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IMF says dollar overvalued; euro, yen, yuan broadly in line with fundamentals

WASHINGTON: The International Monetary Fund on Friday said that the US dollar was overvalued by 10 percent to 20 percent, based on US near-term economic fundamentals, while it viewed valuations of the euro, Japan's yen, and China's yuan as broadly in line with fundamentals.

The IMF's External Sector Report - an annual assessment of currencies and external surpluses and deficits of major economies - showed that external current account deficits were

becoming more concentrated in certain advanced economies such as the United States, while surpluses remained persistent in China and Germany.

While the report assessed the euro's valuation as appropriate for the eurozone as a whole, it said the euro's real effective exchange rate was 10-20 percent too low for Germany's fundamentals. The IMF said the dollar's appreciation in recent years was based on its relatively stronger growth outlook, its monetary policy divergence from the eurozone and Japan as well as expectations for further fiscal stimulus from the Trump administration.

It recommended that US authorities take steps to shrink a current account deficit that remains too large, by reducing its federal budget deficit and passing structural reforms to increase the savings rate and improve the economy's productivity.

"It's important to address imbalances, because if they're not dealt with appropriately and through the right policies, we could have a backlash in the form of protectionism," IMF Research Division Chief Luis Cubeddu told a news conference.

Cubeddu said that the persistence of current account surpluses in export countries such as China and the growth of deficits in debtor countries such as the United States suggested that the problem would not clear up automatically.

"That is, prices, savings and investment decisions don't seem to be adjusting fast enough to correct imbalances. This partly reflects rigid currency arrangements, but also certain structural features, like inadequate safety nets, barriers to investment, which leads to undesirable levels of savings and investment," he said.

The report said that while China's yuan was broadly in line with its fundamentals, IMF models showed wide divergences with desired policies, both positive and negative. It said China's current account surplus was growing again after declining in 2015 and 2016 and needed to be reduced.—Reuters

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Nepra approves new tariff for Thar coal projects

MUSHTAQ GHUMMAN

ISLAMABAD: The National Electric Power Regulatory Authority (Nepra) has approved new upfront generation levelised tariff of 7.2281 cents (Rs7.5895) per unit for Thar coal-fired single unit and two units wet cooling and air cooling projects.

The previous upfront tariff for Thar coal-based power plants was determined on July 09, 2014 which was notified by Ministry of Water & Power on January 20, 2015. The validity of the upfront tariff was two years from the date of its notification. The tariff expired on January 19, 2017.

Following projects were approved under the previous upfront tariff: (i) Engro PowerGen Thar (Pvt) Limited- block -II 2x330MW(600MW) ;(ii) ThalNova Power Thar (Pvt) Limited- block II 330 MW;(iii) Thar Energy Limited- block -II, 330 MW;(iv) Thar Coal Block—I Power Generation Co. (Pvt) Limited- Block-I, 2x600 MW(1,320 MW), totaling to $ 2,640 MW.

According to the determination, the Authority decided to initiate proceedings for determination of new tariff for future Thar coal power projects. Accordingly, following issues were framed to seek input from the stakeholders (i) whether the Authority should determine another upfront tariff with revised benchmarks keeping in view the improvements in latest technology and reduced risks as first movers have already borne the first movers' risks? (ii) Whether the Authority should determine benchmark tariff for competitive bidding under Competitive Bidding Tariff (Approval Procedure) Regulations, 2014 for new power projects on Thar coal? (iii) If new tariff is determined under either upfront or competitive regime, whether the cost-plus regime shall remain available and (iv) Whether only such coal power plants may be allowed which have low cooling water requirement for future power generation at Thar?

The Issues were made public through an advertisement in the leading newspapers on January 13, 2017 inviting stakeholders to become party to the proceedings by filing intervention request in the matter within 15 days. The stakeholders were also invited to file comments for assistance of the Authority within 15 days. Individual Notices were also sent to all concerned on January 19, 2017.

Ministry of Water & Power, in its comments stated the upfront tariff for Thar coal projects was incentivised due to lack of investors' interest, uncertainty regarding infrastructure connectivity with Thar coal field and high rate of interest prevailing in Pakistan. The Ministry further stated it is necessary to review the tariff assumptions after the success achieved in bringing in investors' interest especially after CPEC investment. Since it is the only indigenous thermal source available, it is important to keep investment in Thar coalfield an attractive proposition. Three blocks of Thar coal are included in CPEC and in order to provide economies of scale, each block must achieve a capacity of more than 15 — 20 million tons per annum, which means generation of around 7,500 — 9,000 MW cumulatively. At present, tariff on Thar coal is available to projects of around 3,600 MW.

The ministry proposed following improvements: (i) the cost of machinery is 10-15 percent lower than those estimated in the previous upfront tariff; (ii) It has been observed during the construction being carried out on coal plants in the country these days that an efficient management can complete the project in 30 months after financial close. It was proposed that the COD time allowed after FC should be reduced to 30 months to provide for efficient project management; (iii) The cost of water pipeline from Vajihar to the project site is estimated to be at least 50% higher than the actual; (iv) Loan Tenure: The period of 10 years for loan repayment also increases load on the initial 10 years of tariff which may be increased from 10 years to 13 or 15 years. The policy interest rate has now come down to 5.75 percent from 9.50 percent in 2014. This requires a matching rationalization in the IRR especially when the uncertainties in investment on Thar Coal based power plant have reduced considerably.

There has been the practice of giving extension to the high IRR for coal mining sponsors, which due to is no longer justified. It would be appropriate that the coal tariff for the purpose of power generation is capped appropriately at the rates commensurate with the economy of scale at 20 million tons per annum. Although the best option for any competitive tariff is through reverse bidding, its applicability for Thar coal based power is limited because there are only three available sites with three sponsors who are licencees for the mines or their nominees. The previous tariffs have been on the basis of water cooling system which would limit the mine mouth capacity to 3000-5000 MW. It is therefore suggested that the new tariff incentivise projects with air-cooling system (which save around 80% on the water requirement).

Ministry suggested that the new tariff should accommodate projects only on super critical or better technology and there should be no tariff for plants of lower specifications than Super Critical. The Ministry maintained that the above improvements in tariff will bring down the levelised tariff by around 15-20% from the existing upfront tariff. It will also help in conservation/optimum utilization of the scarce water resources while containing environmental challenges.

Sindh government in its comments said that to continue and re-notify the lapsed tariff which shall assure investors of an IRR of 20% and to maintain a consistent incentive policy to safeguard and encourage domestic and international investment in Thar mining and power generation. The current tariff was allowed to lapse without notice to investors as required and as stated in the regulators rules. Allowing a 'no existing tariff' regime to exist has sent a signal of uncertainty and mistrust to investors and markets.

