has agreed with the ADB on certain covenants for subprogram II, which are set forth in the loan agreements.

The government will ensure that for FY2017 and each subsequent fiscal year for the duration of the programmatic approach, the amount of the budget allocation to PSEs for their development expenditures, including development loans, will at least be 0.4 percent of Pakistan's GDP for the same fiscal year.

Xiaohong Yang, ADB's country director for Pakistan, and Tariq Mahmood Pasha, secretary economic affairs division (EAD) for the government of Pakistan, signed the loan agreement.

"Pakistan's state-owned enterprises provide vital services to the people of Pakistan and to the country's economy," Yang said.

"The ADB is proud to support the government of Pakistan's commitment to implement reforms that will ensure financial sustainability of these firms, while improving efficiency and cost-effectiveness," he added.

The financial performance of many federal government PSEs in Pakistan — which employ more than 400,000 people have been weak in recent years, despite significant budget support from the federal government.

The programme will support government's efforts to improve

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the performance of the PSEs by improving corporate governance and accountability, identifying and reducing financial burdens arising out of direct budgetary transfers to PSEs.

This will strengthen the fiscal sustainability and freeing of finances for priority development projects. The ADB's assistance is the second subprogram under the PSEs Reform Program, bringing the total ADB financing for critical reforms in PSEs to $600 million since June 2016.

With the ADB's assistance, under the Public Sector Enterprises Reform Program, the government of Pakistan has carried out significant structural reforms and efficiency initiatives to help improve financial sustainability and operational efficiency of PSEs, and helped improve the compliance to the Corporate Governance Rules 2013.

Many policy actions have been introduced under the programme to improve the financial transparency, monitoring, and corporate governance in PSEs.

A critical target under the programme's second subprogram is to increase the compliance rate of companies to Corporate Governance Rules to 50 percent. The restructuring and reform of selected public sector enterprises, particularly Pakistan Railways, have also been initiated.

Under the programme, the government has started publishing the financial performance report of all federal PSEs, which will be available on its website.

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Current account gap widens to $8.929 billion; highest since 2008

KARACHI: The current account gap rises to $8.929 billion, or 3.2 percent, of gross domestic product in 11 months of the outgoing fiscal year, which is the highest level since 2008.

According to the State Bank of Pakistan (SBP) data released on Thursday, the current account was $3.217 billion in the 11 months during May last year. Pakistan ran a current account deficit of $1.581 billion in May alone as compared to $1.234 billion in April 2017.

“The government borrowed $1.846 billion from international creditors alone in May, which is almost 29 percent of the total borrowing in 11 months,” a senior economist said. “The rise sharp rise in the foreign loans is unbelievable. Moreover, a higher imports growth contributed to the worsening of the external current account.”

“Administrative measures, such as imposition of regulatory duty on some imported items and 100 percent cash margins on consumer and luxury imports have not been effective in curtailing a huge trade deficit,” the economist said.

Despite the high current account deficit, the SBP’s reserves increased to $16.415 billion in May 2017 against $16.1 billion in April 2017. Some analysts said the deficit number in May is the third highest in the history. In October 2008, the current account gap had touched $2.4 billion, while in November 2007 it reached $1.7 billion.

Imports surged 20.60 percent to $48.539 billion in July-May FY17 from $40.247 billion a year ago. However, exports fell to $18.541 billion as compared to $19.140 billion during the corresponding period of the last year.

The increase in forex reserves is attributed to short- and long-term loans and some rise in foreign direct investment. Economists expect the current account gap to reach 3.3 to 3.5 percent of GDP by the end of this fiscal year.

“The deficit is likely to rise to $12 billion in the next fiscal year, while the SBP’s reserves could drop to around $8 billion from the current level of $15.3 billion,” the economist added. Zeeshan Afzal, an analyst at Insight Securities says meeting the current account deficit through new loans was difficult, as deficit in FY18 is expected to cross $11 billion.

