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Top Stories

Business of controlled chemicals: interim relief to several industries granted

September 16, 2013

RIZWAN BHATTI

Ministry of Narcotics Control has granted an interim relief to several industries for business of controlled chemicals, enabling them to continue their operations. Sources said on Sunday that after an official request of the Ministry of Industries & Production and Ministry of Power, the Ministry of Narcotics Control had agreed to give some relaxations to the consumers and manufacturers of controlled chemicals including Hydrochloric Acid.

However, only those companies would be eligible for the temporary relief that had already applied with the ministry for No-Objection Certificates (NOC) for sale/ purchase of controlled chemicals, they added.

During the last one week, the Ministry of Narcotics Control has received over 250 applications from different industries that are willing to obtain NOC for procurement of controlled chemicals, particularly for the business of hydrochloric acid.

The three manufactures of hydrochloric acid in the country have also applied for the NOC. Out of these, two manufacturers have reportedly obtained short-term relief to sell their commodity. In addition, over 20 different industries including steel, power and polyester/textile have also got a provisional NOC for procurement of chemical.

Sources said that under the interim relief the ministry had allocated/fixed a quota for each industry as per their requirement/consumption and any consumer could not procure more than allocated quota during the interim period.

"Now the companies that have an interim NOC can purchase sanctioned quantity of controlled chemicals/hydrochloric acid for a period of 4-5 months as the process will take few months to issue an official NOC for the business," they added.

The short-period relief has avoided a major shutdown of different industries, which required hydrochloric acid and other controlled chemicals for their operations. Last week, the Ministry of Narcotics Control suddenly imposed a condition of NOC for the business of controlled chemicals including hydrochloric acid - a basic raw component of several industries including steel, power, polyester/textile, water treatment plants etc.

Following the imposition of this condition, steel, power, refineries and polyester industries were unable to procure hydrochloric acid from local manufacturers as they were also warned of strict action in case of sale/purchase of chemical without the ministry's NOC.

Manufacturers and consumers of chemicals agreed to fulfil the ministry's requirement, however, they were seeking a temporary relaxation for business. Initially, Ministry of Narcotics Control refused to provide some relief. Later on, intervention of other ministries, it has been agreed to grant a temporary relief to the industry and consumers.

As the Ministry of Narcotics Control has allowed business, the manufacturers and consumers of the hydrochloric acid have decided not to initiate legal battle.

According to a notification of the Ministry of Finance, Acetic Anhydride, N-acetylanthranilic Acid, Ephedrine, Ergotamine, Ergotamine, Isosafrole, Lysergic Acid, Nerophendrine, piperonal, Potassium permanganate, Pseudoephedrine, Safrole, Phenylacetic Acid, Acetone, Anthracitic, Ethyl Ether, Hydrochloric Acid, Methyl Ethyl Ketone, Pipreridine, Sulphuric Acid and Toliene are some of controlled chemicals, of which the ministry's NOC will be required to do the business.

Budgeted revenue and expenditure: IMF highlights major differences

September 16, 2013

ZAHEER ABBASI

The International Monetary Fund (IMF) has placed additional data on its website indicative of major differences between the budgeted revenue and expenditure allocations for the current fiscal year from those agreed under the $6.64 billion Extended Fund Facility (EFF) programme.

The IMF has placed 16 pages of statistical data on its website under the document titled 2013 Article IV Consultations and Request for an Extended Arrangement under the EFF that are markedly different from the budgeted projections and were missing from the Letter of Intent (LoI) placed on the its website by the Ministry of Finance on 4 September 2013.

The IMF has indicated a reduction from the budgeted allocation for Public Sector Development Programme (PSDP) by a massive Rs 321 billion as a component of the EFF programme: an estimated reduction of Rs 120 billion in federal development expenditure with total allocation under PSDP projected at Rs 420 billion as opposed to the budgetary allocation of Rs 540 billion for the current fiscal year; and provincial development spending also subjected to a reduction of Rs201 billion in the current fiscal year under the EFF programme with total provincial PSDP expenditure projected at Rs 414 billion under the programme against Rs615 billion estimated in the budget.

Current expenditure under the EFF is estimated at Rs 4,200 billion in the current fiscal year against Rs 4,135 billion projected by the Finance Ministry in the budget, which reflects an increase of Rs 65 billion on account of higher than budgeted interest payments and subsidies for the power sector.

The budgeted Federal Board of Revenue (FBR) revenue collection of Rs 2,475 billion considered unrealistic by the Fund has been downgraded by Rs 130 billion to give a total collection of Rs 2,345 billion for the current year. The IMF projects a shortfall of Rs 84 billion in direct tax collections and Rs 39 billion in sales tax/VAT collections in the current fiscal year. The fiscal deficit is an EFF benchmark set at 5.8 percent while the deficit budgeted by the Finance Minister is 6.3 percent. The IMF estimates 2.5 per cent GDP growth and 10 percent inflation for the current fiscal year as compared to the budgeted projection of 4.4 percent growth and 8 per cent inflation.

Major-General, two others killed by Taliban; talks under doubt

September 16, 2013

ZULFIQAR AHMAD

A major-general, a lieutenant-colonel and a Lance Naik were killed on Sunday when a roadside remote-controlled bomb went off near Afghan border in upper Dir district of Khyber Pakhtunkhwa. Tehrik-i-Taliban Pakistan (TTP) claimed the responsibility for the attack.

Inter-Services Public Relations (ISPR) confirmed the death of two senior officers - Major-General Sanaullah and Lieutenant-Colonel Tauseef - and Lance Naik Imran. Both the senior officers were on their way back from the border area when their vehicle was targeted with an improvised explosive device (IED); as a result, the two senior officers and a Lance Naik embraced martyrdom. Major-General Sanaullah was General Officer Commanding Malakand Division, (including a volatile Swat Valley), who was on a visit of the border area for the last few days.

The attack came at a time when the military was about to start withdrawal from Shangla in upper Swat and Buner. Security analysts said that Sanaullah is one of the most senior officers to be martyred by the Taliban, and his death could jeopardise the ongoing efforts towards Taliban talks.

COWARDLY ACT

Following the killings, Prime Minister Nawaz Sharif said that Pakistan army has made substantial sacrifices to protect the nation against the menace of terrorism and such cowardly acts by terrorists cannot deter the morale of 'our armed forces'.

President Mamnoon Hussain also expressed profound grief and sorrow over the martyrdom of senior army officers.

TALIBAN REGROUPING IN MAKAND: ANP

Awami National Party (ANP) said that the tragic incident is the outcome of Taliban regrouping as they have once again spread all over Malakand division taking advantage of PTI provincial government's 'soft corner' towards militants.

Talking to *Business Recorder* ANP spokesman Senator Zahid Khan said militants have returned to Swat and other parts of Malakand division and they have reinforced their positions as PTI is hell-bent for talks with Taliban.

"We've got information that Taliban have started returning to their old strategic stronghold areas including Swat and Malakand division and started re-grouping," said Khan.

He lamented that neither government nor media highlight this issue, adding that the government should have a clear-cut policy about terrorism and it must not confuse both the people and the enforcement agencies. "We just want to know and the government must tell us who are these people who are targeting our army and with whom the negotiations are taking places...the killing of Major General Sannaullah, and Lieutenant Colonel Tauseef along with a soldier proves not only the regrouping of militants, but also their double standard even after welcoming government decision to hold talks with them," he added.

He held the government's "ambiguous" policy responsible for providing an opportunity to militants to operate in the province without any fear, adding that it seems as neither the provincial nor federal government had any clear policy whether they should initiate talks or use force against terrorists.

He said that Khyber Pakhtunkhwa police could not take any action against terrorists due to unclear policy of the provincial government. He severely criticised provincial government's decision to withdraw troops from Swat and Malakand division.

"The military had controlled the area after a difficult fight and now the PTI government again is going to hand over these areas to militants. The only solution to militancy is crush them," he maintained.

PTI REJECTS TALIBAN REGROUPING

The spokesman for Chief Minister KP, Sheraz Piracha, when contacted rejected re-emergence and regrouping of Taliban in Swat and other areas of Malakand division, terming it as a political point scoring of ANP.

He said the provincial government is neither taking any unilateral decision to withdraw army from Swat nor has it given any latitude to Taliban. He said that all stakeholders including federal government, army and people of the area would be taken onboard before any major decision is taken in this regard.

He said that all troops will be gradually withdrawn from Swat besides. He said the 'unfortunate' incident in Upper Dir has also underscored the need for assessing the security situation.

The Pakistani Taliban claimed responsibility for the bombing, which occurred amid reports that government and militants are exchanging messages about opening peace talks to end a decade-long conflict.

dpa adds:- A spokesman for the Tehrik-i-Taliban Pakistan (TTP) said its Swat chapter was behind the killings.

"Our men did it," said Shahidullah Shahid, a TTP spokesman.

TTP sets preconditions for talks

September 16, 2013

The Pakistani Taliban on Sunday announced preconditions for talks on ending an insurgency. Shahidullah Shahid, spokes-man for the Tehreek-e-Taliban Pakistan (TTP), had earlier welcomed the new government's move to begin peace talks, but said Sunday it must show its sincerity. "First of all, troops in the entire tribal area should go back to barracks and then our prisoners should be released," Shahid told AFP.

"The Pakistan government must take steps which can develop an atmosphere of trust and can remove the doubts and suspicion. We cannot move forward unless the governments accepts these two demands."

He was speaking after the Taliban's shura or decision-making council held three days of talks about the government offer of dialogue.

Shura members from across the country took part in the meeting and stressed the need for confidence-building measures, the spokesman said.

Shahid did not give a figure for the number of jailed insurgents and did not totally rule out peace talks if the preconditions are not met.

But he added: "The government began a war against us and the government has to announce the cease-fire if it is really sincere in peace talks." Politicians last week gave their backing to Prime Minister Nawaz Sharif's calls to begin talks with the Taliban.

Shahid claimed responsibility for the bomb. "No ceasefire has taken place. How we can stop our attacks when government forces are conducting operations against us?" he said.

Prime Minister leaving for Turkey today

September 16, 2013

Prime Minister Nawaz Sharif will leave for Turkey on Monday (today) for a three-day visit on the invitation of Turkish Prime Minister Recep Tayyip Erdogan to further promote trade and economic ties between the two brotherly countries. During his stay in Turkey, the Prime Minister will also meet President Abdullah Gul and co-chair the Third Session of the High Level Co-operation Council (HLCC).

The HLCC at the Prime Ministerial level between Pakistan and Turkey was established during the visit of Prime Minister Erdogan to Pakistan in October 2009. The first session of HLCC was held in December 2010 in Ankara while the second session of the Council took place in May 2012 in Islamabad.

The HLCC is mandated to oversee and steer the unique partnership and intensify co-operation between the two countries. Key Cabinet Ministers including senior officials will accompany the Prime Minister.

Prime Minister's meetings with the Turkish leadership and his interaction with the Turkish businessmen would be an excellent opportunity to reinforce Pakistan's strong desire for forging a comprehensive strategic partnership with Turkey, aimed especially at bringing a qualitative and quantitative change in bilateral economic and trade relations.

Prime Minister Nawaz Sharif will also exchange views with the Turkish leadership on regional and global issues particularly the developments in the Middle East.

Several Memorandum of Understandings and agreements covering a wide range of areas such as security, finance, housing, education, culture, science and technology and trade are expected to be signed during the visit. The Prime Minister will also address a Business Forum in Istanbul, which will be attended by a large number of Turkish investors and entrepreneurs.

Ebad may resume duties after Nisar's assurance

September 16, 2013

Following the fresh reconciliatory overtures by Federal Interior Minister Chaudhry Nisar Ali Khan, Governor Sindh Dr Ishratul Ebad Khan signalled his return to resume his responsibilities afresh. Following a targeted operation coupled with the arrest of Nadeem Hashmi, a former MPA of Muttahida Qaumi Movement (MQM) in the murder case of two policemen, the party mounted protest; however, when the modus operandi of the operation was not changed, governor Ebad suddenly left for Dubai late Friday night.

The Interior Minister Chaudhry Nisar Ali Khan talked with the governor on telephone and assured him that Muttahida's reservations over Karachi operation will be addressed. The sources said the rift seems to be on the mend and the governor is likely to again take up his responsibilities as he returns home.

Gomal Zam dam project: Taliban release eight hostages

September 15, 2013

Taliban set on Saturday eight employees of the Gomal Zam dam project free, almost a year after they were kidnapped by militants in South Waziristan tribal region. A spokesman for the Governor's House in Peshawar confirmed all eight workers had been released. The project workers - Sub-Divisional Officer Shahid Ali Khan, Sub-Engineer Sanaullah, four security personnel and two other staffers - were kidnapped on August 15, 2012 while they were travelling to Tank from the dam site in South Waziristan.

A month after their kidnapping, a faction of the banned Tehrik-e-Taliban Pakistan (TTP) released a video of the abducted employees; the captives were pleading to the government to fulfil militants' demands and arrange for their safe release. The release took place in South Waziristan region on Saturday after successful negotiations between a tribal Jirga (council) and militants. A Taliban spokesman said the eight men were released as a "goodwill gesture" from the militants. The incident comes two days after the government inaugurated the dam in South Waziristan's militancy-ravaged Khajori Katch area on Thursday.

Reservations of MQM to be addressed, Nisar assures Ibad

September 15, 2013

MONITORING DESK

Federal Interior Minister Chaudhry Nisar Ali Saturday contacted Sindh Governor Dr Ishratul Ibad, Chief Minister Syed Qaim Ali Shah and MQM leader Babar Ghauri, local TV channels reported. According to a statement issued by the Interior Ministry, Chaudhry Nisar telephoned Sindh Governor Dr Ishratul Ibad in Dubai and told him that reservations of Muttahida Qaumi Movement (MQM) will be addressed over Karachi operation.

Sindh Governor shared causes of sudden departure to Dubai with the Interior Minister and signalled consent over continuation of his responsibilities, after return, the channels said. Later, Chaudhry Nisar contacted MQM leader Babar Ghauri and exchanged views over prevailing situation in Karachi.

The Interior Minister also telephoned Sindh Chief Minister Syed Qaim Ali Shah and discussed new developments in the metropolis after murder of a DSP. During the telephonic conversation, both leaders agreed on continuation of Karachi operation and making it more active in coming days. Nisar and Qaim also took up Prime Minister Nawaz Sharif's upcoming tour of Turkey, the channels said.