Pakistan is an energy deficient market with 3500 MW of load shedding on daily basis. The cost to economy of an unsupplied kWh translates into more than $ 30 billion/annum. Thar coal is in its nascent stage of development and any reduction in tariff will render irreparable damage to the momentum towards energy achieving autarky. Even if there is a possibility of reducing tariff, it will be unwise at this stage when Thar coal lease holders have spent tens of millions of dollars towards the mine development and are on the threshold of launching an integrated investment plan of billions of dollars for Thar coal development. Sindh Board of Investment (SBoI) endorsed reduction in the cost of producing electricity but firmly believe that such a reduction is only sustainable in the long run by promoting economies of scale in coal mining rather than upsetting investor returns through policy reversals. SBoI estimated that a one percent decrease in return through a tariff reduction of a few cents will result in a cost saving of 3 million dollars. However, this is a one time saving, as with every decrease in RoI, there is a multiplying reduction in investments interests. However, the cost saving accounted for at full utilization of GoS' Thar mining plan of 20 million tons per year will be $ 11 million per year. Economies of scale will result in the decrease of coal price from $ 60 per ton to $ 28 per ton at full capacity of mine. Cost of fuel contributes more than 50 percent of tariff, therefore, the decrease in coal price will translate into a significant decrease in tariff over the life of mining in Thar. Mine developers cannot firm-up coal supply agreements for downstream power plants if policies and tariff regimes are subject to quick changes. In 2002, a Chinese company Shenhua made a competitive proposal to establish an integrated mining and power project, however, the proposal fell through on account of unreasonable negotiations over 0.5 cents/kWh and the chance at achieving energy security and bringing prosperity to many of our people lost out for over a decade. Fiscal incentives alone may not be the triggering point for investments. The convergences of regional strategic interests are the catalyst that drives such development.

The tariff has been worked out on the basis of following financial assumptions: (i) debt equity ratio is 75:25;(ii) LIBOR of 1.8 percent with a premium of 4 percent;(iii) one time Sinosure/credit insurance fee @7 percent of the debt servicing amount;(iv) in case of project financing without Sinosure/credit insurance fee, the applicable premium over LIBOR shall be 4.5 percent;(v) In case of local financing KIBOR 6.36 percent with a premium of 2.5 percent;(vi) Financing fees and charges have been calculated on the basis of 3 percent of the 75 percent of CAPEX financing;(viii) IDC has been calculated on the basis of approved construction period and average debt drawdown on quarterly basis;(ix) ROEDC has been calculated on the basis of approved construction period and average equity drawdown; and (x) Exchange rate of Rs105/USD.

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THE RUPEE

Firm trend

RECORDER REPORT

KARACHI: Firmness prevailed on the money market on Friday as the rupee traded within a narrow range versus the dollar in the process of trading, dealers said.

INTER-BANK MARKET RATES: The rupee did not move any side in terms of the dollar for buying and selling at Rs 105.39 and Rs 105.40 respectively, they said.

OPEN MARKET RATES: The rupee was unchanged versus the dollar for buying and selling at Rs 107.30 and Rs 107.50 respectively, they said.

The rupee dropped by 45 paisas in relation to the euro for buying and selling at Rs 125.30 and Rs 126.30 respectively.

In the fifth Asian trade, the dollar dipped against its major peers, its mild bounce earlier petering out ahead of the second quarter US economic growth data due later in the session.

The dollar index against a basket of six major currencies was a shade lower at 93.826 after edging up 0.2 percent the previous day.

The greenback, which had sunk to a 13-month low midweek after the Federal Reserve's policy statement suggested it was in no hurry to raise interest rates again, received a lift on Thursday as Treasury yields rose on the back of upbeat US durable goods and trade data.

The dollar was trading against the Indian rupee at Rs 64.195, the US currency was available at 4.279 in terms of the Malaysian ringgit and the greenback was at 6.748 versus the Chinese yuan.

Open Bid	Rs. 107.30
Open Offer	Rs. 107.50

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

Bid Rate	Rs. 105.39
Offer Rate	Rs. 105.40

RUPEE IN LAHORE: The Pak rupee depreciated on buying side while it stayed unchanged on selling side against the greenback in the local currency market on Friday.

The dollar commenced trading on its overnight trend of Rs 107.30 and Rs 107.50 as its buying and selling rates respectively.

At the close, it lost by 10-paisa on buying counter and ended at Rs 107.40. However, no change in its value took place on selling counter as it sustained its opening trend of Rs 107.50, local currency dealers said.

Furthermore, the national currency stayed unchanged on buying side, however, it depreciated by 10-paisa on selling side versus the pound sterling. The British currency was bought and sold at Rs 139.80 and Rs 140.50 against Rs 139.80 and Rs 140.40 of Thursday, they added.

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

The dollar opened at Rs 107.10 (buying) and Rs 107.20 (selling) against last rate of Rs 107 (buying) and Rs 107.10 (selling). It closed at Rs 107.10 (buying) and Rs 107.20 (selling).

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Petrol, diesel prices Masses may get reasonable relief next month

WASIM IQBAL

ISLAMABAD: The oil consumers are expected to get a reasonable relief at the start of next month as Oil and Gas Regulatory Authority (Ogra) has suggested a reduction of 6.3 percent in prices of petroleum products.

The Ogra has proposed a reduction only in the prices of petrol and diesel; however, it has proposed an increase in prices of kerosene oil and light diesel oil up to 29.5 percent.

In a summary of the Ogra to the ministries of petroleum and finance issued here Friday, the regulator has proposed a reduction in the prices of petrol and diesel.

According to the Ogra summary, consumers of high-speed diesel, which is mostly used in transport vehicles as well as the agriculture sector, should be cheaper by Rs 5.07 per litre (6.3 percent). This will take its price down to Rs 7 4.83 per litre from the existing Rs 79.90 per litre.

Petrol price is also likely to fall by Rs 3.67 (5.1 percent) to Rs 67.63 per litre as compared to the current Rs 71.30 per litre.

At present, compressed natural gas (CNG) is not available in several parts of Punjab while imported gas is being used by consumers. A cut in petrol price would provide some relief to the consumers.

Kerosene oil, which is used for cooking purposes in remote areas where liquefied petroleum gas (LPG) is not easily available, may record a hike of Rs13 per litre (29.5 percent), standing at Rs 57 against existing price of Rs 44.

The price of light diesel oil, consumed mainly by industrial units, may be increased by Rs10.01 per litre (22.8 percent), reaching Rs 54.01 as compared to the current Rs 44 per litre.

But the government is likely to continue the existing oil prices as there is no competent authority like prime minister and federal cabinet at the moment.

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Country's economic outlook: The future isn't all bad

Farhat Ali

Pakistan's economy is today confronted by severe threats, the greatest which is our fiscal instability and the country's alarming dependance on loans. Debt and liabilities amount to over two percent of the GDP, which is expected to accumulate in the coming years in the absence of corresponding revenue increase and cost management.

Pakistan obtained record high $10.1 billion in foreign loans during 2016-17, primarily to repay old debts and support its foreign exchange reserves, after the government's failure to mobilize non-debt-creating foreign inflows. It is reported that about 37 percent or $3.9 billion of the total external borrowing, is from China, which includes $2.3 billion in commercial loans and another $1.6 billion under bilateral economic assistance. About $4.4 billion of these loans were used in external debt servicing. The $10.1 billion loans were 26.3 percent ($2 billion) higher than the government's own estimates which it had placed in the parliament in June last year. Out of this, $2.3 billion came from Chinese financial institutions, $445 million from Noor Bank of the UAE, $650 million from a consortium of Suisse Bank, UBL and ABL, $275 million from Citibank and $700 million from London's Standard Chartered Bank.

Inefficiency in public-sector enterprises continues to consume the loans, instead of generating revenue to pay them back. Unless companies like Discos are set right, fiscal losses and circular debt will continue unabated. The government also failed in the privatisation or restructuring of these companies

In 2017, Pakistan became a $300-billion economy after achieving 5.3 percent economic growth, the highest in a decade. However, its exports declined more than 20 percent from the peak and it desperately needs FDI for creation of new jobs.