The worse-than-expected deficit also adds pressure to the government’s financing capacity of external debt and liabilities. The precarious foreign exchange position could dent the exchange rate.

“In the scenario of falling reserves, we cannot rule out rupee depreciation and monetary tightening in the next few months.” Afzal said.

Some analysts foresee a 25-30 percent weaker rupee in FY18. It is believed that the country's high deficit on both current and fiscal accounts is unlikely to push the government to devalue domestic currency and hike in interest rates at least during 2017 due to general elections next year.

All decisions will be deferred till the new government takes office, they added. The IMF, in its latest report, predicted that the account deficit has widened and is expected at 3 percent of GDP in 2016/17, driven by quickly rising imports of capital goods and energy. Foreign exchange reserves have declined in the context of a stable rupee/dollar exchange rate.

“Monetary policy has been appropriately accommodative, and urged the SBP to remain vigilant and be ready to tighten it in case inflationary pressures emerge or foreign exchange market pressures intensify,” it stated.

“Directors called on the authorities to allow for greater exchange rate flexibility—rather than relying on administrative measures — to help reduce external imbalances and bolster external buffers. In this regard, they welcomed the authorities’ commitment to remove, within one year, the cash margin requirement for imports of consumer goods, which constitutes an exchange restriction and multiple currency practice,” the report added.

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FBR to bring foreign firm representatives into tax net

KARACHI: The Federal Board of Revenue (FBR) has geared up efforts to bring unregistered individuals and companies representing foreign companies in Pakistan into the tax net after a change in definition of a liaison office in Finance Act 2017, sources said on Thursday.

The sources said companies and individuals have been promoting products of foreign companies in the country without registration with the tax authorities for a long time. The registration entails a nominal tax on their services.

"Through the Finance Act 2017 the definition of liaison office has been amended to bring persons/companies promoting products into the definition," said an official at Large Taxpayers Unit (LTU) Karachi.

The LTU Karachi had proposed this amendment into Income Tax Ordinance 2001, but the proposal was not incorporated in Finance Bill 2017. Yet, it was added when the bill was made into law.

The FBR official said a place of business would not be treated as liaison office if it engages in activities, including commercial, trading or industrial or negotiation and conclusion of contracts.

The FBR, however, said that a place of business would be treated as a liaison office, if it undertakes activities, including an exploratory or preparatory nature to investigate the possibilities of trading with or in the country; exploring the possibility of joint collaboration and export promotion; promoting products where such products are yet to be supplied to or sold in the country; promoting technical and financial collaborations between its principal and taxpayers in the country; or provision of technical advice and assistance.

At present a number of famous foreign brands are available in the country without having physical presence of those companies within the territory. Such brands are marketed and sold through local dealers or agents. "All incomes generated through sales of such brands will be taxed after redefining of the law," said the FBR official.

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Government protection to domestic industry a burden on national kitty, public

LAHORE: There are many rent seeking sectors in Pakistan that pass on their inefficiencies to public exchequer when in distress and fleece the public in times of shortages.

They include car makers, manmade fibre producers, sugar mills, and cement manufacturers. All these manufacturers want protection from imports that they always get and press the government to subsidise their exports. An interesting point in this regard is that most of these sectors are minting money.

They do not want competition. The car industry in Pakistan is dominated by three Japanese brands and has successfully blocked intrusion of car makers from other countries. Still it is operating on huge protective duties.

Although all the three car producers are amongst ten largest producers, they do not introduce the latest technologies in Pakistan-made vehicles. They were forced to introduce some gadgets in their models when consumers start preferring used cars loaded with modern navigation and safety equipment.

They have been operating on high duty protection for almost three decades and have still not achieved the efficiencies required to compete with new imported vehicles if the protective duties are reduced to normal 10 percent.

Manmade fibre manufacturers have been operating on duty protection for almost two decades. The protection is usually granted to an industry for a period of five years, after which it should be able to attain enough efficiencies to counter imports.

The manmade fibres were provided sovereign guarantee of duty protection for ten years. Polyester fibre is the basic raw material used in over 70 percent of the textile products globally.