BR staff reporter from Karachi adds: Governor Sindh Dr Ishrat-ul-Ebad Khan on Saturday reportedly resigned. He is said to have faxed his resignation to President House. Ishrat, who belongs to Muttahida Qaumi Movement (MQM), was seen at Karachi Airport late Friday, leaving for Dubai amid protests by the party against the ongoing operation in the provincial capital.

The operation, which MQM has dubbed as one-sided action against its workers and supporters, is being conducted by Sindh government with the full support of federal government. Dr Ishrat, who was appointed to this post on December 27, 2002, is the longest serving provincial governor. In his over a decade-long governorship, this was not the first resignation by him. He previously resigned from the position and then withdrew it on the insistence of his party chief Altaf Hussain. Unconfirmed reports said that Finance Minister Ishaq Dar had requested Dr Ishrat to withdraw his resignation. Later, ministry of finance issued a clarification, saying that Dar had not approached Sindh Governor in this regard.

UNGA's 68th session: efforts on to firm up Nawaz's meeting with Obama, Singh

September 15, 2013

ALI HUSSAIN

Hectic diplomatic efforts are on to firm up a meeting between Prime Minister Nawaz Sharif and US President Barrack Obama and his Indian counterpart Dr Manmohan Singh on the sidelines of UN General Assembly later this month, it is learnt. Though Prime Minister Nawaz Sharif is expected to meet various world leaders on the sidelines of the UN General Assembly 68th session in New York, however, the schedule of his meetings with President Obama and Prime Minister Manmohan Singh is yet to be finalised.

Sources said Pakistan's mission in Washington is making all-out efforts to arrange a meeting of Prime Minister Sharif with President Obama, adding that the two are expected to meet and hold talks on various issues - bilateral relations, Afghan reconciliation process as well as overall security situation of the region.

Additionally, the Prime Minister is also scheduled to visit the US on the invitation of President Obama. The invitation was delivered by US Secretary of State John Kerry during his Islamabad's visit last month but it was still not clear if the Obama-Sharif meeting will take place in Washington or New York. Prime Minister Nawaz Sharif who will embark on a three-day official visit to Turkey tomorrow (Monday), the sources said the premier will also leave for London on a private trip at the conclusion of his visit to Turkey.

Meanwhile, efforts are also under way to finalise the schedule of Prime Minister's meeting with his Indian counterpart in New York. The sources were confident that there was "high" possibility of meeting between the two prime ministers following the "good gestures" exchanged by Advisor to the Prime Minister on National Security and Foreign Affairs Sartaj Aziz and Indian External Affairs Minister Salman Khurshid in Bishkek.

However, when approached Foreign Office spokesman Aizaz Ahmad Chaudhry said that "no updates are available" on the Prime Minister's expected meetings with President Obama as well as Manmohan Singh. Without giving further details, a source claimed that United States missions in Islamabad and New Delhi were also working with the respective governments to help reduce the tension between the two nuclear neighbours that escalated due to LoC skirmishes, and encouraging the two governments to resolve the issue through dialogue.

Vacant slot of NAB chief: Dar speaks to Khurshid

September 15, 2013

NAVEED BUTT

Federal Minister for Finance Ishaq Dar contacted Leader of Opposition in the National Assembly Syed Khurshid Ahmed Shah, who is currently in London, by telephone and discussed the appointment of National Accountability Bureau (NAB) Chairman, it is learnt. According to sources, Ishaq Dar has apprised the Opposition Leader about the Supreme Court order and emphasised the need for immediate appointment of NAB Chairman as per court's order.

He reportedly stated the Prime Minister is expecting two names from him and they needed to expedite the process of appointing the NAB chairman. The sources said the Minister emphasised the need for the government and the opposition to sit together to reach a consensus on the appointment of NAB Chairman. The Opposition Leader said he would return to Pakistan on September 19 and make an effort to develop a consensus on the appointment of the Chairman. Earlier, the government and opposition had agreed that further consultations on the appointment of the NAB chairman would be made after Khurshid Shah returned home.

Federal Minister for Information and Broadcasting Pervaiz Rashid told media persons on Saturday that the process of appointment of NAB would be completed anytime soon. And the matter faced a delay due to the foreign visit of Leader of the Opposition Khurshid Shah.

The Prime Minister had written a letter to the Opposition Leader on July 2, 2013 in which he had proposed two names - former Justice Rehmat Hussain Jaffrey and Khawaja Zaheer - for the office of NAB Chairman. In response, Khurshid Shah had proposed the names of former Justice Mamoon Qazi and former Justice Sardar Raza Khan. However, Justice Mamoon declined the offer. The Prime Minister and Opposition Leader met on September 5 to discuss the matter further and it was decided that both would forward fresh names for the post. The Supreme Court has directed the government to appoint Chairman of the NAB as early as possible.

Delay due to engagements of opposition leader: Rashid

September 15, 2013

WAQAR LILLAH

Federal Minister for Information and Broadcasting Pervez Rashid Saturday said the government would appoint chairman National Accountability Bureau (NAB) soon in consultation with the leader of the opposition in the National Assembly.

Talking to media persons here after attending a prize distribution ceremony of Anjuman Faiz-ul-Islam, organised in connection with Defence Day, Pakistan Day and death anniversary of Quaid-e-Azam Muhammad Ali Jinnah, the minister said delay in the appointment process was due to personal engagements of the leader of opposition , Syed Khurshid Shah, who is abroad.

Telephonic consultation would be done with Syed Khurshid Shah to complete the appointment process as soon as possible, he said, adding that the government honoured the Supreme Court orders about the appointment of chairman NAB and would implement on the court orders as soon as possible. Finance Minister Ishaq Dar has been tasked by Prime Minister Nawaz Sharif to hold talks with Syed Khurshid Shah telephonically so that chairman NAB should be appointed with consensus, he added.

To a question about the efforts to arrest culprits, who molested a five years old girl in Lahore, Rashid said the provincial government is utilising all its resources to arrest the culprits. He said the child subjected to rape was like his daughter. "She was my daughter, she was daughter of Shahbaz Sharif and Nawaz Sharif," he added.

About the ongoing targeted operation of police and Rangers against criminal elements in Karachi, he said the operation was launched with the consensus of all political parties, adding that the operation was aimed at flushing out extortionists, vagabonds and criminal gangs from Karachi. The PML-N wants to enforce writ of law in Karachi, as criminal elements have paralysed the city.

He said the government has made significant progress towards resolving energy crisis in the country, adding that payment of the outstanding circular debt of Rs 500 billion and removal of inefficiencies in the energy sector, were achievements of the PML-N. Earlier, the minister distributed prizes among the position holders and winners of various competitions.

Investment in VPS: SECP suggests changes in tax laws

September 15, 2013

SOHAIL SARFRAZ

The Securities and Exchange Commission of Pakistan (SECP) has proposed comprehensive changes in tax laws to encourage investment in Voluntary Pension System (VPS), to facilitate investors of pension funds and grant tax rebate to the employee on the contribution made by an employer on his behalf in VPS. Sources told *Business Recorder* on Saturday that the SECP has proposed major changes in tax laws to clarify the outstanding issues.

The changes included applicability of withholding tax on payments received from an income payment plan. Secondly, applicability of withholding tax on withdrawal of balance transferred from a recognised provident fund. Thirdly, the provision allowing employers to adjust tax liability on production of evidence of investment in VPS has been withdrawn as per Finance Bill, 2013. Removal of this facility can be discouraging for the investors of pension funds and therefore, proposal has been sent to FBR to review and reverse the decision. Fourthly, grant of tax rebate to the employee on the contribution made by an employer on his behalf in VPS.

The SECP has been endeavouring to bring parity in retirement schemes and a number of measures have been introduced to this effect in the tax regime governing the VPS and other retirement schemes. Recent changes in the tax laws include: Firstly, the amount received as monthly instalment from an income payment plan will be exempt from income tax under the Second Schedule of ITO, 2001. Secondly, withdrawal of balance transferred to a VPS account from a recognised provident fund will also be tax exempt in terms of Second Schedule of ITO, 2001. However, certain aspects are yet to be reformed.

Sources said the SECP will bring necessary changes in VPS Rules and update investment and allocation policies to encourage investment in the System. It is learnt that the SECP will continue benefiting from the experiences of other jurisdictions in the field of pension funds. To this end, it will incorporate necessary changes in the rules, if so required, update investment and allocation policies, specify requirements for ensuring prudent management of pension assets and keep track of activities of Pension Fund Managers through monitoring and enforcement.

The SECP is confident that VPS has a bright future and great potential for growth given the right type of regulatory and fiscal policies are implemented. So far, the Government has been quite co-operative to bring gradual improvement in the fiscal treatment to retirement schemes, which enabled the private pension funds to gain foothold. SECP hopes that Government's patronage shall remain available for popularising the culture of long-term savings through pension funds to solve dual purpose of increasing saving rates and providing social security to the senior citizens.

According to the SECP, the size of pension funds remained stagnant during the initial years mainly due to adverse market conditions, lack of awareness about the product and fiscal inconsistencies. However, since then, pension funds have shown significant growth which can be attributed to favourable market conditions, positive changes in the tax regime, launch of new pension funds and increase in number of participants (investors). During 2012-13, assets of pension funds have shown remarkable progress and increased by 65 percent, from Rs 2.776 billion to Rs 4.594 billion as of May 31st, 2013. At present, 11 pension funds are operating in the market, being managed by seven Pension Fund Managers.

In order to allow pension funds to diversify investment portfolio and to take advantage of a new asset class, amendments were specified in the investment policy for pension funds to allow investment in commodity futures contracts being traded on Pakistan Mercantile Exchange Limited (PMEX). So far one PFM has sought approval for launching gold sub-fund in pension fund.

The final draft of amendments in VPS Rules, 2005 was approved and vetted by the Ministry of Finance and the Ministry of Law and the amendments in the rules were notified during the year. The amendments include allowing participants to change a pension fund in addition to a Pension Fund Manager, to make provisions for transfer of balance from approved occupational schemes to VPS and to bring the VPS rules in conformity with changes in other laws including the Companies Ordinance, 1984 and the Income Tax Ordinance, 2001, the SECP added.

IMF vows support to reforms

September 15, 2013

Masood Ahmed, Director of the Middle East and Central Asia Department of the International Monetary Fund (IMF), visited Islamabad, Lahore, and Karachi on September 10-14, 2013, for meetings with Prime Minister Nawaz Sharif, Finance Minister Ishaq Dar, Governor of the State Bank of Pakistan Yaseen Anwar, members of Pakistan's economic team, leaders of political parties, chief ministers of provinces, members of parliament, academics, civil society, and the media.

At the conclusion of his visit, Ahmed made the following statement: "It has been a great pleasure for me to visit Pakistan and to have a productive and constructive exchange of views with the prime minister, the country's economic team, political and provincial leaders, and other stakeholders. We discussed the economic issues and challenges facing the country, the government's economic reform programme, and the ways the IMF can best support Pakistan to unlock its abundant economic potentials. I also had enlightening discussions with representatives of the business community, the bankers association, economic thinkers and academics, as well as Members National Assembly and non-governmental organisations."

In my meeting with the prime minister, I was impressed by his determination to steer Pakistan toward the ranks of dynamic emerging economies, and we agreed that steady implementation of economic reforms would be key to achieving tangible results. "This visit was an opportunity to stress the commitment of the IMF to supporting Pakistan's economic reform programme, and the importance that we attach to promoting strong, sustainable, and inclusive growth that could alleviate poverty and improve the living standard for millions of Pakistanis."

"Pakistan is facing serious economic challenges. Overall vulnerabilities and crisis risks are high, with subpar growth and unsustainable fiscal and balance of payments positions. In this context, the authorities' home-grown comprehensive economic programme is timely and welcome. "To achieve sustained and inclusive growth, short-term macroeconomic measures must be complemented by significant structural and governance reforms.

The implementation of the recently announced national energy policy will address the long-standing problems in the sector, which constitute the most crucial constraint on growth and have generated large fiscal costs. In addition, the trade regime needs to be liberalised, public sector enterprises need to be restructured or privatised, and the business climate needs to be improved.

"Protecting the most vulnerable from the direct and indirect impacts of fiscal consolidation and price adjustments is a priority. Coverage and benefits of these programmes should be expanded as savings from tariff adjustments and fiscal space are realised.

"The IMF remains fully committed to supporting the authorities' efforts to implement their economic reforms through financing, policy advice and technical assistance, including through the recently approved Extended Fund Facility arrangement. Firm implementation of the reform measures agreed in the arrangement will be crucial to overcome the economic imbalances, build investor confidence, and move the country on a higher growth path."-PR

Taxation: *Pakistan*

PTAA terms ST withholding rules unconstitutional

September 16, 2013

SOHAIL SARFRAZ

Pakistan Tax Advisors Association (PTAA) has declared Sales Tax Special Procedure Withholding Rules under SRO.660(I)2007 and corresponding amendments under SRO.98(I)/2013 and SRO.505(I)/2013 as unconstitutional/discriminatory and violative of the provisions of the Sales Tax Act, 1990.

It is learnt that the PTAA has taken up the issue with FBR Chairman Tariq Bawja to take notice of the sales tax withholding rules under SRO.660(I)2007 and corresponding amendments under SRO.98(I)/2013 and SRO.505(I)/2013. These SROs have deprived registered persons of the right of free trade guaranteed under the Constitution. The provisions of the withholding rules are in violation of Article 18 of the Constitution, which guarantees freedom of trade, business and profession. The impugned notifications being applicable to only a selective number of registered persons without any intelligible difference, is discriminatory and violative of Article 25 of the Constitution.

Sharing serious implications of these SROs, the PTAA has informed the FBR that if the operation of notification SRO.660(I)2007 as amended vide SRO.98(I)/2013 and further amended vide SRO.505(I)/2013 is allowed to hold filed in the case of registered persons, it would not be possible for taxpayer to run their businesses for no fault on their part. The notifications are applicable to only a select number of registered persons without any intelligible difference, is discriminatory and violative of article 25 of the Constitution.

According to a communication of the PTAA to the FBR Chairman, the Federal Government has framed Sales Tax Special Procedure (Withholding) Rules, 2007, which have been notified by SRO 660(I)/2007, through which five categories of persons had been declared as withholding agents inter alia including the taxpayers falling in the jurisdiction of Large Taxpayers Units (LTU) established by the FBR for the purpose of Sales Tax, Federal Excise Duty or Income Tax at Karachi, Lahore and Islamabad. Till February 13, 2013, the withholding agents registered in LTU were required to deduct and withhold 1% of the taxable supplies received by them as sales tax from the payments due to the suppliers and make payments of the balance amount to the suppliers. The withholding agents were required to make payment of the withheld amount to the FBR through its monthly Sales Tax return. The persons other than those falling under the jurisdiction of LTUs were not declared as withholding agents till February 13, 2013.