The UNDP, in its latest issue of "Development Advocate Pakistan on Financing for Development," stated that unless the real sectors are revitalized, growth would remain elusive, unemployment would rise and living standards would decline, and thus the capacity to generate resources for financing development and social protection would remain highly constrained. Pakistan's landscape for Financing for Development (FFD) has not been robust and the macroeconomic indicators show little improvement.

With the election years 2007-08 and 2012-13 culminating in a serious economic crisis, Pakistan was forced to approach the International Monetary Fund for a bailout. This renders 2017-18 as "make or break" years for the economy.

The report further states that there are two paths available - either consolidate or build upon gains to undertake policy reforms that would help in speeding up economic growth to reach six to seven percent a year; or, fritter away the gains and pursue populist measures, appeasing powerful interest groups, backtracking on reforms and yielding to pressures. A more disconcerting feature has been the setback in Pakistan's market share in world exports.

While there has been overall buoyancy in global markets, Pakistan has lost its share from 0.15 percent to 0.12 percent while its competitors - India and Bangladesh - have more than doubled their shares. Over the last decade, Pakistan's exports have grown by four percent, compared to 12 percent in Bangladesh and 10 percent in India, and are declining for the last two years. Exports used to finance 80 percent of imports in the early 2000s, but this ratio has declined to less than 50 percent in recent years. If Pakistan is able to regain its lost market share in the

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world market or attain the export/GDP ratio of 10 percent only, it would be able to cut down its external borrowing requirements by at least one half and manage its external accounts without any stress.

Pakistan's public-sector fiscal policy discerned from the fiscal trends has not helped in meeting the objectives of inclusive growth, equity, social protection or environmental sustainability. It has been driven largely by short-term crisis management considerations as the economic managers were faced with persistently high fiscal deficits, and resources had to be found to finance these deficits, said the report.

Pakistan's tax capacity is 22.3 percent of GDP, while it is collecting 11 percent. Sales and corporate tax rates can be brought down to provide incentives to the private sector for expansion and new investment if the tax net is widened and eligible taxpayers are brought within it.

Repatriation of profits and dividends, external debt servicing on existing loans and disappearance of Coalition Support Funds inflows would amplify the deficit. Therefore, reliance has to be placed on boosting exports of goods and services and inflows of FDIs.

On the expenditure side, the 18th Amendment to the Constitution and the 7th National Finance Commission Award has exacerbated the difficulties in maintenance of fiscal discipline.

While the federal government is saddled with inflexible expenditure items such as debt-servicing, defence, pensions and salaries, it is assigned only 40 percent of taxable revenues to take care of this huge expenditure. The capacity of the provinces to spend is impaired because they have concentrated all administrative and financial authority in their hands, refused to devolve functions of the delivery of basic public services and refused to allocate sufficient resources and powers to the district governments.

Pakistan's performance in acquiring FDI has been disappointing. It received $2.41 billion in FDI in fiscal year 2017, up 5 percent, compared to the previous year, but much lower than the record high of $5.4 billion received in fiscal year 2008.

FDI from leading western economies has been on the decline in Pakistan for some years. FDI from the UK fell to just $69 million in FY17, down 54 percent from $151 million in the previous year.

About 120 British companies, many of them world renowned, operate in Pakistan in sectors like consumer goods, banking, energy, pharmaceuticals and education.

There is also good news and some opportunities. The Asian Development Bank said on Thursday that Pakistan's economic growth rate for 2016-17 surpassed the estimate that the international lender had projected three years ago.

Another good news is that foreign investors are once again looking at Pakistan largely driven by CPEC, which promises faster connectivity and wider accessibility to markets. This will meet the energy needs of the country and lead to the establishment of over 30 special economic zones all over the country.

While large multinational companies from the OECD countries are shying away on account of the growing uneven playing grounds for them in Pakistan, there is a growing interest of small and medium enterprises (SMEs) to enter the Pakistani market through investments, JV, technology transfer and trading.

America's SMEs are trying to invest in Pakistan, giving entrepreneurs here an opportunity to launch joint ventures with them, Stephen P Knode, Commercial Counsellor of the United States, says.

"It will not only provide Pakistan entrepreneurs new technology and capital, but will also open new avenues for export of their products," he said.

Additional resources are being invested in helping UK-based companies looking to do business with Pakistan, in line with Britain's commitment to increase trade with

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Pakistan. A new Deputy Director for Trade was appointed in Islamabad and the trade teams have been increased in both Karachi and Lahore, with an ambition to supporting UK-Pakistan relations across the length and breadth of the country.

Matt Lister, Britain's new Deputy Director for Trade, said: "I am really excited and honoured to have been appointed Deputy Director for Trade in Pakistan. Working with colleagues in Pakistan and in the UK, my aim is to fulfil the potential for trade between our two countries identified by the International Trade Secretary. My focus will be to help UK companies increase their trade with Pakistan, or to establish a presence in the market here.

"As Britain leaves the EU our aim is to strengthen Pakistan's access to UK markets. The UK also has an ambition to expand our trade relationships with Pakistan in the future." Director for Trade and Deputy High Commissioner, Belinda Lewis, said. "During their visits over the past year, the Foreign Secretary, Development Secretary and Home Secretary all talked about the potential for the UK and Pakistan to do more trade together. As Trade Director, I'm delighted to see more British companies winning business here, right across a range of sectors.

"With a shared history and shared future, we are well placed to support the increased prosperity of both our nations. The new, and growing British trade team in Pakistan will help deliver the huge potential in the Pakistan market."

Dutch experts will provide free consultancy services to reorganize the SME sector of Punjab on modern scientific lines, said Odulfus Van Summeren of PUM Dutch Foundation. He was addressing at a function in the Faisalabad Chamber of Commerce and Industry (FCCI), which was also attended by Regional Business Coordinator Bilal Afzal, Assistant Manager Maqsood Anwar and External Relation Department officer Muhammad Hasnain of SMEDA.

Summeren explained that PUM is a non-profit organization consisting of 3,000 senior experts from 70 different disciplines. After their retirement these experts provide free services to the SME sector for various developing countries. He further said that Pakistan is the 70th target country to which the Dutch experts will provide free consultancy services. He is on an initial visit to Pakistan and during this visit, he said, he will have negotiations with stakeholders to identify the issues faced by the SME sector of Punjab. In this connection, he is visiting the FCCI to identify their issues along with necessary remedial steps needed to facilitate the SME sector.

After compiling a comprehensive report, he said, he will recommend PUM to send experts from the related disciplines who could give experts opinions and help SME units to resolve their policy-related and financial issues. He said that the basic objective of PUM is to help the SME sector so that it could contribute by creating new job opportunities. He said that according to his opinion, the non-availability of sufficient capital, low profitability and minimum productivity in addition to high cost of doing business are major problem faced by the SME sector of Pakistan. He said that he would have more discussions with owners of the SME units so that the programme launched by Dutch foundations could be made more productive and beneficial for the SME sector of Pakistan.

The Swiss Business Council of Pakistan, in collaboration its partners in Switzerland, is perusing Swiss SMEs to invest in Pakistan. Over the last two years over six Swiss SMEs have entered Pakistan. In 2017-18 six more Swiss SMEs will have their footprints in Pakistan through investments, technology transfer and joint ventures.