Textile millers in Pakistan are unable to compete globally in products made from polyester fibre because they get this raw material at much higher than global rates.

It is worth noting that these manmade fibre producers have increased their capacities substantially without attaining global level efficiencies.

They could afford to do that because of the protections they enjoy on imports. Sugar millers belong to the most influential segment of the society. Overwhelming majority of sugar mill owners belong to strong political families and have almost equal presence in ruling elite and opposition.

These politicians may have irresolvable political differences but when it comes to supporting the sugar mills they are on the same page. They take full advantage of their influence, exploiting the farmers and the exchequer and violating laws daringly.

The law of the land says that the crushing of sugar should start from October 1 in Sindh and October 15 in Punjab. They openly violate this law and wait until end November or December.

The water content in the sugarcane reduces in winter and the sugar content increases. They thus exploit the farmers by paying them on reduced weight and high sugar. Another round of exploitation starts when the payment of the crop is unduly delayed.

The law binds the mills to clear the farmers' dues within 15 days of procurement or face harsh penalties. The sugar mills daringly ask government for support to clear farmers' dues almost six months after procurement.

Sometimes they ask the government to lift some of their unsold stocks through Trading Corporation of Pakistan or demand huge subsidy for exporting sugar.

Otherwise they warn that farmers' payment would not be cleared. Pakistan's currency has devalued by almost 45 percent since 2008 and still the sugar mills have not attained
the efficiency to compete globally.

The government has up till now resisted their demand for export subsidy. Let us hope that it adheres to this policy. Cement sector was heavily fined by the Competition Commission of Pakistan (CCP) for cartelisation almost a decade back.

An appeal by the cement manufacturers questioning the competence of the Competition Commission of Pakistan to regulate the sector is pending in courts.

Cement capacities have since then have almost doubled. The same 23-24 cement mills have expanded capacities. This sector also wants government subsidy for exports and duty protection from imports. One wonders that if the survival of the sector depends on government subsidies and protection then how come these same mills are expanding their capacities.

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'Pakistan, Australia should develop sustainable trade partnership'

LAHORE: Private sectors of Pakistan and Australia should develop sustainable partnership and find out tangible ways to avail of full advantage of trade and investment potential exists in the countries.

This was stated by Australian Trade and Investment Commission senior trade and investment commissioner John Madew during a meeting with Lahore Chamber of Commerce and Industry (LCCI) acting president Amjad Ai Jawa and vice president Muhammad Nasir Hameed Khan at the LCCI on Thursday.

Madew said that Australia has made a considerable development in dairy and livestock sectors and its experience in these areas could be useful for Pakistan. Australian universities are focusing on research and development that was a key to give boost to trade and economy, he added.

Australian IT companies are finding new partners; therefore, Pakistani IT companies should avail of this opportunity, Madew said. Jawa said that Pakistan and Australia enjoy good diplomatic relations and, at present, the two countries are engaged in cooperating with each other in many fields.

Last year, two delegations - one from Sydney and the other from Canberra –visited the LCCI, he said, and appreciated the Australian high commissioner for full cooperating with the LCCI that went to Sydney in February 2017 to attend Halal Expo 2017.

The LCCI acting president said a balance of trade has been in favour of Australia, but it is a matter of concern for Pakistan that the gap between imports and exports is expanding by each passing year.

From 2014 to 2015, the two-way trade surged from $504 million to $714 million, he said, adding that this increase took place due to abrupt rise in imports from Australia to Pakistan, which went up from $337 million to $538 million during that period.

Pakistan's exports showed some improvement, but its magnitude was not sufficient enough. The volume of exports to Australia inched up from $167 million to $176 million, he added.

Jawa said that Australia has a well-developed dairy and livestock sectors and Pakistani counterparts could benefit from Australia for enhancements in milk and meat productions.

Livestock sector of Pakistan accounts for more than 10 percent of GDP. The LCCI acting president said it is really appreciative that the Australian government is extending liberal scholarships to the Pakistani students and, at the moment, more than 15,000 students are studying in various universities of Australia.