Through SRO 98(I)/2013, the Federal Government made various amendments in the withholding rules ie SRO 660(I)/2007 dated 30.6.2007 inter alia including clause (d) of sub-rule (2) of rule 1 has been substituted and instead of taxpayers falling in the jurisdiction of LTU's, all the companies which are covered under the definition in section 80 of the Income Tax Ordinance, 2001 registered for sales tax, federal exercise duty or income tax, have been declared as withholding agents; sub rule (2) of rule 2 has been amended and all the companies being withholding agents whether registered in a LTU or a Regional Tax Office (RTO) have been required to deduct an amount equal to 1/5th of the amount of sales tax shown in the sales tax invoice issued by the supplier and make payment of the balance amount to the supplier and sub rule (3B) of the rule 2 has been omitted which require the persons registered in LTU only to deduct 1% of the value of taxable supplies from the payment due to the supplier".

Through SRO 505(I)/2013 dated 12.6.2013, the Federal Government has again amended the withholding rules. By virtue of the said amendments the withholding agents as have been specified in sub rule (2) 1 of the said Rules inter alia including the companies as defined in the Income Tax Ordinance, 2001 registered for sales tax, federal excise or income tax, have been required to deduct sales tax at the applicable rate of the value of taxable supplies on purchase of taxable goods from unregistered persons, from the payment due to the unregistered suppliers, association said.

As a result of aforesaid amendments in the withholding rules:

The scope of withholding of sales tax has been extended to all the companies registered for the purpose of sales tax, federal excise duty or income tax whether falling under the jurisdiction of a LTU or RTO. Even the companies which are otherwise not engaged in making taxable supplies rather are engaged in making exempt supplies and are not registered under the Act, have also been declared as withholding agents. All the companies engaged in making exempt goods ie pharmaceutical products, poultry products, live animals, fruits, have also been declared as withholding agents which are otherwise not required to be registered under the Act. Therefore, the provisions of withholding rules framed under the provisions of the Act have been extended to persons who are otherwise neither required to be registered nor are obliged to keep any record under the Act and the scope of the withholding rules, have also been extended to the companies which are engaged in providing or rendering services which are neither liable to sales tax nor federal excise duty.

The rate of withholding tax has been increased from 1% of the value shown on the invoice to 1/5th of the amount of sales tax and withholding agents including companies as defined in the Income Tax Ordinance, 2001 which are registered for sales tax, federal excise or income tax, have been subjected to deduct the sales tax at the applicable rate from the payments due to the suppliers in case the goods are purchased from unregistered buyers.

By virtue of the aforesaid amending notifications SRO 98(I)/2013and SRO 505(I)/2013, the buyer companies of the registered person have started deducting 1/5th of the amount of sales tax shown on the invoices issued by the registered person which comes to 3.4% of the amount of value of supplies [1/5th of 17% sales tax charged. On account of deduction of the 1/5th of 17% sales tax charged by the amount of sales tax by the buyer companies, the taxpayer has been subjected to sales tax @ 20.4% [17% sales tax at the standard rate plus 1/5th of the amount of 17% sales tax deducted by the buyers in the capacity of withholding agents), the PTAA said.

The registered person has been subjected to make payment of sales tax of its unregistered suppliers from its own pocket as none of the unregistered suppliers pays sales tax on various grounds inter alia including that their supplies are exempt from payment of sales tax account of turnover less than Rs 5 million.

The taxpayers have been subjected to make payment of the amount of sales tax deducted from the payments due to the service providers engaged in rendering of advertisement services to the FBR whereas as per provisions contained in the Constitution, neither the Federation is empowered to make laws in respect of sales tax on services nor the FBR is authorised to make rules in respect of sales tax on services, PTAA explained.

The association also highlighted that after issuance of amending notification SRO 98(I)/2013, the buyers of the taxpayers have also started withholding 1/5th of the amount of sales tax which has resulted in increase in the amount of its input tax leaving the registered person at such a disadvantage that its survival has become impossible.

After issuance of amending notification SRO 505(I)/2013, the taxpayer has also been required to deduct sales tax at the applicable rate from the payments due to the unregistered suppliers against purchases of taxable goods, however, since the mechanism for claiming credit of the deducted amount of sales tax, has not been prescribed, the taxpayer has been subjected to pay another amount of 17% of the value of taxable purchases made from unregistered suppliers which is over and above the actual liability, it said.

The PTAA stated that if the operation of notification SRO 660(I)/2013 as amended vide SRO 98(I)/2013 and further amended vide SRO 505(I)/2013 dated 12.6.2013 is allowed to hold filed in the case of registered persons, it would not be possible for taxpayer to run their business for no fault or felony on their part.

The association categorically conveyed to the FBR that the amendments made by the Federal Government through SRO 98(I)/2013 dated 14.2.2013 and SRO 505(I)/2013 dated 12.6.2013 in the withholding rules, are excessive, discriminatory, expropriatory and trespass of authority available to the Federal Government.

The amendments made by the Federal Government through SRO 98(I)/2013 dated 14.2.2013 and SRO 505(I)/2013 dated 12.6.2013 in the withholding rules, tend to take away the registered person's right of free trade guaranteed under the Constitution.

The association further said that the amendments made through SRO 98(I)/2013 and SRO 505(I)/2013 are confiscatory in nature as these would result in collection of advance sales tax by the exchequer manifold of what would be the actual sales tax output liability of the persons from whose payments, the amount of such sales tax is withheld and deposited into Government treasury. The withholding of 1/5th of the amount of sales tax by the buyers of the taxpayers have not only affecting the cash flows of the taxpayer but the taxpayer has also been subjected to sales tax over and above its tax liability.

After issuance of amending notification SRO 505(I)/2013 dated 12.6.2013, the taxpayer has been required to deduct sales tax at the applicable rate from the payments due to the unregistered suppliers against purchase of taxable goods, however, since the mechanism for claiming credit of the deducted amount of sales tax, has not been prescribed, the taxpayer has been subjected to pay another amount of 17% of the value of taxable purchases made from unregistered suppliers which is over and above the actual liability. This is not the intention of the legislature to require the taxpayer to make payment of sales tax at any rate higher than the rate prescribed under the Act or the rules made there under, it said.

"The provisions of withholding rules are in violation of Article 18 of the Constitution which guarantees freedom of trade, business or profession, PTAA maintained.

The impugned notifications being applicable to only a selective number of registered persons without any intelligible difference, is discriminatory and violative of article 25 of the

Constitution.

In terms of Rules 2(1) of the withholding rules the withholding agents intending to purchase of taxable goods, has been required to indicate in an advertisement or notify for this purpose that sales tax to the extent as provided in the Rules shall be deducted from the payment to be made to the supplier. The said requirement to "notify" or "advertise" is practically not possible in the case of "on sight purchases" and against "petty cash payments below Rs 50,000/- per transaction" etc hence the application of the withholding rules is impossible and impracticability of the prescribed procedure renders the Rules nullity in the eyes of law.

Pinpointing another ambiguity in SRO 505(I)/2013, the association further said that the amending notification SRO 505(I)/2013 has also been made applicable to unregistered persons who are otherwise not liable to be registered under the Sales Tax Act, 1990. The supplies of goods which are otherwise liable to tax, are exempt from sales tax when supplied by a manufacturer and retailer having turnover less than rupees five million, whereas the registered persons have been required to deduct 17% sales tax from the payments due to such manufacturers or retailers hence the provisions of the impugned notification are in conflict with the express provisions of the Sales Tax Act, 1990. Through the impugned notifications, the Federal Government has made an attempt to levy tax on supplies which otherwise are exempt from sales tax under the provisions of Sales Tax Act, 1990.

The section 7 of the Sales Tax Act, 1990 entitles a registered persons to claim credit of input tax paid on goods purchased by him during a tax period used or to be used for the purpose of taxable supplies made by him, however no mechanism has been prescribed through which the registered persons can claim the credit of the amount of tax to be deducted by the taxpayers under the impugned notification which definitely constitutes their input tax. The impugned notification denying the registered person credit of input tax paid on input goods used for the purpose of taxable supplies is violative of the provisions of the Sales Tax Act, 1990, association added.

Order passed by FTO: review application of former FBR/ATIR member rejected

September 16, 2013

The review application filed by a former member of FBR/ATIR against the order passed by Federal Tax Ombudsman (FTO) in a Review Petition of FBR has been rejected at limine stage by the FTO with the remarks that there is no provision for second review in the FTO Ordinance, 2000 against the recommendations issued by FTO.

Sources told *Business Recorder* here on Sunday that a Re-Review application filed by a former Member Federal Board of Revenue and Member Appellate Tribunal Inland Revenue (ATIR) against the Review order passed by the former FTO Dr Suddle in terms of section 14(8) of the FTO Ordinance, 2000 has been rejected by the office of FTO with the remarks that there is no provision for second review in the FTO Ordinance, 2000,therefore, the same has been rejected at limine stage without touching merits of re-review application.

Sources further said that order passed by Dr Suddle in Review No 12/2012 in C.No 577/2011 titled as Secretary Revenue Division, Islamabad Versus Waheed Shahzad Butt, Advocate High Court, Tax Resolution Services Company, Lahore has been further challenged by a former Member FBR and Member ATIR in Re-Review before the present FTO Abdur Rauf Chaudhry, which has now been rejected at limine stage with the remarks that there is no provision for second review in the FTO Ordinance, 2000. Former Member FBR states that the Complainant, Waheed Shahzad Butt, through C.No 577/2011, approached the office of the FTO and alleged that the act of issuance of Circular 06 of 2009 dated 18-08-2009 constituted 'maladministration' on the part of the concerned officials of the FBR. It was alleged in the Complaint that the said Circular was issued wrongly and with improper motives that resulted into loss of billions to the exchequer.

FBR filed a review application before the FTO, while dealing with which, the present applicant was also afforded an opportunity of being heard as the present applicant possessed 'look after charge' of the position of Member Direct Tax (Policy), FBR at the time the subject Circular was issued. The present applicant, in the course of proceedings before the FTO, not only submitted detailed written clarification but also verbally explained the bona fide performance of his duties. In the written and verbal submissions the present applicant explained the basis and reasoning, in detail, considering which the issuance of subject Circular was approved by the present applicant. In the order dated 10-07-2013 certain serious reservations have been noticed/expressed with regard to the performance of official duties by the present applicant and in this respect, fundamentally reliance has been placed on the statement of Chief Income Tax Policy (a former FBR chief in 2009).

Former Member FBR further states that statement of former Chief Income Tax Policy (CITP), which has led to adverse remarks/ observations against the present applicant is contrary to facts. Rather, the same is clearly and unambiguously mala fide. It is tantamount to shifting his negligence and incompetence (which he considered to be involved in the matter) onto another who did not have direct involvement in the matter. The ulterior motives, mala fide and false accusations of CITP are conspicuously clear, also from the fact that in this particular case the subject Circular was signed by him whereas Circular, as a standard practice, are signed and issued by Secretary concerned. It is clear that, in this matter CITP has not meted transparently enough to be believed and he has merely attempted to shift the responsibility of what he now believes to be unlawful and incorrect upon the present applicant.

There is yet another dimension in the matter which is very critical and decisive and proves beyond any iota of doubt, that CITP has made a false statement. If one believes CITP to be true and innocent one wonders as to what was prohibiting him to undo the (alleged) wrong for a period of over one and a half year (when the Circular was withdrawn on 26.04.2011). He should have withdrew the circular after 10 to 15 days when the present applicant vacated the 'look after charge' and successor in office assumed responsibilities. The statement of CITP is clearly false and baseless because otherwise, under the state of mind which he was experiencing, one would not take almost over 550 days to undo the wrong especially when he was occupying in FBR such an important position uninterruptedly during 2009 to 2011 and even beyond.

Present applicant completely acted in good faith and bona fide, neither did the present applicant pressurise his subordinates nor did he interfere in performance of duties of any other official. The present applicant only accorded administrative approval regarding a matter that was put up before him in routine and that too with a favourable recommendation.

Five percent duty on imported DRI pledged

September 15, 2013

MUSHTAQ GHUMMAN

Ministry of Petroleum and Natural Resources has reportedly refused to supply feedstock gas to Tuwairqi Steel Mills Limited (TSML) at par with Fatima Fertiliser Company Limited (FFCL), sources close to Secretary Petroleum told *Business Recorder*. However, the government has given commitment to impose a five percent duty on imported Direct Reduced Iron (DRI) instead of 10 percent demanded by the TSML, the sources added.

The sources said a high-level inter-ministerial meeting was held on September 9, 2013 in the Ministry of Industries and Production to discuss TSML"s issues with regard to concessional tariff on the feedstock portion of natural gas and imposition of a 10 percent duty on the import of DRI from overseas. The meeting was attended by the Secretary Petroleum, Abid Saeed, Additional Secretary Petroleum, Muhammad Naeem, Allah Bux Member National Tariff Commission (NTC) , Hasan Mehmood, Director (Gas) and Zafar Haidar, Joint Secretary(I&F), Ministry of Industries and Production. A delegation of TSML headed by Zaigham Adil Rizvi, Country Head/Director Projects of TSML also attended the meeting. The sources said Rizvi explained the issue of necessity of a concessional tariff on the feedstock of natural gas and requested that TSML may be provided a special tariff to feedstock in portion of natural gas being used as raw material of the process, in line with the initial commitment of the Government of Pakistan made through an MoU which stated that tariff can be comparable in the range given to M/s Fatima Fertiliser which also uses natural gas as feedstock.

After hearing the management of TSML, Secretary Petroleum and Natural Resources acknowledged that natural gas is major component of their operations and 90 percent is being utilised for feedstock and only 10 percent is being used as fuel gas. But he added that presently the price of gas is Rs 438 MMU and that in the given scenario there is acute shortage of gas and if gas is supplied to TSML for less than Rs 438 the cost of gas would be sort of a subsidy by the government.

Keeping in view the volume of gas required by TSML, it would roughly be around Rs 2 billion subsidy annually and it would be very difficult for the Ministry of Petroleum and Natural Resources to approach any competent forum for grant of concessional tariff of natural gas to TSML. He further argued that other industrial groups may also come forward and make such requests formally whereas the ground reality is that all subsidies are being withdrawn gradually.