The growth of foreign SMEs in Pakistan, especially from OECD countries, is a promising trend, which could bring in a great combination of FDI, technology and foreign branding into Pakistan.

CPEC has positioned Pakistan well, economically and politically, and the nation needs to capitalize on the given opportunities.

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

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Prices rise on slow arrivals of seed cotton

RECORDER REPORT

KARACHI: Prices moved up on the cotton market on Friday in the process of slow arrivals of seed cotton, dealers said.

The official spot rate was higher by Rs 50 to Rs 6350, they said. In the ready session around 5000 bales of cotton changed hands between Rs 6250 and Rs 6700, they said.

In Sindh, seed cotton rates were at Rs 2400-3000 per 40 kg, they said. In the Punjab, phutti prices were available at Rs 3000-3400 per 40 kg, they said.

Cotton analyst, Naseem Usman said that rates went up on decline in arrivals of seed cotton.

Arrivals of seed cotton short in demand, so the mills and spinners were on the sidelines amid complaints of high moisture content.

Availability of quality cotton has become some difficult particularly when most of the phutti arrivals from Sindh cotton field are reported to have high moisture due to recent monsoon rains, other experts said.

Adds Reuters: ICE cotton futures hit more than five-week highs on Thursday as better-than-expected weekly export sales data from the US government suggested higher demand for the natural fibre.

The December cotton contract on ICE Futures settled up 0.49 cent, or 0.72 percent, at 68.89 cents per lb. It earlier hit 69.72 cents a lb, the highest since June 19.

The US Department of Agriculture early on Thursday reported net upland sales of 28,300 running bales for the 2016/2017 crop year and net sales of 232,600 bales for 2017/2018.

Total futures market volume rose by 7,470 to 23,099 lots. Data showed total open interest gained 342 to 216,926 contracts in the previous session. The Thomson Reuters CoreCommodity CRB Index, which tracks 19 commodities, was up 0.94 percent.

The following deals reported: 600 bales from Mirpurkhas sold at Rs 6250/6350, 1600 bales from Tando Adam at Rs 6325/6350, 600 bales from Hyderabad at Rs 6350, 600 bales from Kotri at Rs 6350, 800 bales from Shahdadpur at Rs 6350, 100 bales from Burewala at Rs 6700, 300 bales from Chichawatni at Rs 6700 and 100 bales from Sahiwal 6700, 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 26.07.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,350	135	**6,485**	**6,435**	+50
40 Kgs	6,805	145	**6,950**	**6,897**	+53

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New York cotton

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The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
Oct'17	69.33	72.02	69.33	70.50	14:45 Jul 27	70.50	1.48	200	69.02
Dec'17	68.53	69.72	68.01	68.89	14:45 Jul 27	68.89	0.49	11250	68.40
Mar'18	68.20	69.15	67.60	68.44	14:45 Jul 27	68.44	0.32	3336	68.12

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Businesses offer mixed views on Panamagate verdict

Aamir Shafaat Khan | Parvaiz Ishfaq Rana

KARACHI: Stock brokers monitor share prices on Friday at the Pakistan Stock Exchange. The market opened on a jittery note as profit-taking led to an intraday loss of 1,670 points. However, optimism returned to the market afterwards, with the KSE-100 index closing up by 6.3 points.— Fahim Siddiqi/White Star

KARACHI: Avoiding direct comments on the Supreme Court's order to disqualify Nawaz Sharif in the Panamagate case, most trade and industry leaders shared mixed views and seemed apprehensive about the upcoming days.

Talking to Dawn, some leaders opined that businesses would feel the negative impact while others maintained that it would be 'business as usual' if the democratic set-up prevails.

While appreciating the maturity shown by political parties — for not taking to the streets after the decision was announced — the leaders said the decision-making process would remain suspended till a new prime minister and cabinet take oath.

Trade and industry leaders think the decision will help in across-the-board accountability

Without giving a direct comment on the apex court's judgment, Federation of Pakistan Chamber of Commerce and Industry President Zubair Tufail said trade and industry in general feels that last one year's uncertainty has finally come to an end and now the economy of the country should move forward towards stability.

Mr Tufail hoped the remaining term would not see any adverse impact on the economy. "If the peacefulness continues — as witnessed immediately after the announcement of SC's judgment — things would soon normalise," he said.

He hoped the next set-up would give immediate attention to the issues confronting trade and industry.

While appreciating the SC's decision, Pakistan Bedwear Exporters Association Shabir Ahmed said that no government institution has been working properly.

"I strongly feel that the SC's judgment has made us believe that there is a rule of law in the country and no one is above the law," he said.

This order of PM's disqualification would send a strong message to the future governments that rule of law must prevail in Pakistan, he added.

Expressing apprehensions, Korangi Association of Trade and Industry Chairman Masood Naqi feared that trade and industry would suffer the most till a new set-up is in place.

"As of now, I don't know with whom I should take up my issues, if any, and what would be the outcome," he added.

For the last one year there has been a status quo because of Panamagate and now the Supreme Court has ordered immediate removal of the prime minister but not given a time frame for inducting the next set-up, he explained.

Mr Naqi said that in case the ruling party takes time in selection of the next prime minister, the formation of the new cabinet would also be delayed. "This will directly hurt trade and industry which has to run its affairs as per world commitments and time frames," he stressed.

Similar sentiments were shared by other leaders too.

Talking to Dawn, Karachi Wholesalers Grocers Association Chairman Anis Majeed ruled out any immediate negative business repercussions. "Business activities will continue as long as concerned departments and authorities are intact," he commented.

All Karachi Tajir Itehad President Atiq Mir claimed that traders heaved a sigh of relief following the decision of the Supreme Court.

"I think traders are now more relaxed to make future investment," he said.

Calling it a landmark decision against corruption and one that 'augurs well for the country's future', he said, "The decision would at least create panic among public sector departments to be aware of any corruption and wrongdoing and in turn the accountability process would further get strengthened."

However, Karachi Retail Grocers Association General Secretary Farid Qureshi opined otherwise.

"In an indecisive environment, traders would suspend making future investments following Nawaz Sharif's ouster," he commented.

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A cement maker said that even though the political uncertainty that prevailed for well over a year is over now, anxiety among businessmen will continue to prevail.

Old committed investment projects would remain intact and would be completed on time but investors may either stop making new investments or defer fresh plans, he added.

Looking upset over the new political development, Pakistan Pharmaceutical Manufacturers Association Chairman Dr Kaiser Waheed said, “In a democratic set up parliaments mainly decide the fate of the prime minister instead of judges. The business activities will feel its heat in future.”

However, Pakistan Association of Parts and Accessories Manufacturers Association Chairman Mashood Ali Khan said the Supreme Court’s verdict may bring stability.

The economy may be hit by some short term impact like rupee-dollar difference but things would recover in the long run, he commented.

“There is a need for across the board accountability for every person belonging to both private and public sector instead of one person which started from Nawaz Sharif,” Mr Khan said.

Fearing slight unrest after Friday’s decision, Pakistan Automotive Manufacturers Association Director General Abdul Waheed Khan said things would return to normal.

He said there would be no impact on the Sino-Pak relations on the ongoing China-Pakistan Economic Corridor (CPEC).

Ruling out any major upheaval, the Papaam chief said future investment plans would remain intact as the business community and the government was already prepared for the expected decision of the Supreme Court.

Terming the Supreme Court’s decision as a right step, Association of Builders and Developers Chairman Mohsin Shekhani said there is a need for across-the-board accountability.