LCCI vice president Khan said that Pakistan is emerging globally in IT sector with young and talented pool of IT professionals and this area has a great potential for mutual cooperation between the two countries.

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Govt. disburses Rs701bln for PSDP projects

ISLAMABAD: The government has so far released around Rs701.172 billion for various ongoing and new projects of all the ministries and divisions under public sector development programme of 2016/17 out of its total allocation of Rs800 billion.

The Planning Commission of Pakistan has been following a proper mechanism for the release of funds and accordingly funds are released as per the given mechanism.

The commission released 20 percent of funds in the first quarter (July-September), 20 percent in the second quarter (Oct-Dec), 30 percent in third quarter (January-March) and 30 percent in fourth quarter (April-June).

The government also released Rs5.993 billion for various projects of finance division out of its total allocation of Rs10.159 billion earmarked under the PSDP for the fiscal year of 2016/17.

The ministry of planning, development and reforms said the government has also released Rs140 million for construction of fish landing jetty and allied harbour facilities at Pishukan Gwadar, while an amount of Rs140 million has been provided for construction of fish landing jetty and allied harbor facilities at Surbandar East Bay, Gwadar. The federal government would be funding 80 percent of cost of both these projects.

Moreover, the government released all the allocated funds of Rs700 million for greater Karachi Sewerage Plant (S-III) Karachi, while Rs700 million has been released for Gwadar Development Authority out of its total allocation of one billion rupees. The government also released all the allocated funds of one billion rupees for greater Karachi Water Supply Scheme (K-IV).

The government released Rs163 million for construction of flyover at Koyala Phattak, Samangli Road, Quetta. The government disbursed Rs400 million for Khyber Institute of Child Health and Children Hospital, district Peshawar, out of its total allocation of Rs650 million, while Rs100 million has been provided for widening and carpeting of Booni-Buzand Torkhow Road Chitral out of its total allocation of Rs250 million for PSDP of 2016/17. Official data showed that Rs58.839 million has been released for construction of eastern and expansion of southern sewerage treatment plants under Hyderabad package, while Rs100 million has been provided for construction and improvement of roads in urban areas of Hyderabad district.

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Cotton dips

Karachi

Dull trading was recorded at the Karachi Cotton Exchange on Thursday, while spot rates decreased Rs50/maund.

The spot rates decreased to Rs6,600/maund (37.324kg) and Rs7,073/40kg. Ex-Karachi rates also fell to Rs6,735/maund and Rs7,218/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.

An analyst said the market activity remained slow because of end of the season and upcoming Eid holidays. “A few lots of new crop have also been traded in the market, but prices are too low, as millers remain on the sidelines,” he said.

There would be an increase in the arrivals after Eid, as lint from Punjab is also expected, but prices might remain under pressure, he added.

Cotton market recorded only one transaction of 600 bales from Khipro at Rs5,750/maund.

The Nation on Web
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Current account deficit crosses govt's estimate to reach $8.9b

NNI

ISLAMABAD - Current account deficit in the eleven months of the present fiscal year crossed the government's full year target of 8.4 billion dollars due to diminishing export performance, lesser arrival of remittances and substantial jump in imports.

According to the data released by the State Bank of Pakistan, the current account deficit in July to May period of this fiscal year reached to whopping 8.9 billion dollars against the government's estimates of 8.4 billion dollars.

Even in the preceding month of May, the current account deficit reached a record 1.6 billion dollars. The current account deficit on monthly basis reached 2.4 billion dollars in October 2008. After that, the current account deficit reached 1.6 billion dollars in May 2017.

The major reason behind this huge deficit has been the deficit arising from exports and imports, goods and service, which amounts to 25 billion dollars while the remittance accounts for 17 billion dollars.

According to an analyst, at the end of this fiscal year, the deficit might witness an addition of one billion dollar reaching to nearly 10 billion dollars, which would also be record for the country.