After a detailed discussion, it was decided that TSML will come up with different options with a view to overcoming the dilemma being faced by the company with regard to price of natural gas being used by the steel mill for the feedstock purpose. The management of TSML will send their fresh proposal/option to the Ministry of Industries and Production for further necessary action in the matter.

With regard to imposition of a 10 percent duty on the import of DRI from other countries to Pakistan, the management of TSML put forward their point of view that presently they are sole producer/manufacturer of DRI in Pakistan and that DRI of Iran is being brought to Pakistan via the UAE and requested that National Tariff Commission (NTC) should impose a 10 percent duty on the import of DRI. Dr Allah Bux Malik, Member NTC, stated that the Commission is a recommendatory body. He offered NTC"s platform to resolve the issue with regard to the import of DRI. Presently, NTC has recommended 5 percent duty on the import of DRI.

Reviving manufacturing sector: Bengali for lowering GST rate to five percent

September 15, 2013

WASIM IQBAL

Renowned economist Dr Kaiser Bengali Saturday suggested the government to reduce the rate of GST from 17 percent to 5 percent, so that manufacturing sector could be revived. Talking on draft "Agenda for Sustained Economic Revival" written by him, he said that the 17 percent GST rate is prohibitively high and needs to be reduced to as low as five percent.

This step will reduce absolute monetary costs of industry and raise its absolute and relative profitability, he added. The public discussion was arranged by Social Policy and Development Centre (SPDC), here. He said essentially, the objective of collecting GST from manufacturing should be to document the economy and not to raise revenue to finance the non-development expenditures of the State. He said manufacturing contributes over one-fifth to the GDP, but bears over two-thirds of the indirect tax burden, suggesting the fiscal effort needs to be concentrated on enhancing receipts from direct taxes and non-manufacturing sectors and on reducing non-development expenditure.

He suggested that Pakistan Industrial Development Corporation (PIDC) should be revived with a changed mandate. In the past, PIDC invested public funds in establishing industrial units and managing them till they reached commercial viability and then privatised them. The new PIDC should invest in industrial ventures in partnership with the private sector, with majority equity provided by the government and debt responsibility resting with the private party.

He said profits from land speculation have reached a point where industries are shutting down to make way for upper income housing schemes. Speculative trading in land is at its height in the country, which means that neither sellers nor buyers are interested in the property and it is files that are traded. He said Pakistan has never had a coherent privatisation policy. The case for privatisation in the 1990s was made on the grounds that public enterprise losses were a major contributor to the budget deficit. Ironically, however, the government began with privatising profit-making units, for example, Millat Tractors and Zeal Pak Cement, among a host of others. Many of the industrial units were sold at less than the value of the land the enterprise held. Many of the units were shut down within months and converted to housing units. The profitable Zeal Pak Cement is one such case, he added.

He stressed on reducing petroleum products' import. The POL imports are haemorrhaging foreign exchange reserves. He said among 17 categories of imports, POL is the single largest item and accounts for over one-quarter of the import bill. POL consumption is high primarily on account of two sectors - transport and power. He said oil consumption in transport is high as 90 percent of long distance goods transportation in carried out by road which makes Pakistan Railways a victim. He suggested that a holding company should be created encompassing NLC and Pakistan Railways. This holding company is likely to be in a position to self-finance its operations without any government or foreign assistance.

He said generation of electricity from locally available coal will reduce reliance on foreign exchange based inputs, save valuable foreign exchange and contribute to balance of payments stability. Bengali said Pakistan is in the throes of serious economic crises which is structural and cannot be resolved by ad hoc, short-term measures. For last 15 years the country has been facing same kind of problems including budget deficit and balance of payment, he added.

He said, "The fundamental problem is that Pakistan has become a consumption society, without a corresponding production base to support the desired level of consumption." He added that nearly 85 percent of the national GDP is generated by consumption and the changing inter-sectoral pattern of electricity consumption is indicative of this fact. "We can't do this anymore," he said. Till around 1990, industrial power consumption exceeded domestic power consumption and now the situation has reversed, he added.

Conceptually, he said the economic crises can be seen in terms of two gaps - rupee and dollar. Giving example of the rupee gap, he said the year 2007-08 was distinctive in the sense that total tax revenue stood at Rs 1 trillion but the same year, current expenditures on three heads - debt servicing, defence and civil administration - were Rs 1.160 trillion.

The rupee gap was Rs 160 billion, as the government spent more on itself than collected in the form of direct and indirect taxes. He said Pakistan's large and rising trade deficit signifies structural weakness which needs to be addressed. The argument that trade deficit can be financed through remittances and other capital inflows, is not tenable.

Capital inflows have been speculative and unable to cushion the trade deficit. Managing Director SPDC, Professor Dr Khalida Ghaus said the Centre has brought out around 700 publications but gender and climate change are crosscutting issue which SPDC has been covering regularly. She revealed that the Centre has been working on rural poverty and its impact on social development during the current year.

Taxation: *World*

Global FX trade jumps in three years to $5.3 trillion a day

September 16, 2013

Trading in foreign exchange markets jumped by more than a third in the past three years to $5.3 trillion a day, or around 90 percent of Japan's entire annual economic output, a leading central bank survey showed on Thursday. The three-yearly survey by the Bank for International Settlements showed growth was driven by the rising power of hedge funds, insurance funds and other non-bank institutions, and London cemented its dominance as the centre for forex trading.

The US dollar remained by far the most dominant currency, while the euro saw its share of total trade drop to the lowest since the currency's inception in 1999, reflecting the impact of the euro zone sovereign debt crisis which began in 2010.

"Volatility, central bank intervention and regulatory developments were some of the primary themes in the FX markets over the past three years," said David Puth, Chief Executive of FX settlement system CLS Bank.

"Today, the FX market is more liquid, efficient and transparent ... It is reasonable to assume that daily turnover will continue to increase over the coming years."

Average daily volumes settled by CLS between April 2010 and April 2013 - the period covered by the BIS survey - increased by 42.5 percent.

The survey showed the dollar remained king in the foreign exchange market, making up 87 percent of all trades in April 2013, a rise from around 85 percent three years ago.

Because two currencies are involved in each transaction, the BIS gives the sum of the percentage shares of individual currencies out of 200 percent instead of 100 percent.

Meanwhile, the Japanese yen's prominence shot up, with trading in the currency increasing by 63 percent since 2010. The yen's global share of FX trading has grown to 23 percent from 19 pct in three years.

The BIS said a huge chunk of this increase took place between October 2012 and April 2013, a period marked by a significant shift in Japan's political and central bank landscape which resulted in aggressive monetary stimulus.

Although remaining the second most-liquid currency, the international role of the euro diminished over the last three years. Its share dropped to 33 percent in April 2013 from 39 percent in 2010.

The proportion of trade done in sterling and the Swiss franc dropped, while trading in the likes of the Mexican Peso and the Chinese renminbi rose significantly.

Euro/dollar remained by far the most dominant currency pair with a share of 24 percent, down from 28 percent in 2010, while dollar/yen trading jumped to 18 percent from 14 percent.

The survey also showed trading was becoming more locally concentrated, a reversal in the trend in the survey since 1998, and was increasingly gravitating to large financial centres.

The United Kingdom maintained its lead as the world's foremost trading centre with a 41 percent share followed by the United States at 19 percent. Singapore overtook Japan to become the world's third major trading centre.

The BIS said the share of cross-border FX transactions fell to 58 percent from 65 percent in 2010, the lowest since 2001.

The survey, in which 53 central banks and monetary authorities participate, showed growth driven mainly by "other financial institutions", who made up 53 percent of trading.

Reporting dealers - large commercial and investment banks and security houses which regularly deal through electronic platforms like EBS or Reuters - made up 39 percent.

A breakdown of "other financial institutions" showed a quarter of trade was done by non-reporting banks. These are usually smaller, regional commercial or publicly owned banks.

Transactions with non-financial customers contracted significantly over the past three years. The survey showed that FX swaps were the most-actively traded instruments, making up 42 percent of all FX-related transactions. Conventional spot trading made up 38 percent.

In the FX OTC derivatives market, trading in FX options increased the most, growing by more than 60 percent, while outright forwards grew by 43 percent. The BIS plans to publish in November detailed results of April 2013 activity.

UK government tax adviser quits after giving avoidance tips

September 15, 2013

A tax adviser to the British government has been forced to resign after he was recorded giving tips at a conference on how to pay less tax and "keep money out of the Chancellor"s grubby mitts", a Treasury minister said. The BBC Panorama investigative programme filmed David Heaton - before he joined the government as an adviser on how to clamp down on aggressive tax avoidance - telling delegates at a conference how they could exploit tax loopholes.

"Mr Heaton"s statements are directly at odds with the government"s approach to tackling tax avoidance," Treasury minister David Gauke said in a statement. "Therefore, it is right that Mr Heaton resigned from his position." How much tax is paid by corporations and wealthy individuals has become a hot issue in Britain in recent years after it emerged that several well-known companies did not pay corporation tax.

Work on financial transaction tax to go on: EU executive

September 15, 2013

The European Commission rebuffed on Saturday an EU legal opinion that questioned the legality of a planned financial transaction tax and said work on the levy in 11 European Union countries would go on. The legal services of the European Council, the institution which represents governments of the 28-nation EU, said in their 14-page legal opinion dated September 6 that the Commission's transaction tax plan "exceeded member states' jurisdiction for taxation under the norms of international customary law".

European Union finance ministers discussed the financial transaction tax briefly on Saturday, with the Commission saying there was a misunderstanding on the opinion. "We are confident that the Commission's arguments and arguments of the legal service of the Commission will demonstrate very clearly to our member states that the approach which has been taken in the proposal is the correct one and does not breach any provisions of the Treaty," European Commissioner Algirdas Semeta, who is responsible for taxation told reporters.

Germany, France, Italy, Spain, Austria, Portugal, Belgium, Estonia, Greece, Slovakia and Slovenia were planning to adopt the tax on stocks, bonds, derivatives, repurchase agreements and securities lending. Semeta said first reading of the proposal by the member states was already concluded. "I believe that we will present arguments to our member states for the next meeting of the Council working group. So the work is in progress and I do not see any reasons to stop this work or to make some additional reflections," added Semeta. Britain, the bloc's largest financial centre, and 15 other EU member states refused to support the transaction tax proposal raising questions about how it would work with only some members participating.

Business & Economy

IMF delegation briefed about financial reforms of Sindh govt

Sunday, 15 September 2013 18:23

Posted by Imaduddin

KARACHI: International Monetary Fund (IMF), delegation was briefed regarding achievements and financial reforms of the Sindh government.

A delegation of IMF called on Sindh Chief Minister Syed Qaim Ali Shah at the CM House here, said a statement on Sunday.

The delegation discussed the economic and financial matters with the Sindh CM during a meeting.

Briefing the delegation, Financial Advisor to the Sindh CM, Syed Murad Ali Shah and Chief Secretary Sindh Muhammad Ejaz Chaudhry informed about the achievements and financial reforms of the Sindh government.

Talking to the delegation, the Sindh CM said that the provincial government has brought improvement in Resources Mobilisation, Public Financial Management, Sindh Public Procurement Authority, promotion of public- private partnership and control over financial affairs.

He said the commitments which have been made to the people will be fulfilled and no compromise will be made in this regard.

The Sindh CM said that the World Bank has appreciated the projects of public welfare.

The Sindh CM said many challenges including poverty and energy crisis are being faced and assistance from the local and foreign agencies is required to cope with the same.

Syed Qaim Ali Shah said that the provinces need financial help so as to redress public grievances.

Provincial Secretary Finance Suhail Rajput and other notables were also present during the meeting.

Industries & Sectors

PR executing project for rehabilitation of HGMU-30 locomotives

Sunday, 15 September 2013 18:33

Posted by Imaduddin

ISLAMABAD: Pakistan Railways, as part of measures to improve its overall performance, is executing a project for rehabilitation of HGMU-30 locomotives, as five locomotives are expected to be rolled out and will be available by June next.

Two locomotives per month after that will be rehabilitated and inducted in freight operation.

According to the Department, a separate project - Special Repair of 150 Running Locomotives - was got approved during 2012-13 under Public Sector Development Programme (PSDP) as it will decrease the burden of locomotive maintenance on revenue budget.

It has also inducted GMU-30 locomotives in its system by to help generate revenue of Rs.4.416 million per annum by transportation of oil.

The operation of freight trains has been restored to the extent of operation of two trains on daily basis from Karachi Port to up-country.

It is expected that these trains will be increased to 8-10 on daily basis on availability of locomotives at the end of current financial year.

It said in case of offering of less oil traffic, Pakistan Railways will focus on operation of container trains to generate revenue of Rs.3.8 billion per annum.

The revenue earning during July 2013 has increased to the tune of Rs.178.724 million over the corresponding period of previous financial year i.e July 2012. The increase in earnings is mainly due to reduction in fares of passenger trains.

Punctuality of trains has been improved by 3% in July 2013 and constantly being observed while efforts are also underway to improve the punctuality further with availability of fit locomotives.

All non-productive expenses have been stopped and expenditures are being incurred in accordance with available resources i.e revenue generation and government subsidy.

The incurrence of expenditures other than salary/pension, fuel and utilities are subject to cash release by Ministry of Railways.

The officers, presently, on long-leave have been called back to join their assignments in their respective fields while dedicated officers are being posted on important operational posts to increase the efficiency of Pakistan Railways.

Shipping activity at Port Qasim

Sunday, 15 September 2013 12:52

Posted by Shoaib-ur-Rehman Siddiqui

KARACHI: Three ships arrived at Port Qasim to off load containers at QICT, palm oil at LCT on Saturday.

Berth occupancy was maintained at 78% at the port on Saturday where a total of eleven ships namely M.V KPS-I Alican Bey - Powership, M.T Gulf Oasis, M.V Dong Hai Jun (Dredger), M.V Observator, M.V NYK Kia, M.V MSC Curitiba, M.T Atlantic Glory, M.T Feng Hai-32, M.T Zhong Da You-56, M.T Lahore, M.V Theosfy Laktos are currently occupying berths to load/offload, cement, containers, rape seed, furnace oil, chemical, palm oil.

Cargo handling operations were carried out smoothly at the port where a cargo volume 73498 tonnes comprising 43547 tonnes tonnes import, 29951 tonnes export and (2447) Tues was handled at the port during last 24 hours.