“I think the country and the businesses will remain in state of uncertainty for the next two to three months in which arrival of fresh investment will fall and foreign investors will adopt a wait and see attitude,” he commented.

He hoped the country would bounce back to normalcy in the long term in case of effective policies.

DAWN
Saturday, 29th July, 2017

Currency market remains subdued

Shahid Iqbal

KARACHI: Following the disqualification of Nawaz Sharif on Friday, the local currency lost about 1.5 per cent against the greenback in the open market.

The federal cabinet was dissolved as a result of the Supreme Court's verdict, creating a political vacuum and leaving Islamabad without any government.

Bankers said there was no immediate reaction to the court's decision. Currency dealers in the banking market noted that the decision created a panic initially as the dollar price started moving up.

"While the market witnessed just five-paisa increase, the State Bank of Pakistan (SBP) stepped in and brought the situation under control," said a currency dealer.

However, the open market reacted sharply as the rates shot up to Rs109 for selling and Rs108 for buying.

"There were anxious moments, but the (interbank) market managed to stay range-bound, also because import pressure was less than usual," said Eman Khan of Tresmark, adding that "we are keeping an eye on the kerb market".

The kerb market was also restricted by the SBP as ousted finance minster Ishaq Dar had earlier asked its participants not to trade the dollar above Rs107.50. The restriction was imposed after a sudden depreciation of 3.1pc in the rupee's value on July 5.

Following the rupee depreciation that Mr Dar termed a deliberate act to hurt the government, the interbank market was allowed to trade the dollar in the range of Rs105 and Rs107. But the SBP managed to keep the rate around Rs105.40. The 'strong recovery' happened after the new SBP governor's appointment.

Both representative organisations of currency dealers issued the rate as per the SBP's instruction. But the dollar was traded significantly higher than the rate quoted on their lists.

"There are reports the dollar was traded at Rs108-109 after the court's decision, but there is no panic in the market," said Malik Bostan, president of the Forex Association of Pakistan. He said the decision was followed by very low activity.

Currency dealers said the market will settle within a couple of days as the new prime minister and his cabinet take charge.

Trading remained subdued in the currency market as sellers disappeared, resulting in increased demand for the dollar, said Anwar Jamal, another currency dealer.

DAWN
Saturday, 29th July, 2017

Ogra proposes up to Rs5 cut in diesel, petrol prices

Khaleeq Kiani

ISLAMABAD: The Oil and Gas Regulatory Authority (Ogra) on Friday recommended a Rs5.07 and Rs3.67 per litre cut in the prices of high-speed diesel (HSD) and petrol, respectively, for August.

On the other hand, the regulator proposed an increase of Rs13 and Rs10 per litre in the prices of kerosene and light diesel oil.

In a summary sent to the government, Ogra said the adjustment in diesel and petrol prices was required to pass on the impact of drop in the international market during July.

Therefore, on the basis of existing tax rates and imported cost of Pakistan State Oil (PSO), Ogra calculated the ex-depot price of HSD and petrol at Rs74.83 and Rs67.63 per litre for August against the current rate of Rs79.90 and Rs71.30.

In contrast, it proposed to fix ex-depot prices of kerosene and LDO at Rs57 and Rs54 litre against the existing Rs44.

An official said the regulator had calculated the prices on the basis of imports made by PSO in July and notified GST and petroleum levy rates on all products.

He said the summary has been forwarded to the Ministry of Petroleum which is usually sent to the Ministry of Finance for a decision. Under the practice in vogue, the oil prices are revised on the last day of every month.

The official said the government has been passing on partial reduction recommended by Ogra over the past few months, but is expected to implement its price cut proposals for August fully in view of political challenges.

Ogra and petroleum ministry have been recommending for many months a substantial increase in the prices of kerosene and LDO to minimise a huge price differential with petrol.

The petroleum ministry believed that a Rs30 per litre price differential between petrol and the two other products was encouraging dishonest market operators to mix kerosene oil with petrol for higher profits and resulting in adulterated and poor quality petrol in the market instead of higher grade (92RON) being charged to consumers. The government has been rejecting these calls saying it wanted to protect poor people.

Interestingly, kerosene is the only regulated petroleum product but unavailable at fixed rates anywhere in the country while all other products are deregulated and are available reasonably within the price band announced by the government.

The petrol and HSD are two major products that generate most of revenue for the government because of their massive and yet growing consumption. For example, HSD sales across the country are now going beyond 800,000 tonnes per month against monthly consumption of around 700,000 tonnes of petrol. The sales of kerosene and LDO are generally less than 10,000 tonnes per month.

DAWN
Saturday, 29th July, 2017

Weekly inflation eases slightly

The Newspaper's Staff Reporter

ISLAMABAD: Weekly inflation, measured through the Sensitive Price Index (SPI), for the combined income group eased slightly by 0.13 per cent for the week ending July 27 as compared to the previous week, mainly due to fall in vegetable prices.

The SPI, which monitors prices of 53 items based on a survey of 17 cities and 53 markets, dropped for the fourth consecutive week, according to data issued by the Pakistan Bureau of Statistics on Friday.

Prices of 11 items increased and those of 13 items decreased during the period under review. Around 29 items remained unchanged. The impact of prices on various income groups also witnessed variations during the week under review.

For the lowest income group (up to Rs8,000), SPI declined 0.13pc over the previous week, while inflation for the top income group (Rs35,000 and above) was dipped by 0.01pc.

The food items whose prices rose included tomatoes 15.98pc, onions 2.16pc, jaggery (gur) 0.67pc, mutton 0.65pc, beef with bone 0.52pc, curd (dahi) 0.18pc, pulse mash 0.12pc, egg 0.11pc, fresh milk 0.05pc, and rice basmati broken 0.04pc.

DAWN
Saturday, 29th July, 2017

Cotton prices soar

The Newspaper's Staff Reporter

KARACHI: Cotton prices on Friday soared on strong sustained demand from spinners who were running out of stocks.

The flow of phutti (seed cotton) from Punjab gained momentum which improved the availability of moisture-free lint. However, intermittent rains in lower Sindh continued to affect the quality due to high moisture.

At the outset, there was strong buying interest from needy spinners but slow and restricted supply of quality cotton did not allow trading volume to expand equal to demand.

Nonetheless, many spinners still managed to get hold of small- to medium-sized deals at rising prices. There was strong demand for Punjab quality cotton which soared to a seasonal high level at Rs6,700 per maund.

It is interesting to note that the official price of cotton was also revised upward by Rs50 to Rs6,350 per maund. This indicates that in coming days there would be heavy trading with improved flow of phutti.

Leading cotton markets in the world also closed firm. Indian cotton prices surged on reports that heavy rains and winds in many cotton growing states damaged the standing cotton crop between 22 to 30 per cent.

The following deals were reported on Friday: 600 bales, Mirpurkhas, at Rs6,250 to Rs6,350; 1,600 bales, Tando Adam, at Rs6,325 to Rs6,350; 600 bales, Hyderabad, at Rs6,350; 600 bales, Kotri, at Rs6,350; 800 bales, Shahdadpur, at Rs6,350; 100 bales, Burewala, at Rs6700; 300 bales, Chichawatni, at Rs6,700; and 100 bales, Sahiwal, at Rs6,700.