M.T Fung Hai 32 sailed on Saturday afternoon. M.V Observator, M.T Atlantic Glory, M.T Lahore sailed on Sunday morning.

M.T Maramas at LCT, M.T Al Salam-II at FOTCO, M.T Liberty-N at EVTL arrival on 15 September 2013.

Cotton and Textiles: *Pakistan*

Cotton market: prices up on strong demand by mills

September 15, 2013

Rising trend persisted on the cotton market on Saturday as mills and spinners showed fresh interest in purchasing, dealers said. The official spot rate rose by Rs 100 to Rs 6,900, they said. Prices of seed cotton per 40 kg in Sindh low type was higher by Rs 100 to Rs 3200 while the best type did not move any side at Rs 3300, in Punjab, low type picked up same amount to Rs 3100 and the fine variety was unchanged at Rs 3300, they said. In the ready session, 14,000 bales of cotton changed hands between Rs 6925-7100, they said.

Cotton analyst, Naseem Usman, said that supply position is tight and the ginners may increase asking prices on the basis of quality factor. In fact, the mills were doubtful about market trend these days as fine quality is short of demand, which is causing price flare-up, experts said.

According to the Reuters, the ICE cotton eased on Friday under pressure from falling commodities markets and weak US retail sales, though they saw their first weekly gain in four weeks as a dip to three-month lows renewed demand. The most-active December cotton contract on ICE Futures US closed down 0.29 cent, or 0.3 percent, to settle at 84.46 cents per lb.

The following deals reported as 1000 bales of cotton from Shahdad Pur sold at Rs 6925-7000, 800 bales from Tando Adam at Rs 6950, 1000 bales from Sanghar at Rs 6950, 1200 bales from Mir Pur Khas at Rs 6925/6950, 400 bales from Nawab Shah at Rs 6950, 800 bales from Sakrand at Rs 6900-7000, 400 bales from Khair Pur at Rs 7000, 400 bales from Rohri at Rs 7000, 400 bales from Fort Abbas at Rs 6900, 400 bales from Faqir wali at Rs 6925/7000, 1000 bales from Chichawatni at Rs 6900-7000, 1000 bales from Haroonabad at Rs 7000, 600 bales from Mian Chano at Rs 7000, 1000 bales from Khanewal at Rs 7000, 200 bales from Pir Mahal at Rs 7000, 200 bales from Gojra at Rs 7000, 200 bales from Lodhran at Rs 7000, 400 bales from Bakhar at Rs 7000, 200 bales from Tonsa Sharif at Rs 7000, 200 bales from Bahawal Pur at Rs 7000, 200 bales from Multan at Rs 7000, 200 bales from Ahmed Pur at Rs 7000, 200 bales from Pul Bagar at Rs 7000, 200 bales from Bahawal Nagar at Rs 7000, 400 bales from Bahawana (Credit) at Rs 7100 and 400 bales from Jhang (Credit) at Rs 7100, they added.

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The KCA Official Spot Rate for Local Dealings in Pak Rupees

FOR BASE GRADE 3 STAPLE LENGTH 1-1/32"

---MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL

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Rate Ex-Gin Upcountry Spot Rate Spot Rate DifferenceFor Price Ex-Karachi Ex. KHI. As Ex-Karachion 13.09.2013

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37.324 Kgs 6,900 155 7,055 6,955 +100

Equivalent
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40 Kgs 7,395 155 7,550 7,443 +107
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Gas theft: APTPMA seeks withdrawal of 'false' FIRs

September 15, 2013

The Executive Committee of All Pakistan Textile Processing Mills Association (APTPMA) has urged the Chief Minister to direct the SNGPL to withdraw false FIRs, legal and departmental actions against S.A Baig Textile Industries and Ittefaq Eng with respect to false cases of gas theft.

An Executive Meeting of APTPMA held on Saturday where the Executive Committee members referred to forensic agency report that concluded "the diaphragms were being operated beyond capacity limit due to which it got worn and damaged. No tool marks were found." The Executive Committee members are of the view that this report has further strengthened APTPMA's stance that its member units SA Baig Textile Industries and Ittefaq Eng have been falsely accused in gas and electricity theft. They further said this report clearly points out that the damage has been due to wear and tear and further clearly states that no tool marks were found which means that no tampering was done.

It may be noted that the SNGPL admitted that the gas meters of SA Baig Textile Industries and Ittefaq Eng were supposed to be tested and inspected on 10:30am, 2nd September 2013; however, these meters were unsealed, tested and inspected on Sat, 31st August 2013 instead of Mon, 2nd September 2013 without notice and in absence of the representatives of the SA Baig Textile Industries. The Chief Minister had expressed his utmost displeasure on this illegal act.

In light of this illegal act of SNGPL, the Chief Minister further directed that a second opinion regarding the authenticity of the first disputed testing report of SA Baig Textile Industries should be taken by SNGPL by getting the meter checked from the Punjab Forensic Science Agency.

They said the meter has now been checked by the forensic agency and it has been concluded by the lab report that "the diaphragms were being operated beyond capacity limit due to which it got worn and damaged. No tool marks were found". The APTPMA members said they are looking forward to the justice from the Chief Minister in this regard.

Yasin Siddik to be new central APTMA Chairman

September 15, 2013

The Businessmen Group is holding a meeting of central council in Lahore on Sunday (today) to formally announce Yasin Siddik as central Chairman APTMA for the year 2013-14, as this group had already enjoys support of 23 CEC members, sources said. He has already served as Vice Chairman APTMA in 2012-13.Yasin is an IBA graduate in Business and Chief Executive of Premier Textile Mills Ltd.

The month of September is fixed by the office of the Director General Trade Organisations (DGTO) for countrywide elections of trade bodies, including APTMA. The Central Management Committee of APTMA is consisted of 24 members, including 10 members from Sindh-Balochistan, 12 from Punjab and 2 from Khyber Pakhtunkhwa. Fifty percent of the house gets vacate every year for elections of new management. Under this formula, elections for five Central Management Committee (CMC) seats in Sindh-Balochistan zone will be held on September 17, followed by the Annual General Meeting (AGM) which to be held on September 30 for election of central Chairman and other central and zonal office-bearers.

The Businessmen Group, led by Gohar Ejaz, has already secured all six seats unopposed in Punjab and one seat in Khyber Pakhtunkhwa for the APTMA CMC for the year 2013-14. In Sindh, there are six candidates against five seats for the zonal representation in the central body. Shahid Tata is the only candidate contesting against the Businessmen Group. Shahid Tata is contesting elections for third time.

Election for one seat will be held on September 17. All the three zones are Electoral College for the elections therefore the election for one seat will be held throughout Pakistan. The Businessmen Group is likely to make a clean sweep on September 17. The Businessmen Group has successfully managed various industry issues including availability of energy supply, both electricity and gas to enable the industry to operate on 24/7 basis. The Businessmen Group enjoys popularity among textile millers at large for its proactive role in resolving industry issues.

A 10-member delegation of Karachi from the Businessmen Group will also attend the meeting. It may be noted that the Businessmen Group is consecutively winning APTMA elections since 2009-10. The group has won three consecutive elections unopposed for the year 2010-11, 2011-12 and 2012-13 respectively.

Agriculture and Allied: *Pakistan*

FAO, UNDP to become member of MAB committee

September 16, 2013

Food and Agricultural Organisation (FAO) and UNDP would be made member of the National Man and Biosphere (MAB) Committee for greater collaboration with the international stakeholders and local communities.

It was decided in the meeting of Federal Minister for Science and Technology Zahid Hamid with UNDP Assistant Country Director Dr Gul Najam Jamy, here. They discussed the UN global development network's programmes in Pakistan, especially the ongoing Man and Biosphere (MAB) programme led by Ministry of Science and Technology (MoST) through Pakistan Science Foundation (PSF).

Ministry of Science and Technology (MoST) Additional Secretary Najib Khawar Awan, Pakistan Science Foundation (PSF) Chairman Professor Dr Manzoor H. Soomro, Pakistan Council for Research in Water Resources (PCRWR) Chairman Dr Muhammad Aslam Tahir, MoST Scientific Advisor Amjad Hussain and senior officers of the ministry ware also present in the meeting. The MAB programme was launched in 1970s. The Biosphere Reserves (BR) are areas designated under the UNESCO`s MAB programme to serve as places to test different approaches for integrated management of terrestrial, freshwater, coastal and marine resources and biodiversity.

The meeting discussed the prospects of creation of multiple biosphere reserves (BRs) for sustainable use and management of our precious ecosystems.

It was disclosed that Pakistan is rich in suitable sites including mangrove forests and at least nine ecosystems have prospects to be declared as BRs in the country.

The Minister directed the PSF Chairman to prepare projects (PC-1) for declaration and management of more BRs as well as for conducting research on related matters. It was proposed that Pakistan Museum of Natural

History (PMNH) would be strengthened to build capacity in the subject. The minister reiterated the Pakistan government's commitment and full support to the international organisations. He lauded the support of UN organisations in Pakistan at the time of natural calamities.

The UNDP delegation agreed that the world organisation will help PCRWR in the decontamination and chlorination of water in the flood-affected areas on emergency basis.

AFP criticises performance of federal, provincial governments

September 15, 2013

Agri Forum Pakistan (AFP) Chairman Ibrahim Mughal strongly criticised the performance of the Federal and Provincial Governments during their first 100 days and stressed the need for taking steps to immediately arrest the rising prices of food items and commodities.

While talking to media persons here on Saturday, Mughal alleged that flour became 25 percent dearer during the first 100 days of the government, rice 27 percent, potato 50 percent, onion 52 percent, tomatoes 100 percent, petrol 13 percent, lentils 20 percent and red chillies 30 percent.

AFP Chairman stated that poor and middle class had been grinded by the inflation; unemployment is on the rise and even medicine and food items have become so costly that people are finding it hard to make both ends meet. He went on to say that poor are forced to sell their body parts to buy food and medicines. He said both the Provincial and Federal Governments have to take steps for arresting the price spiral. However, he was of the view that situation could still be brought under control by taking immediate remedial measures.

He said that burden of debt on the country has also been increased as rise in dollar prices pushed it by Rs 400 billion more. He said there is no wisdom that the government should borrow from international financing agencies to payback Rs 800 billion's loan by devaluing its own currency.

Mughal urged they should take steps to immediately reduce the prices of food and other essential items by 15 percent while make efforts to ensure production of 28 million tons of wheat during the coming season out of which Punjab has to contribute 22 million tons. He warned, otherwise inflation would further rise and country would be facing a famine like situation.

Kachhi Canal project to be completed on 'fast track' basis

September 15, 2013

Minister for Planning and Development Ahsan Iqbal said Kachhi Canal project will be completed on fast track basis so that people of Balochistan can get its fruits. Addressing a news conference here on Saturday, he said it will irrigate over one hundred thousand acres of land in the first phase. The Minister said with the completion of Kachhi Canal project a new era of prosperity will begin in Balochistan. He said shortcomings in its design will also be reviewed.

To a question, the Minister for Planning and Development said the government in its first one hundred days has set its direction for development of the country. He said a solid base has been provided to overcome energy crisis, improve law and order and strengthen the economy.

Prices of essential food items soar

September 15, 2013

Prices of most of the essential food items in different markets of the twin cities of Rawalpindi and Islamabad witnessed an upward trend last week as compared to the preceding week, reveals a survey conducted by *Business Recorder* here on Saturday.

Potatoes were being sold at Rs 50 per kg against Rs 45 last week, onion at Rs 75 per kg against Rs 70 per kg last week rate, tomatoes at Rs 80-90 per kg against Rs 75-80 per kg week past price, eggs were available at Rs 105 per dozen, wheat flour 10kg bag was available at Rs 410 last week as compared to the preceding week.

Traders and wholesalers in different markets of the twin cities of Rawalpindi and Islamabad said that vegetable ghee (loose) was available at Rs 168 per kg while vegetable ghee (2.5 kg tin) was being sold at Rs 490 and cooking oil (2.5 litre tin) was available at Rs 530 last week as compared to the preceding week.

The survey noted that vegetables like, green chili, Shimila Mirch, cabbage, lady finger and cucumber remained stable last week as compared to the preceding week. No significant change was also noted in fruits price last week as compared to the preceding week, as bananas was being sold at Rs 80-120 per dozen, apple was being sold at Rs 100-200 per kg last week as compared to preceding week.

The survey noted that meat prices remained stable last week as compared to the preceding week, as mutton was being sold at Rs 600-620 per kg and beef at Rs 280-300 per kg. Meanwhile, price of entire range of pulses remained stable last week as compared to the preceding week, as Mash washed was available at Rs 140-160 per kg, Moong at Rs 130-150 per kg, Masoor at Rs 120-130 per kg, while rice basmati broken was available at Rs 90 per kg during last week as compared to the preceding week.

Fuel and Energy: *Pakistan*

Punjab government completing energy projects at fast pace

September 16, 2013

Provincial Minister for Energy & Mines, Chaudhry Sher Ali, has said that Punjab government is completing solar, hydel, begas and other energy projects at fast pace. The Minister said that the progress and improvement about the energy projects are examined by the Chief Minister Punjab on daily basis which is providing positive results. Punjab will complete two 50, 50 mega watts energy projects in the beginning of the next year.

Talking to a private TV channel Ali said that real relief would be given to the public after generating thousands of mega watts energy with the latest technology along with the end of electricity and gas theft. He said that the day was not too far when the government would be taking exemplary steps for strengthening economy of the country after overcoming the energy crisis.

Curbing power, gas pilferage: drive to be further accelerated: Khawaja Asif

September 16, 2013

Federal Minister for Water and Power Khawaja Muhammad Asif on Sunday said that drive against electricity and gas would further be accelerated across the country. The basic concept of vigorous campaign was to eliminate the tendency of power and gas pilferage from the society and generate revenue in the country and this campaign was producing yielding results, he said.

Talking to Business Recorder, here he said that under the drive special steps were also being taken to unearth the employees of Wapda and Sui Gas involved in this malpractice. The Federal Minister said that without the involvement of staff the pilferage of gas and electricity not possible because the staff was indulged in instigating the people for less billing and minting money for their personal financial gains adding that this malpractice causing severe financial loss to national exchequer.

The PML-N government, he said, was committed to weeding out this practice from the grass roots levels from the society. The impact of this drive against the electricity and gas theft would help increasing the revenue of Wapda and Sui Gas considerably, Khawaja Asif said.

The Minister further stated that government would take severe action against the persons involved in mal-practice and to causing serious damage to national exchequer just for their personal gains.