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	6,305	135	6,485
40 Kgs	6,850	145	6,950

DAWN

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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	107.20	107.50
UK	138.49	138.75	139.25	141.00
Euro	123.78	124.02	124.50	125.70
S.Arabia	28.08	28.13	28.40	28.60
UAE	28.67	28.72	29.15	29.40
Japan	0.9497	0.9515	0.9300	0.9600

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

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

LIBOR

Special US dollar bonds for July 27

Three months	1.31111 %
Six months	1.45444 %

THE NEWS
Saturday, 29th July, 2017

Rupee falls to 3-week low of 109/dollar in open market after Sharif ouster

KARACHI: Rupee fell to a three-week low of 109 against the US dollar in the open market on Friday after the Supreme Court in a shock verdict ousted the Prime Minister Nawaz Sharif in Panama corruption case, dealers said.

The rupee/dollar parity dropped two percent in the kerb dealings compared to the previous day's closing amid shortage of foreign currency as dealers continued to hold greenback instead of selling. The rupee, however, remained stable at 105.40 per dollar in the interbank market.

"An apex court's verdict about the Panama case against the sitting prime minister caused panic in the market, sending the PKR lower to 108-109 after staying stable at 107/107.50 for almost two weeks," a foreign currency dealer said on condition of anonymity.

"There is a significant decline in the supply of dollars as no seller is willing to sell hard currency," added the dealer. The currency dealer, however, said the markets were largely expecting the decision and they already priced it in. "But some elements used the situation to maximise their gains."

Zafar Paracha, secretary general of Exchange Companies Association of Pakistan (ECAP) attributed the currency depreciation in the open market to an ongoing outflow of dollars from the country under hawla/hundi business.

ECAP and Forex Association of Pakistan quoted selling and buying rates at 107 and 107.50, respectively. The rupee has been under pressure since the mid of this month.

On July 5, rupee traded at 109 in the open market, taking cue from 3.1 percent plunge in its value in the interbank market. On that day,rupee closed nearly a nine-year low of Rs108.25 against dollar in the interbank market.

Rupee has not gone down to such a lowest level since December 2013. The rupee/dollar parity had been stable at 104.85/90 since December 2015. Topline Research, in a report, said rupee has been losing five percent annually during the last 10 years.

Last week, the central bank held meeting with currency dealers to stop the rupee from further falling and asked them to bring down it to the level of 107.

Most analysts see a pressure on exchange rate in the interbank market owing to volatility in the open market.

"The rupee is artificially lower in the official market. Any political turmoil could push macroeconomic fundamentals out of hand," an analyst said.

"Since the rupee is already overvalued to the extent of 15/20 percent, 5-5.5 percent depreciation in the exchange rate cannot be ruled out in near-term."

THE NEWS
Saturday, 29th July, 2017

Business community expects growth to follow SC verdict

KARACHI: Business community on Friday said the decision of the Supreme Court of Pakistan in Panamagate scandal has ended the uncertainty and the economy will be back on the growth track.

The business community advised all the political parties to honour the judgment of the apex court and to strengthen the country instead of going for confrontation.

The Supreme Court on Friday disqualified Prime Minister Nawaz Sharif in Panamagate scandal after more than a year of proceedings. During the period, the economy faced challenges including huge trade deficit, sharp widening of current account deficit, fall in revenue collection, etc.

"The government could not concentrate on the important economic matters due to the Panama matter," Zubair F Tuffail, president, Federation of Pakistan Chambers of Commerce and Industry (FPCCI) said.

FPCCI president said an uncertainty prevailed for more than a year, which ended with the SC's verdict. The trade deficit had widened to $32 billion, which was not only alarming but also exposed the weaknesses in the economy, he said, and added that the new prime minister and team should take care of it and immediately put a ban on unnecessary imports.

He, however, said that the process of accountability should not stop and all those parliamentarians having dual nationality and assets abroad should be brought to task. Shamim Ahmed Firpo, president, Karachi Chamber of Commerce and Industry (KCCI), said the apex court had adjudged the case thoroughly and awarded disqualification.

"This is a historic judgment…the political parties should accept the judgment," he advised. He said the Panama case had exposed the inefficiency of the organisations, especially related to finance. He stressed upon bringing reforms in the Securities and Exchange Commission of Pakistan, State Bank of Pakistan, and Federal Board of Revenue. "These organisations should be made for business growth," he added.

Siraj Kassem Teli, leader of the Businessmen Group termed the decision a beginning of corruption-free Pakistan. He said everyone should be liable to accountability without any discrimination.

Ameen Hashwani, a leading businessman, said the country should strengthen institutions instead of focusing on individuals. He said the rule of law would ensure the importance of institutions. Hashwani said now it was time to focus more on economic growth.

THE NEWS
Saturday, 29th July, 2017

Weekly inflation down 0.13pc

ISLAMABAD: Inflation, calculated through sensitive price index (SPI) for the combined income groups, ticked lower by 0.13 percent during the week ended on July 27 compared to the previous week, stats released by Pakistan Bureau of Statistics (PBS) showed on Friday.

The SPI for the aforementioned group settled at 218.75 points in the period under review against 219.03 points a week earlier. Compared to the corresponding week of the last year, the SPI in the seven-day period under review inched up by just 0.46 per cent. The weekly SPI, computed with base 2007, 2008 = 100, covers 17 urban centers and 53 essential items.

According to the PBS figures, the SPI for the lowest income group, up to Rs8,000, fell by 0.13 percent, going down from 208.57 points in the previous week to 208.29 points in the period under review.

On the other hand compared to the last week, the SPI for the income groups, from Rs 8001 to 12,000, Rs 12,001 to 18,000, Rs 18,001 to 35,000 and above Rs 35,000, decreased by 0.46 percent, 0.13 percent,0.13 percent and 0.11 percent respectively.

During the week under review, average prices of 13 items went down, 11 items became dearer, while the rest of 29 items prices were unchanged.

The items, which registered increase included tomatoes, onions, LPG cylinder 11 kg, gur, mutton, beef, curd, pulse mash (washed), eggs hen (farm), milk (fresh), and rice basmati (broken). The prices of rice irri-6, chicken farm (live), garlic, potatoes, pulse masoor (washed), pulse gram (washed), sugar, wheat, red chili, pulse moong (washed), wheat, vegetable ghee (loose) and powder milk decreased. The items, whose prices did not change, included bread, mustard oil, cooking oil (tin), vegetable ghee (tin), salt (powder), tea (packet), cooked beef, cooked daal, tea (prepared), cigarettes, long cloth, shirting, lawn, georgette, gents sandal, gents chappal, ladies sandal, electricity charges, gas charges, kerosene, firewood, electric bulb, washing soap, match box, petrol, diesel, telephone local call and bath soap.

THE NEWS
Saturday, 29th July, 2017

NEPRA notifies upfront tariff for CPPs

KARACHI: National Electric Power Regulatory Authority (NEPRA) has notified upfront tariff for captive power plants (CPPs) running on residual fuel oil (RFO) for short-term utilisation of available generation capacity at Rs12.2497/kWh, a statement said on Friday.

The determined tariff is applicable till December 2018 for the delivery of electricity by CPPs to power purchaser on take and pay basis. "Any captive power plant or small power producer can opt for the upfront tariff for sale of surplus power into the system and the minimum capacity to be offered will be 3.0 megawatts (MW)," the statement said.

It said that after initiating suo moto proceedings for the determination of upfront tariff for short-term utilisation of the available generation capacity from CPPs running on RFO, NEPRA brought out the proposal for upfront tariff on take and pay basis at Rs11.9229 on April 29, 2017.

It must be noted the National Electric Power Regulatory Authority had also invited stakeholders to become party to the proceedings by filing intervention request in the matter. In this regard, Sitara Energy Limited (SEL) had come forward with a submission, which said the proposed upfront tariff did not appear to fully balance the interests of all the stakeholders including the power producers and thus required upward revision. On the other hand, Gadoon Texile Mills (GTM) had put forward that the CPPs were those generation facilities which produced power for self-consumption and not for sale. However, by amendment in the regulations, the definition of CPPs was inserted into the law.

The purpose of the amendment was to provide requirements for issuance of generation license to such generator. However, the law did not provide for determination of tariff by NEPRA in case of sale to either distribution company or bulk power consumer.

The GTM management, in their statement, also added the National Electric Power Regulatory Authority's attempt to proceed towards a competitive tariff regime would be undermined by this upfront tariff.

The NEPRA in its determination had mentioned the RFO had been included in the Upfront Tariff Regulations as the designated fuel through an amendment. The authority had also noted that any captive power plant could sell surplus power and the rate would be determined and approved by the authority.

THE NEWS
Saturday, 29th July, 2017

'Pakistan needs migration from resources-based production'

KARACHI: Pakistan needs to shift from resources-based and low technology exports to medium- and high-tech productions, an official said.

"Currently, almost 80 percent of Pakistan's exports are resources-based items," said Zuhfran Qasim, director policy and planning at Prime Minister's Office, Board of Investment (BoI). He was speaking at a seminar on 'CPEC Challenges and Opportunities'. Prime Minister's office, BoI and ministry of planning development and reform in collaboration with Karachi Chamber of Commerce and Industry (KCCI) organised the interactive session, a statement said on Friday.

Qasim said relocation of Chinese industries to Pakistan will enhance efficiency of low-skilled labour-intensive industry as well as be instrumental in technology transfers, channelising the economies of scale, and adding value to the production chains in various sectors like agriculture and industry.

Shamim Ahmed Firpo, president of Karachi Chamber of Commerce and Industry said CPEC would bring a revolution in physical infrastructure, energy and human resources. Firpo said CPEC would also help Pakistan in technological advancement and with a great infrastructure it would improve connectivity.

He said CPEC has the capacity to accelerate local economy by increasing demand for locally-manufactured goods. "Such increase in demand will not only allow full utilisation of the existing manufacturing potential, but will also encourage the manufacturers to increase their capacity."

The Karachi Chamber of Commerce and Industry president said it will generate much-needed employment opportunities and contribute a sizeable amount of revenue to national exchequer. "There is a need to bring more transparency in all affairs of CPEC to reduce the apprehensions in the private sector of Pakistan."

Hassan Daud Butt, project director of CPEC said information on CPEC website www.cpec.gov.pk is being updated on daily basis. Shah Jahan Shah, additional secretary at BoI said private sector's role is more crucial and important in industrial cooperation related to CPEC projects.

"The development in trade and industry is the main gain from CPEC as a driving force for economic growth," Shah said. He said the government is formulating advisory groups to discuss modalities of economic zones to be built under CPEC projects.

The expert groups will have representation from the Karachi Chamber of Commerce and Industry. The government plans to establish 46 special economic zones alongside the route of CPEC.

Nine zones will be built under the short- and medium-term plan, while remaining will be established in the long-term. Power projects under CPEC will produce 10,400 megawatts of electricity after completion, he added.

Naheed Memon, chairperson of Sindh BoI said two special economic zones (SEZs) under CPEC have been proposed in Dhabeji and Keti Bander in Sindh.

Memon said Dhabeji SEZ is the top priority as it makes commercial sense.

"Dhabeji SEZ, which is currently spread over 1,000 acres of land, will showcase cooperation between Pakistan and China industries," she added. "We intend to establish more such economic zones in this area."

THE NEWS
Saturday, 29th July, 2017

Punjab to establish 1,200MW power plant

LAHORE: The Punjab government has decided to establish a new gas power plant with 1,200 megawatts production capacity to meet energy needs of the future, provincial chief minister said on Friday.

Chief Minister Shehbaz Sharif, during a meeting with a delegation from Germany, said this energy project has been devised keeping in view the emerging energy challenges and needs of the country.

Sharif said every moment is precious and matters pertaining to this project should expeditiously be settled.

He added numerous energy projects have been completed in a record time while some projects are speedily being carried out.

Chief Minister said load shedding decreased due to completion of energy projects. “As much as Rs168 billion has been saved in gas projects of 3,600-megawatt, while 1,320-megawatt Sahiwal Coal Power Plant has been completed in a record time,” he added.

Minister Sharif said the projects of such a capacity were not even completed in China in such a short span.

He said energy projects are initiatives for development and prosperity of the country as these projects will remove darkness and the people will be benefitted by the completion of these projects. German experts assured the provincial government of providing technical cooperation for the new gas power project.

THE NEWS
Saturday, 29th July, 2017

Govt urged to ease tax burden on raw materials' import

ISLAMABAD: A key player in Pakistan's diaper industry asked the government to reduce tax burden on import of raw materials and rather increase taxes on finished products in order to promote localisation.

"We have invested over $18 million to establish a local manufacturing facility in Pakistan for manufacturing baby diapers," Haroon Rashid, general manager at Ontex Pakistan told journalists during their visit to the company's plant located at Port Qasim Industrial area in Karachi early this week. Ontex Pakistan (Pvt) Ltd was established in 2011.

"If government policies remain favourable for further investment we are exploring markets in Gulf, Afghanistan and other countries for exporting our products," said Rashid. Ontex, an international brand with manufacturing operation in more than 18 countries including Pakistan from last five years, produced baby diapers known as Canbebe and other products, invited journalists from Islamabad and Lahore as well as from Karachi at its plant site.

Flanked by Ameen Jan, management advisor and consultant of Ontex, Rashid said they are quite optimistic that Pakistan's industry could boost exports on the back of China-Pakistan Economic Corridor.

They installed three imported machines and produced around 180 million diapers last year. The fourth machine, they said, could be installed after exploring export markets in different parts of the world.

Furthermore, Ontex remains optimistic about Pakistan and sees the country as a hub for its future investment in manufacturing in order to serve Pakistani consumers and exports to regional markets, they added.

In 2016 alone, Ontex has paid almost Rs1 billion to national exchequer in shape of taxes. In the first half of 2017, the company has contributed more than Rs600 million in taxes.

"With favourable circumstances, we believe our future tax contribution can enhance significantly," Rashid said. "By investing in technology transfer and local manufacturing at international quality levels, Ontex exemplifies the type of foreign direct investment that Pakistan can most benefit from."

He said tax incentives should be considered for export-oriented manufacturers. Duties on imports of finished products should not be reduced, which would create a disincentive for shifting manufacturing to Pakistan and would contribute to the country's already large and growing export gap, he added.

"We urge policymakers to focus on reducing duties on import of raw materials, machinery and technology instead of finished goods, and to actively promote a "made in Pakistan" brand," Rashid said.

Ontex's more than 200 employees are trained by master trainers from Germany and other parts of the world. Pakistan's large population and growing consumer understanding of the benefits of hygienic products for babies offer a large potential consumer base for diapers, said the company's official.