The Minister said that black sheep would be purged from Wapda and Sui Gas department and strict action would be taken as per law, besides departmental inquiry against the staff indulged in pilferage of electricity and gas was already in progress in the country.

During the campaign a large number of tempered electricity meters and gas meters traced out while several members of this mafia had also been arrested including Sialkot and other parts of the country, he added. The gas and electricity theft, he said, is a serious crime against the masses and this practice would not be tolerated and people should refrain from involving in this practice for the larger national interest.

Performance of SNGPL, Mepco criticised

September 15, 2013

District Co-ordination Officer (DCO) Multan Syed Gulzar Hussain Shah informed the provincial government about his concerns over the non-co-operation and poor performance of Multan Electric Power Company (Mepco) and Sui Northern Gas Pipeline Ltd (SNGPL). He bitterly criticised the poor performance of SNGPL and MEPCO's officers as well as disinterest of prosecution department in pursuing criminal cases against the power and gas pilferers. It jeopardised the success of Government's ongoing drive against the thieves.

It is stated that a number of gas and electricity officials became active to spoil the labour and efforts of Task Force which caught the thieves. "The gas and electricity officials try to influence the task force making instalments of bills of the thieves or reduce the fines imposed on them. It is feared that the crackdown on gas and electricity thieves will fail if the high profile thieves are not punished."

Sources said a serious gap of co-ordination exists among the prosecution department, Sui gas and Mepco and legal branch of police as a result of which cases are not being pursued in the court properly. DCO will join the Chief Minister's briefing and he will apprise him of non-co-operation of the officers of FIA, Mepco, SNGPL and the police. DCO said although a notorious meter reverser namely Abdul Hameed alias Meeda was in the custody of FIA and the police for several weeks; but, both agencies failed to get information about the major power thieves.

DCO said line losses were cut by 3.1 percent and a fine of Rs 350 million was imposed on the pilferers. Of them Rs 90 million were recovered, while 278 gas thieves were booked for stealing and of them 26 were arrested and a fine of Rs 263 million was imposed on them.

Fuel and Energy: *World*

Oil and gas exploration: China to invest 80 billion yuan this year

September 16, 2013

China will invest 80 billion yuan ($13.07 billion) in oil and gas exploration in 2013, state media said on Sunday, as it tries to boost energy supplies reduce its dependence on energy imports. Oil and gas investment in China has risen from 19 billion yuan in 2002 to 67.3 billion yuan in 2011, the official Xinhua news agency said, citing Ministry of Land and Resources figures.

More than 5 billion tonnes of petroleum reserves and 2.6 trillion cubic metres of natural gas were discovered between 2008-2011, Xinhua said. China, the world''s biggest energy consuming country, has promised to cut its growing dependence on overseas oil and gas supplies.

Still, some analysts expect China to overtake the United States as the world''s biggest crude oil importer as soon as 2017. Much of it comes from the Middle East and Africa and is transported via vulnerable sea lanes.

Gas imports are important to China because domestic production is not sufficient to meet growing demand. Imported gas is delivered via pipeline from Central Asia and by ship from countries such as Australia, Indonesia and Qatar.

China bought 42.5 billion cubic metres (bcm) of gas from overseas last year. That was up more than 30 percent compared with 2011 and a nearly 10-fold increase from 2007.

Japan to switch off nuclear power

September 16, 2013

Japan is set to be nuclear power-free, for just the third time in more than four decades, and with no firm date for re-starting an energy source that has provided about 30 percent of electricity to the world''s third-largest economy. Kansai Electric Power Co''s 1,180 MW Ohi No 4 reactor is scheduled to be disconnected from the power grid late on Sunday and then shut for planned maintenance. It is the only one of Japan''s 50 reactors in operation after the nuclear industry came to a virtual halt following the March 2011 Fukushima disaster.

Japan last went without nuclear power in May-June 2012 - the first shutdown since 1970 - a year after a massive earthquake and tsunami triggered reactor meltdowns and radiation leaks at the Fukushima facility. The country''s nuclear reactors provided close to a third of the electricity to keep the $5 trillion economy going before the Fukushima disaster, and utilities have had to spend billions of dollars importing oil, gas and coal to make up for the shortfall.

In 2011, Japan suffered its first trade deficit in more than three decades, and in July of this year it logged its third-biggest trade deficit on record, at 1.02 trillion yen ($10.5 billion), as a weak yen and rising oil prices made energy imports more expensive.

Several nuclear operators applied in July to re-start reactors under new rules drawn up following the Fukushima disaster, but approvals are likely to be tough to get as the industry regulator strives to show a sceptical public it is serious about safety.

Industry projections for a re-start vary from as early as December to mid-2014. The ruling Liberal Democratic Party and the utilities are keen to get reactors up and running again, with Prime Minister Shinzo Abe singling out reducing soaring fuel costs as a key plank of his economic reform plans. But opinion polls show a majority of Japanese want to end reliance on atomic power, and oppose re-starts.

"The argument that no nuclear power dents the economy would be myopic, considering that if by mistake we had another tragedy like Fukushima, Japan would suffer from further collateral damage and lose global trust," said Tetsunari Iida, head of the Institute for Sustainable Energy Policies, and a renewable energy expert. "In the new economy, the less you use energy, the more value-added you become. The big chorus for nuclear power is hampering the efforts to move to a new, more open economy."

Japan consumes about a third of the world"s liquefied natural gas (LNG) production, and will likely boost LNG demand to record levels over the next couple of years. LNG imports rose 4.4 percent in volume to a record 86.87 million tonnes, and 14.9 percent in value to a record 6.21 trillion yen ($62.1 billion) in the year through March.

Imports are likely to rise to around 88 million tonnes this year and around 90 million tonnes in the year to March 2015, according to projections by the Institute of Energy Economics Japan based on a mid-scenario that 16 reactors will be back on-line by March 2015.

Opec, US Energy Department see enough oil in the world

September 15, 2013

The Organisation of Petroleum Exporting Countries (Opec) said the world oil market was well supplied despite a plunge in Libya's output, and forecast a further drop in its oil market share in 2014. In a monthly report, Opec said oil stocks in developed countries equalled almost two months of future demand although "some supply outages" had put upward pressure on prices.

The US Energy Department expressed similar sentiments after it raised its 2013 estimates of non-Opec supply while leaving global demand nearly unchanged. The virtual shutdown of Libyan oil output for the second time in two years and the prospect of US military action against Syria had pushed Brent crude to a six-month high above $117 a barrel in late August.

But Brent prices fell below $111 a barrel on Tuesday as the threat of a strike on Syria faded. US crude futures also fell, from a peak above $112 a barrel in late August to settle at just above $107 a barrel on Tuesday. "OECD inventories stand at a comfortable level of 58.5 days," Opec's report read in part. "This figure is above the historical norm and provides confirmation that the market at present remains well supplied."

The comment is Opec's first collective word on the oil market impact of the Libyan unrest, which has taken global supply outages to more than 3 million barrels per day (bpd) - some 3.5 percent of global demand. The International Energy Agency, which during the 2011 Libya civil war ordered a rare release of oil from strategic reserves it controls, agrees with Opec. It said on August 29 that the market was "adequately supplied." In its own monthly report, the US Energy Information Administration (EIA) said Non-Opec member states will bring some 54.3 million bpd of oil to market this year, a 0.6 percent increase from the estimates it released a month earlier.

Meanwhile, the report forecast global oil demand will stand at 90.06 million bpd this year, a mere 0.1 percent increase from last month's forecast. EIA noted, however, that unplanned production outages from Opec member states had reached 2.1 million bpd in August, the highest level recorded since the administration began tracking these numbers in January 2009. Total outages, including offline non-Opec production, reached 2.7 million bpd last month, EIA said.

The US government had reached out to energy experts in late August to discuss oil market conditions although it did not appear ready to tap into its strategic reserves, according to Reuters sources. Opec, which pumps a third of the world's oil, in the report forecast a further erosion of its share of the world market in 2014 due to rising supplies from outside the 12-member group.

It left estimated growth in world demand next year at 1.04 million bpd, while increasing the non-Opec supply forecast to 1.22 million bpd. New production from places like the US shale fields is rebalancing the global oil market. Meanwhile, demand for Opec crude in 2014 will average 29.61 million bpd, down 320,000 bpd from 2013, the Opec report forecast. Last month's report estimated a 260,000 bpd year-on-year decline in the demand for Opec oil. This outlook shows challenges in store for Opec member states as they attempt to sustain current production levels without risking a price drop below $100 a barrel.

Opec is still pumping more crude than is in demand, despite outages in Libya. In August, extra oil from Saudi Arabia helped offset losses and supply from member states fell only by 124,000 bpd to 30.23 million bpd, according to secondary sources cited by the report.

Gabon plans offshore oil round and transparency measures

September 15, 2013

Gabon has told the World Trade Organisation (WTO) that it will hold a licensing round for offshore oil blocks later this year, and that it will bring in new transparency requirements for its natural resources sector. In a confidential document circulated during a two-day trade policy review that ended on Wednesday, Gabon said it was adopting a new hydrocarbon code which would provide a basis for the new bid round.

Gabon, a former Opec member, has the seventh biggest oil reserves in Africa and produces about 240,000 barrels per day, providing about 80 percent of its oil export earnings. "This code will provide a real framework for activities related to petroleum in our sedimentary basin, as well as the valuation of undeveloped blocks, notably in the deep and very deep offshore which are to be awarded by way of tender before the end of 2013," the document said.

The document, a list of written questions and answers on trade policies, was part of the WTO's review of five member countries of the Economic and Monetary Community of Central African States (CEMAC), which includes Gabon. Gabon's oil minister told Reuters in November 2012 that the West African country would launch a deepwater licensing round in June, provided it could put new investor-friendly rules in place.

It had already delayed and then cancelled licensing rounds for ultra-deep offshore blocks in 2010, citing drilling costs and environmental concerns after BP's massive spill in the Gulf of Mexico. Trade Minister Fidele Mengue Me Engouang, who was leading Gabon's delegation to the WTO, declined to comment further on the new code and its plans to put offshore blocks out to tender. In the past two years, Gabon has sought tougher terms for foreign oil companies operating in the country and launched audits of oil producers and sought equity stakes in new contracts, executives have said.

Producers tell Asian buyers politics to blame for oil price

September 15, 2013

Asian oil importers looking for more supplies to help dampen rising fuel costs received short shrift from the world's top producers at a meeting in Seoul this week. A biannual gathering of Asian energy ministers was clearly divided between exporters enjoying bumper revenues on one side and importers on the other struggling to pay for the oil and gas that fuels their economies.

Benchmark Brent crude prices traded near $112 a barrel on Friday, after spiking above $117 late last month on the virtual shutdown of production from Opec producer Libya and the prospect of US military action against Syria. "High oil prices will have a negative impact on the Asian economy," said Isshu Sugawara, Japan's state minister for economy, trade and industry.

"This may lead to stagnant economic activity in Asia. To stabilise the international oil market, we request producers provide adequate supply to meet demand." Japan's energy import bill has risen sharply since 2011 due to the shutdown of its nuclear fleet in the wake of the Fukushima disaster. Not only is Japan the world's third-largest oil importer, it is the top importer of liquefied natural gas (LNG).

Japan's gas import prices are linked to oil, making high crude prices a double whammy. Fuel costs have contributed to record trade deficits and have hindered Prime Minister Shinzo Abe's push to breathe life into a long-stagnant economy. Pakistan, a much smaller importer, was more vocal. Producers were not doing enough, a top oil official told Reuters on the sidelines of the event on Thursday. As well as hurting consumers, this would eventually hurt the producers themselves as high prices reduce demand, said Arshad Mirza, additional secretary at the oil ministry. "Producers are making lots of profits and it's all geopolitics," he said. "They heard our message very loud today."

Members of the Organisation of the Petroleum Exporting Countries (Opec) said the blame for high oil prices was tension over Syria rather than any shortage of supply. Top producer Saudi Arabia has boosted its output to record levels to help meet the shortfall from Libya. But the Saudi oil minister saw no shortage. "For the record, oil market fundamentals are good. The market is well balanced," Ali al-Naimi told the industry event.

Opec said in a report this week that there was sufficient supply in the market to cover for Libya's outage, and Opec Secretary General Abdullah al-Badri said at the meeting there is no need for the producer group to pump more. "If we see there is a shortage in the market, we will act," he told reporters. "We don't see a shortage." Opec's sentiment on supply was shared in a monthly report on Thursday by the International Energy Agency, which represents industrialised consumers.

Global oil supply should rise in coming months thanks to a mixture of seasonal, cyclical and political factors, the IEA said. That was cold comfort for Asian buyers facing the impact of rising oil prices on economic growth. Some of Asia's emerging economies have seen import bills shoot up even further due to weakening currencies. "Supply and demand say that if you have more supply than demand it will lead to lower prices," said Loreta Ayson, undersecretary at the Philippines department of energy. "The oil price has a tremendous impact in my country. It is affecting our economic activity.

China confirms new gas pipeline through Tajikistan

September 15, 2013

China's Xi Jinping at a regional summit signed a deal to build a gas pipeline through the impoverished ex-Soviet country of Tajikistan, Tajik television reported Saturday. The pipeline will transport gas from energy-rich Turkmenistan to China in as part of a huge supply deal.

"Carrying out this project will allow us to attract more than $3 billion of direct investments from Chin into the economy of Tajikistan," said the press service of Tajik President Emomali Rakhmon. It will supply China with 25-30 billion cubic metres of oil per year, the press service said. China is eyeing the vast oil and gas resources of ex-Soviet Central Asia for its fast-growing domestic economy and is also keen to assert political influence in a region that was dominated by Moscow for decades.

Xi and Putin met at a regional security conference held by the Shanghai Co-operation Organisation in Bishkek. The new pipeline is due for completion in 2016 and will run for more than 400 kilometres (250 miles) within Tajikistan. The mountainous country is the poorest ex-Soviet republic and dependent on remittances from its nationals doing manual labour in Russia. Xi is carrying out a four-nation tour of Central Asia.

US natural gas futures close higher

September 15, 2013

US natural gas futures ended higher on Friday, backed by this week's supportive inventory report and expectations for a light build next week, but the upside was limited by the milder weather expected next week which should slow demand. Some traders viewed Thursday's 65 billion cubic feet weekly inventory build as supportive for prices, noting it came in slightly below the Reuters poll estimate of 66 bcf after exceeding consensus expectations the previous two weeks.