In order to take advantage of the potential demand growth in Pakistan, foreign investors that have established manufacturing operations in Pakistan should be supported by the government through incentives, such as reduction in custom duties for raw materials and machinery.

The diapers market in Pakistan is growing at a rapid pace with mainstream segment contributing approximately 60 percent and tier 2 (discounted) segment roughly 40 percent of market share by value. The discounted diapers segment includes mainly low quality imported diapers, which have largely displaced local Pakistani manufacturers.

Ontex brand is available in more than 110 countries. It has manufacturing sites across Europe, North Africa, Asia Pacific and Americas.

THE NEWS
Saturday, 29th July, 2017

SBP injects Rs1.22trln in money market

KARACHI: The State Bank of Pakistan (SBP) on Friday injected Rs1.220 trillion in the money market for seven days through its open market operations, a central bank statement said. The rate of return accepted is 5.76 percent per annum, it added.

THE NEWS
Saturday, 29th July, 2017

Cotton improves

Karachi

Trading improved at the Karachi Cotton Exchange on Friday, while spot rates increased Rs50/maund.

The spot rates rose to Rs6,350/maund (37.324kg) and Rs6,802/40kg. Ex-Karachi rates also rose to Rs6,485/maund and Rs6,950/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.

An analyst said an increase in the demand resulted in the increase in prices in the local market and sport rates rose. KCE recorded eight transactions of around 5,000 bales from the new crop at a price of Rs6,250 to Rs6,700/maund. Of these, 600 bales were traded from Mirpurkhas, 1,600 bales of Tando Adam, 600 bales of Hyderabad, 600 bales of Kotri, 800 bales of Shahdadpur, 100 bales of Burewala, 300 bales of Chichawatni and 100 bales of Sahiwal.

NY cotton market recorded an increase on all its futures. October futures increased 1.48 cents to 70.50 cents/pound and December futures rose 0.49 cents to 68.89 cents/pound.

The Nation on Web
The Nation
Saturday, 29th July, 2017

Concern over non-execution of textile city, plastic co

APP

KARACHI - Senate Standing Committee on Textile Industry, in its meeting here on Friday, showed serious concerns over non-execution of Pakistan Textile City Limited and Garments City launched in 2004 under Trade Policy of 2003-04, and Plastic Company near Port Qasim.

The committee chairman Senator Mohsin Aziz formed two sub-committees to hold detailed inquiries and suggest the way-forward for these projects. The sub-committee, headed by Senator Hari Ram, will look into matters of PTCL and Garments City. The sub-committee, led by Senator Khushbakhat Shujaat, would hold inquiry into Plastic Products Company which had been non-functional for last some years. Billions of rupees were reported to be spent on these projects but there was no visible progress so far; rather the stakeholders were on back foot raising fears for winding up of these much talked about projects, the committee noted.

Other Senators attending the meeting were Nihal Hashmi and Mir Nematullah Zehri, Khushbakht Shujaat, Saleem Mandviwala and Hari Ram. The committee members decided to pursue the issues relating to the above projects and reach to the meaningful end in the interest of the nation and the country.

The Nation on Web
The Nation
Saturday, 29th July, 2017

Ogra recommends Rs13 hike in kerosene oil price

Fawad Yousafzai

ISLAMABAD - Oil and Gas Regulatory Authority (Ogra) on Friday recommended the government to reduce the prices of Motor Gasoline (Petrol) and High Speed Diesel (HSD) by Rs3.67 and Rs5.07 per litre respectively for the month of August.

However, Ogra has suggested increasing Kerosene price by Rs13 per litre and Light Diesel Oil (LDO) by Rs10.01 per litre, it is learnt reliably here on Friday. As per a working paper moved to the ministry of Petroleum and Natural Resources and the Ministry of Finance, Ogra has proposed to reduce Petrol by 5.1 percent or Rs3.67 per litre and High Speed Diesel prices by 6.3 percent or Rs5.07 per litre. The Ogra's summary also recommended an increase of 29.5 percent or Rs13 per litre in the price of Superior Kerosene oil and 22.8 percent or Rs10.01 per litre increase in the price of Light Diesel Oil (LDO).

In case the government approves the Ogra determination about the increase and decrease in prices of various petroleum products, petrol price will go down to Rs67.63 per liter from the current Rs71.30 and diesel to Rs74.83 from current Rs79.90 per litre. The prices of Kerosene Oil after an increase of Rs13 will go up to Rs57 per litre from the existing Rs44 per litre and the price of Light Diesel Oil (LDO) will go up with an increase of Rs10.01 per litre to Rs54.01 from existing Rs44 per litre.

It is pertinent to mention here that for July, Ogra had proposed to reduce petrol by 4.53 percent or Rs3.30 per litre and High Speed Diesel prices by 3.32 percent or Rs2.70 per litre. The Ogra's summary also recommended an increase of 25 percent or Rs11 per litre in the price of Kerosene oil and 16 percent or Rs7 per litre increase in the price of Light Diesel Oil (LDO).

However, rejecting the Ogra's recommendation, the government had only made a decrease of Rs1.5 per litre each in the prices of Petrol and Diesel. The government had claimed that they have absorbed the considerable impact of prices increase since April 2016 and has suffered losses in revenue in the last financial year.

Instead of passing on the entire benefit of the falling international oil prices, the government has partially decreased the prices of Petrol and Diesel during the recent months. On the other hand, GST on Petrol and High Speed Diesel was increased from 15.5 percent to 20.5 percent and 29.5 percent to 33.5 percent, respectively, during the May, June and July.

Currently, the government is collecting 33.5 percent GST on High Speed Diesel and 20.5 percent GST on Motor Spirit excluding High Octane Blended Component (HOBC) while there is zero GST on Kerosene and LDO. The government will announce its decision regarding the Ogra's recommendation on Monday.

FAWAD YOUSAFZAI

The Nation on Web
The Nation
Saturday, 29th July, 2017

Reserves fall by $1.19b in couple of weeks

Imran Ali Kundi

ISLAMABAD - Pakistan's foreign exchange reserves sharply declined by $1.19 billion during the last two weeks mainly due to the repayment on foreign loans taken in the past.

"The government of Pakistan made massive foreign loans repayment during last few weeks, which depleted the reserves," said an official of the ministry of finance. He further said that overall reserves were still sufficient for import cover of over 4 months. "There is nothing to worry right now," he added.

The total liquid foreign reserves held by the country stood at $20.44 billion on July 21. The break-up of the foreign reserves position released on Thursday showed that foreign reserves held by the State Bank of Pakistan stood at $15 billion while net foreign reserves held by commercial banks are $5.43 billion. During the week ending 21st July, SBP's reserves decreased by $476 million. Similarly, the reserves already showed a decline of $718 million during the week that ended on July 14.

The government is struggling to maintain the country's reserves. Pakistan had obtained massive foreign loans worth $10.6 billion during the last fiscal year 2016-17.

The government's borrowing had gone beyond the target of $8 billion for the last fiscal year, as the country had taken $10.6 billion loans. The government has borrowed $4.37 billion from the commercial banks in the fiscal year 2016-17.

On the other, the country's external sector is under pressure. Pakistan continued to face serious deterioration in its balance of payments situation during the last fiscal year FY17 as the country had to suffer current account deficit of $12 billion in the backdrop of rising import bill and disappointing export performance.

The continuous increase in current account deficit is also putting pressure on the country's foreign exchange reserves of the country.

IMRAN ALI KUNDI