"People are expecting a supportive weekly inventory build next Thursday after all the heat this week, and the tropics may have generated a little (short) covering today ahead of the weekend," said Steve Mosley at The SMC Report in Arkansas. Front-month gas futures on the New York Mercantile Exchange ended up 3.9 cents, or 1.1 percent, at $3.677 per million British thermal units, after trading between $3.603 and $3.689. Front futures hit a six-week high of $3.719 last week.

The October-January futures spread, which on Thursday settled near a two-month low of 30.5 cents (January premium), ended Friday at 31.2 cents. A narrow spread reflects views that inventories will be very comfortable by winter. Storage gas is a key source of supply to help meet peak heating season demand. The nearby contract, which fell 1.4 percent last week in its first weekly decline in four weeks, finished this week up 4.2 percent, backed by strong heat that kicked up demand.

Technical traders said the front month close above resistance at the 200-day moving average in the $3.67 area could send prices higher next week, but most needed another higher close to predict more upside. Recent gains have not come easily as traders also focus on the milder weather ahead that should slow demand. Many remain sceptical of the upside in the near term, with summer heat tapering off, inventories on the rise and production flowing at or near a record peak.

Forecaster AccuWeather.com expects temperatures in the Northeast and Midwest, key gas consuming regions, to mostly range from normal to below normal for the next 10 days. US Energy Information Administration data on Thursday showed that total domestic gas inventories stood at 3.253 trillion cubic feet last week. Stockpiles are about 5 percent below last year's record highs at that time, but 1.4 percent above the five-year average.

Early injection estimates for next week's report range from 55 bcf to 68 bcf. Stocks gained 61 bcf during the same year-ago week. The five-year average increase for that week is 74 bcf. Baker Hughes data on Friday showed the gas-directed rig count rose by seven this week to near a six-month high of 401. It was the second weekly gain for the gas rig count, which posted an 18-year low of 349 in late June.

Recent gas rig count gains - the count has risen in eight of the last 12 weeks - have stirred views that new investment in gas pipelines and processing plants is allowing producers to pump even more supply into an already well-supplied market. The EIA still expects US gas production in 2013 to hit a record high for a third straight year.

In the ICE cash market, gas for weekend delivery at Henry Hub, the benchmark supply point in Louisiana, rose 3 cents to $3.60, but late Hub differentials weakened to about 3 cents over NYMEX from a 6-cent premium on Thursday. Gas on the Transco pipeline at the New York citygate was unchanged at $3.72 despite the mild weekend outlook, while Chicago was 2 cents higher at $3.69. The US National Hurricane Center was monitoring four tropical systems in the Atlantic basin, but traders noted there were no serious threats to Gulf of Mexico gas production.

Banking & Finance

MCCI opposes raise in policy rate

Sunday, 15 September 2013 11:18

Posted by Shoaib-ur-Rehman Siddiqui

MULTAN: The 50 basis points (bps) raise in policy rate announced by the State Bank of Pakistan (SBP) is like an extra burden on the industrial sector, said the business community on Saturday.

The raise in interest rate to 9 percent from 9.5 percent would add to miseries of value-added export-oriented industrial sector to some extent, said Muhammad Khan Saddozai, President of Multan Chamber of Commerce and Industry (MCCI) in a press statement issued on Saturday.

The neediest sectors of policy rate cut are the leading value-added export-oriented textile, leather and surgical goods besides sports and marble products also. However, the business community has expressed its dissatisfaction over the key policy rate and said raising mark-up rate by 50 bps to 9.50 percent by SBP would not provide any relief to the industries.

The SBP on Friday revised the key policy rate downward by 50 bps to 9.5 percent for another two months. The rate raise would not definitely provide relief to the industrial sector nor it would help curb ratio of the non-performing loans (NPLs) and unemployment in private sector to some extent, said Muhammad Khan Saddozai.

The private sector was losing capability of production due to high financial cost and less liquidity, he added.

MCCI Chief said somehow 50 bps increase in interest rate would add to the miseries of the industry, which was already braving losses on high cost of energy and other crisis in the country. The mechanism to control inflation through declining mark-up rate would work if the government - the major borrower of the banks - stops borrowing huge money, said Saddozai.

Availability of surplus liquidity in the market is always essential as its absence is the prime reason behind lack of investment in the industry, said Saddozai. Reduction in bank's mark-up rate could encourage fresh investment in the industry particularly in the textile and leather industry and increase jobs and exports of the country, he added.

Markets

Prices of essential food items soar

Sunday, 15 September 2013 11:06

Posted by Shoaib-ur-Rehman Siddiqui

ISLAMABAD: Prices of most of the essential food items in different markets of the twin cities of Rawalpindi and Islamabad witnessed an upward trend last week as compared to the preceding week, reveals a survey conducted by Business Recorder here on Saturday.

Potatoes were being sold at Rs 50 per kg against Rs 45 last week, onion at Rs 75 per kg against Rs 70 per kg last week rate, tomatoes at Rs 80-90 per kg against Rs 75-80 per kg week past price, eggs were available at Rs 105 per dozen, wheat flour 10kg bag was available at Rs 410 last week as compared to the preceding week.

Traders and wholesalers in different markets of the twin cities of Rawalpindi and Islamabad said that vegetable ghee (loose) was available at Rs 168 per kg while vegetable ghee (2.5 kg tin) was being sold at Rs 490 and cooking oil (2.5 litre tin) was available at Rs 530 last week as compared to the preceding week.

The survey noted that vegetables like, green chili, Shimila Mirch, cabbage, lady finger and cucumber remained stable last week as compared to the preceding week. No significant change was also noted in fruits price last week as compared to the preceding week, as bananas was being sold at Rs 80-120 per dozen, apple was being sold at Rs 100-200 per kg last week as compared to preceding week.

The survey noted that meat prices remained stable last week as compared to the preceding week, as mutton was being sold at Rs 600-620 per kg and beef at Rs 280-300 per kg.

Meanwhile, price of entire range of pulses remained stable last week as compared to the preceding week, as Mash washed was available at Rs 140-160 per kg, Moong at Rs 130-150 per kg, Masoor at Rs 120-130 per kg, while rice basmati broken was available at Rs 90 per kg during last week as compared to the preceding week.

BR Research: *All* ‘Accommodative’ or not?

September 16, 2013

BR Research

Of the 19 pages that comprised the Letter of Intent sent to the IMF, there was just one line that mattered the most to bankers, brokers and other financial pundits alike: “a somewhat more accommodative monetary policy stance early in the program than would normally be required given the inflation outlook.”

In the light of PML-N manifesto, which had promised an expansionary monetary policy, this line convinced market participants that the central bank would maintain status quo in discount rate, when announcing its monetary policy in mid-September.

In the pre-monetary policy poll conducted by BR Research last week, only two out of seventeen respondents moved against the tide and expected the hawks to dominate at SBP. The vast majority was convinced that the central bank had already signalled its intent via the LoI, which it had co-signed alongside the Ministry of Finance (MoF).

This was a stark change in view from what the market had expected in late August, when the then pre-monetary policy poll by BR Research showed that a significant majority expected a hike in interest rate by 50 basis points.

The last T-Bills auction conducted on September 4—i.e. before the LoI—also exhibited these sentiments, as investors only submitted bids for 3-month papers in anticipation of a rate hike by the end of FY13, by which time CPI is expected to reach double-digits.

So, when the central bank announced a rate hike of 50 basis points, the market was kind of jolted. Had the market read too much into the phrase “accommodative monetary policy” written in the LoI, or was there a fault on the part of co-signers of the LoI to have misled the market by using that expression? Perhaps, the answer is not as easy as it may seem.

One could argue that the market was at fault by overreacting to the phrase “accommodative monetary policy” especially when its own estimates suggest that real interest rates were slipping into negative territory by December.

However, the counter argument would be that the LoI was co-signed by the SBP and MoF; and both of which should know better that their words are divine revelation to market participants. Then it is little wonder that many treasury heads feel the SBP flirted with them, only to leave them stranded on a Friday night. Sob! Sob!

Moreover, considering the fact that in recent history, market expectations regarding the immediately following MPS decisions have usually been spot on, the complete misreading this time is clearly rooted in the ambiguity of the LoI.

One theory is that it was perhaps the MoF that had inserted “accommodative” in the LoI, but the SBP didn’t give two hoots about it and went ahead with its decision. If that’s the case, then kudos to SBP for showing autonomy!

The other theory is that perhaps the rate hike of 50 basis points 'is indeed' "accommodative" given the inflation rate outlook (11-12 percent by fiscal year end), which otherwise may demand even sharper rate hikes in subsequent policies. If that's the case, then how accommodative will be accommodative this fiscal year; we would never know as some things are just lost in interpretation.

IMF warns of disaster without reforms

September 16, 2013

BR Research

"Macroeconomic imbalances, structural weaknesses and security and political concerns have negatively impacted Pakistan's economy and kept growth below the level needed to reduce poverty and absorb the labour force" warned the country report for Pakistan issued by the IMF, last week.

The report emphasized that poverty afflicts half of the country's population, while a quarter is living below subsistence level income of $1 per day. Investments shrunk to half in the last five years and GDP is highly skewed in favour of consumption. Domestic investment dropped from 14 percent (FY08) to 10.9 percent of GDP (FY13).

Although inflation has fallen sharply still underlying pressure exists. "Resurgence in inflation remains likely until fiscal deficits ease and money growth slows" warns the lender of last resort. The external account is under the hammer as SBP held foreign reserves fell below the level needed to cover 45 days worth of imports.

The local currency depreciated by 5.3 percent in the last two months and the real effective exchange rate is still overvalued by 3-6 percent. The economy could have come to a halt had the reserves slipped further.

The elephant in the room is consistently high and alarming fiscal deficit. One of the lowest tax-to-GDP ratios amongst non-oil exporter countries, high energy related subsidies and enhanced transfers to the provinces are all ingredients for widening the fiscal gap further.

The energy infrastructure has crumbled and as a consequence manufacturing capacity has stagnated. "Energy sector is a major drag on economic activity," highlighted the Fund. Output loss is estimated at 2 percent of GDP—enough to generate a million new jobs.

This has changed the dynamics of commercial banking in Pakistan. "Private sector credit has declined in real terms, while monetary aggregates continued to be driven mainly by the government's financing needs," summarized by the report. Despite government denomination in utilization of banking system, toxic assets remained high of whatsoever loans were extended to the private sector.

The Fund has cautioned that this policy-mix cannot sustain. "An unchanged policy-mix would elevate overall vulnerabilities and crisis risks and cloud Pakistan's economic prospects," warns the Fund.

The economic projections are disastrous, if structural reforms were not implemented without delay. In the baseline scenario, the economy is projected to grow by a meager average of three percent in the coming five years.

If reforms are introduced, then rate could be bumped up to five percent by FY18. Mind you the muted growth of the past five years was not enough to even absorb the new additions to the labour force.

In the baseline scenario inflation is likely to persist in double digits. Low growth and high inflation period is termed as stagflation in economics—not a pretty scenario by any means. The story doesn't end here; a debt trap is looming by maintaining the status quo—debt-to-GDP ratio may touch 70 percent within five years.

Without the IMF, gross reserves will not at any given point be enough to cover a month of imports. Fending off any shocks from changes in international prices and economic conditions would also be a tall order. Comprehensive reforms are unavoidable now; more on that later.

Remittances play along the pattern

September 16, 2013

BR Research

Following the all-time high remittances received in July, inflows in August seem rather drab. Data reported by the State Bank of Pakistan (SBP) shows that worker remittances declined 12 percent month on month in August to reach $1.23 billion—about $171 million lower than the previous month.

August remittances haven't seen such a large month on month, percentage decline since 2008. But, there is no need to worry at this particular development. Things seem to be following a script here. Analysis of the past remittance data shows that every year, remittance inflows dipped in the immediate month after the Gregorian calendar month in which Ramzan commenced.

This year, too, the Eid ul Fitr-induced surge in July remittances was followed by what can be termed as a 'normal' monthly inflow. That is understandable because middle- and low-income households tend to go for a little belt-tightening after incurring Eid-related expenditures. Still, August remittances are a good $73 million more than the average monthly inflows received in FY13

There are about 7 million Pakistani expatriates said to be living abroad, about half of them in the Middle East. Expatriates started the current fiscal year on a high note. The central bank data shows a 7 percent year-on-year growth in Jul-Aug remittance inflows that cumulated to $2.63 billion. Healthy year-on-year growth was witnessed in major remittance origins, including Saudi Arabia, United Kingdom, Dubai and Kuwait.

In the coming months, during which Eid ul Azha falls and wedding season kicks off, remittances are expected to rise further. Keep in mind that Pakistan's 2nd highest remittance inflows ($1.36 billion) were recorded in October last year, as Eid ul Azha fell at the tail end of that month. Going by recent trends, one cannot rule out another Eid-related remittance surge for the month of October this year.

Rising remittance influx provided a much-needed cushion to Pakistan's current account in recent years. As such, the recent IMF loan facility (and its likely effects on fresh assistance from other international financial institutions) augurs well for Pakistan's external accounts. Reportedly, SBP's total liquid foreign exchange reserves had surged nearly 4 percent to $10.37 billion on the week ending September 6.

However, the finance ministry and the central bank cannot afford to soften their efforts due to an improving reserve situation. They must continue to push forward to channel more and more worker remittance inflows through formal, banking channels.

About time to implement gas reform plan

September 16, 2013

BR Research

A few would know that bottlenecks in Pakistan's gas sector cost the economy more than those in the power sector.

Pakistan faces an acute shortage of natural gas which ranges around 1.8 billion cubic feet per day or 31 percent of demand. Why it is so, that gas crisis does not attract the similar kind of wrath that power crisis does? Well, it is partly because domestic consumer—i.e. the household sector—continues to get gas on priority basis at very cheap rates. And this is also part of the bigger problem.

The problem starts with the pricing of gas, which is unattractive for E&P companies, due to which the production is either declining or is stagnant in most cases. The distorted pricing mechanism worsens the problem as the gulf between average consumer price and gas import price is as big as Rs1,000 per mmbtu (significantly higher than the highest slab of Rs636 mmbtu).

The government has a well-set priority which it admits is not being followed. Because of cheaper rates than alternate fuels, the government also finds it tough to curtail gas for other sectors as the article 158 of the Constitution—which deals with the province enjoying first right of use of natural resources—is invoked in various cases. The estimated cost of running power plants on furnace oil runs well over a billion dollar per annum.

In the recently-laid energy reform plan presented to the cabinet, the government has recommended that gas is to be prioritised efficiently by curtailing the misuse of the scarce resource. There seems to be enough will on the part of government to raise natural gas tariffs across different slabs in order to create more room for increased wellhead prices to increase production.

That said, even the 'reform plan' aims to continue with the domestic sector being at the top of priority list, which is precisely not what it should be. From what it appears, domestic consumers are likely to continue paying subsided rates for natural gas, something which will make it tough for the government to implement efficiency enforcement plans.

There are two recommendations floated by the ministry for gas pricing, namely bidding and equating with power price at parity of 40 percent thermal efficiency. If implemented, this can go a long way to rationalise gas price and usage.

The government also intends to equate CNG price with that of petrol—but there is no timeline mentioned in the plan. Pakistan has the dubious distinction of being the largest CNG consumer for transport in the world; and the only way out is equating CNG price with petrol.

Another heartening step in the plan refers to directly subsidising farmer instead of offering subsidising on feedstock gas. This has long been the demand of industry players and the right thing to do. All in all, the plan looks largely solid—one hopes that Islamabad has will enough to actually implement it.

Other corporate results

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STANDARD CHARTERED LEASING LIMITED

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Rs(mn)	FY13	FY12	Chg
Income from finance leases	508	449	13%
Other operating income	56	42	35%
Operating profit	149	134	11%
Profit before tax	158	178	-11%
Profit after tax	106	98	9%
EPS (Rs)	1.09	1.00	

Source: KSE notice

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Brief Recordings

'Engro plans to target meat business to the mass market,' CEO, Engro Corporation

September 16, 2013

RECORDER REPORT

Muhammad Aliuddin Ansari is the President and Chief Executive Officer of Engro Corporation from May 2012. A Business graduate with a specialisation in Finance and Investments, Ali started his career as an Investment Manager at Bank of America in London prior to joining Engro; he has also worked as CEO Pakistan and later as COO Emerging Europe for Credit Lyonnais Securities Asia (CLSA). He worked also as CEO AKD Securities and was instrumental in launching Online Trading, Venture Capital and Private Equity Investments.

Following is a brief excerpt from a recent conversation he had had with BR Research in Lahore.

BR Research: Engro Corporation has had quite a challenging year. Looking back, what were some of the bigger challenges you faced and how did Engro fare through them?

Ali Ansari: The last year brought its fair share of challenges and exciting opportunities. We had had problems in our polymer business, then our rice business was facing some difficulties and was not doing as well as we had hoped. So, there were a number of issues that needed to be addressed.

But, the biggest and the most pressing issues we had were related to our fertiliser business- of course because of the debt servicing issues, the lack of gas, then the government defaulting on commitments, etc. So, we have spent a better part of the year trying to counter those problems and have been engaging with the government and trying to find out a workable solution with them.

But at the same time, this year at Engro we really looked at how to better use what we already have. Converting our new plant to run on gas from the old plant has been one endeavour we took up to manage our existing capacities in a better way.

Based on that and some additional topping up, we now have extra production; we've managed to increase our cash flows and improved our debt servicing abilities to the extent that now we have been able to convince the financial institutions to re-structure the re-payments. So, at this point, we feel really comfortable in meeting the newly set commitments.

Also we have been in the process of signing some agreements with the government which will henceforth ensure access to long-term supply of gas to our fertiliser set ups so things are looking up in that regard as well.

BRR: Do you think that the new political regime has come with a better understanding of businesses? How do you think their business acumen will prove for prioritising the allocation of the gas to the different sectors?

AA: I think their better understanding will lead to better management of the current resources. For instance, the reversion of 60 mmcfd gas back from Guddu power plant to our fertiliser plant was an idea that we had pitched to the previous government as well. We explained to them that it would not lead to any sort of adverse effects on the energy crisis but our pleas fell on deaf ears.

As a result the loss to the exchequer was to the tune of $400 million and the government had to pay huge subsidies on it. But, when we put up the same request to the current government, they could immediately see that how it will help trim off the import bill. So, I certainly see a better understanding of the dynamics within this camp.

BRR: There are some definite signs that Engro will be looking to expand further within the domain of their food business. Would you like to share with us some of your expansion plans?

AA: Our focus is very much on the agriculture vertical, and going forward this is one area, Engro Corp will be looking to expand it.

We are already involved in providing inputs to farmers; we provide them with fertilisers, we provide seed to rice farmers in our rice business as well. Then we are procuring rice as a crop, we procure milk, and very soon we will be looking to procure livestock as well. So, we are looking at the whole agricultural loop where there are big gaps leading to inefficiencies and looking for ways that we can tap into those gaps.

On the other side, we are also looking at the consumer spending patterns and we see that milk commands the biggest portion of the consumer wallet. Then there is meat, which is the second category where consumer spending is concentrated. So, we have launched a pilot into that and are looking at the opportunities.

BRR: Could you tell us about this meat project?

AA: The project will be piloted here in Lahore. The initial plan is to source the meat from our existing milk infrastructure and cattle farms. We are looking to see the kind of appetite that exists in the market for a butchery store where the buyer is looking for a better purchase experience. We will be looking at cold chain models and are looking at business models and trying to figure out the basics at this point.

But the entire premise of the project will be re-engineering the meat buying experience for the shopper-something which has never really been looked into by anyone. Currently there are some small players in the market and they are only targeting particular niches. But, as you know, Engro always targets the mass markets and if our meat pilot is successful, then our end product will be targeting the mass market consumer.

We are looking at different permutations that may work for the consumer and us. And the whole concept centers round replacing the butcher in the long run. So we will be testing the boundaries of the retail experience. Right now we believe that these shops will be independent, and we will take it up to that scale where every targeted locality has its own Engro meat shop, so it is going to be a huge investment.

BRR: Engro's juice business has really been struggling and there are some hints in the market that you might wrap up that particular segment. Is that true?

AA: In the juice segment, we have not done what we should have liked to do in the juice market, but that has not dented our ambitions yet. The market pie is growing and we will certainly be present in the space and will look to do better and there are no plans to wrap up the juice operations anytime soon,

BRR: Would you please shed some light on your rice business?

AA: The rice business has been witnessing some difficulties; and it has been a bit of a struggle for us. The rice crop last year was not a good crop and it had very high moisture levels and that compromised the quality of the crop, but this year we expect a better harvest and better quality crop, so helpfully things will be looking up.

Currently our rice business is predominantly a B2B business but what we are planning to do some thing to shake up our rice business model. Right now we export close to 50 percent of our production, and to utilise the balance we are looking at the new retail format for wholesale distribution, which has been launched in the form of Engro Bharosa. We are currently looking to expand and emulate this model across the country.

Miscellaneous News

Out of pocket: Suffering from the perpetual shortage of revenues

By Our Correspondent

Published: September 15, 2013

KARACHI:

One of the key areas where the government machinery – across successive regimes – has failed is in making ends meet. There has been a consistent failure in earning more than the government has been spending.

The report, compiled by prominent economist Kaiser Bengali uses the year 2007-08 to highlight this rupee gap because of the unique figures for that year. Total tax revenue for 2007-08 stood at Rs1 trillion and expenses on three areas – debt servicing, defence and civil adminstraton (all non-developmental expenditure) – came to Rs1.16 trillion. In other words the government spent all the available funds (collected through taxation) on itself, in fact went over by Rs160 billion, clearly leaving nothing for development expenditure.

Source: FBR Quarterly Reviews

The report very bluntly describes this, comparing it to a factory that spends all of its sales revenues on maintaining its head-office and staff salaries, leaving nothing for raw materials or other productive spending. One does not have to be an economist to conclude that it would not be long before such a factory shut down.

This is basically what successive governments have been doing in Pakistan over the past few decades. And as a result the debt burden – to finance development expenses – has been growing every year.

Herein lies the flaw in recent policies where the focus has been on resource mobilisation. However the problem is that the bulk of these resources are being targeted through tax collection which renders it almost pre-destined to fail considering the very low tax-GDP ratio and the very small tax net.

Added to this is the way the tax is structured in Pakistan. The report terms it a very regressive structure with over 80% of the revenues being generated through indirect taxation and the richest 10% of the population ends up paying just 5.9% in indirect taxes. On the flip side, the poorest 10% of the population actually pay 9.3%.

While the overall tax-GDP ratio hovers around 9% for indirect taxation, this is much lower at 3% when it comes to direct taxation. When one digs a bit deeper into how unfair the taxation regime is in certain places some interesting numbers crop up.

The big three

116%

of tax receipts goes to debt servicing, defence and civil administration

For example manufacturing contributes about 20% to the GDP but ends up paying over 60% of all taxes generated a skewed ratio. It is imbalances like these as well as the over dependence on indirect taxation that makes it a regressive regime.

The report also makes a strong link between the fiscal deficit and subsidies as well as non-developmental expenditure. Data presented in the report shows that fiscal deficit as a percentage of the GDP declined from 7.8% over the pre-privatisation years (1985-92) to about 6.6% over the post-privatisation years (1993-99). The report concludes that on the surface it seems as if this decline can be attributed to the fact that average rate of growth of subsidies fell from 19.5% over 1985-92 to 10.8% over 1993-99. Along with this the average growth rate of non-development expenditure over the same two periods fell from 15.4% to 13.7%.

Efficient way to travel

66%

of the fuel per kilometre is consumed by a railway freight transport compared to the same freight moved by road transport

But the report then goes on to show that the main reason behind the drop in the budget deficit was the sharp drop in the average rate of growth in development expenditure from 16.6% to 1.9% over the same comparative time-frames.

Compounded problem

7.6%

was the average growth rate of trade deficit between 2003-10, which averaged 3.6% in 1990s

It is clear that we have to reduce our non-development expenditure and switch freed resources development expenditure.

The latter has been consistently falling as a percentage of GDP from nine percent in the 1970s to 7.3% in the 1980s to 4.7% in the 1990s and to 3.5% in the 2000s.

Published in The Express Tribune, September 16th, 2013.

Rising imports, stagnant exports; sign of structurally weak economy

By Our Correspondent

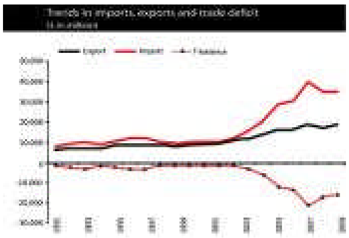
Published: September 15, 2013

KARACHI:

We have spoken about the rupee gap which is caused by spiraling expenses that outpace revenues. Another ill plaguing the economy is the dollar gap. A lot of us know this more commonly as the trade deficit. But that is not really an accurate description. It becomes

accurate when we include remittances and all other kinds of dollar inflows like Foreign Direct Investment (FDI), along with earnings from exports.

When imports exceed these earnings we have a dollar gap. There is no doubt that the biggest contributor to this gap is the trade deficit which is caused by a rising import bill. In Pakistan this problem has been compounded by several factors and the trade deficit has increased from an average of 3.6% of GDP in the 1990s to 7.6% in over 2003-2010.



Source: Ministry of Finance, Economic Survey

Imports are not necessarily a bad thing, considering the fact that Pakistan is a developing country and our industry is predominantly dependent on imports. But the problem arises when a country becomes increasingly consumption driven and imports continue to outpace exports.

This has been the case with Pakistan where imports were on average 27% higher than exports in the 1990s but have been on average 67% higher since 2003.

In certain years imports have been as much as 88% higher than exports, especially from the year 2006 onwards. As a rule economists have tended to follow the theory that deficits can be financed through increasing remittances and other capital inflows like FDI. But this is not a solution that is feasible over the long-term. This is again, synonymous with treating the symptom and not the malaise. The underlying cause of an uncontrolled trade deficit is a structural weakness in the economy and not just a matter of increasing dollar inflows.

The bulk of this rising trade deficit has been because of rising oil prices. But why have rising oil prices hit Pakistan so badly? For this we need to take a look at the break-up of Pakistan's imports. There are 17 broad categories covering all imports, and of these the biggest is petroleum products, at about 25% of all imports. And the bulk of this is high speed diesel oil which is used in heavy road transport. The other significant portion of oil imports is furnace oil which is used in the power sector.

It is clear then that the first thing that needs to be done to try and reduce the import bill is to try and reduce the oil import bill. This can only be done two ways. One is to try and reduce oil consumption, and at the same time to try and increase local production. Since the second is not something that we can do unless we are able to strike oil, and that too in significant quantities – which still leaves us with the issue of limited local refining facilities – the only viable option is to try and reduce oil consumption.

Simply put we need to revive railways and convert power generation to coal and gradually change the energy-mix

To do this, we need to reduce the dependence of our transport sector on diesel and of our power sector on furnace oil. The answer is simple, but needs a dedicated and committed plan. Simply put we need to revive railways and convert power generation to coal and gradually change the energy-mix with a greater share coming from coal and hydro-power. This will not only help reduce the dollar gap, but the rupee gap as well.

Published in The Express Tribune, September 16th, 2013.

There can be no recovery without revival of railways

By Our Correspondent

Published: September 15, 2013

KARACHI:

We have entered the nuclear age. Man is exploring space and for the first time, man-made exploratory probes have gone out of our solar system into what we call interstellar space. It is without a doubt a technology-driven world that we live in today. But even with all of this advancement, the cheapest mode of heavy transport across land is still something that was invented over a century ago, the railroad.

And it is even more so for a developing country like Pakistan. There can be no economic revival in Pakistan that does not include the revival of the railroad as a key component.

First let us understand why this this revival is so important and then we will look at the potential benefits of this.

PR losses

95%

of goods is transported by road, depriving railways of revenues

We have already established that one of the key drags on the economy is the extremely high import bill. We have also established that a significant portion of this is oil imports. Going into it deeper we see that 55% of the oil import bill is high speed diesel (HSD). This is so because its primary target market is freight transport by road which accounts for 90% of the total freight carried across Pakistan.

It is an irony that one of the few positives left behind by the British Raj in the sub-continent was the world's largest network of railway tracks and we have failed to utilise that.

One of the advantages of the railroad is its fuel efficiency. It consumes about 66% of the fuel per kilometre compared to the same freight moved by road transport. In other words if we can manage to shift the bulk of Pakistan freight transport to railways, we can reduce the diesel import bill by a third. Subsequently, this would result in a fall of about 15% in the overall oil import bill.

This will have a trigger effect that will include a fall in the demand for foreign exchange, a fall in the drain on forex reserves to fuel the oil import bill and eventually a reduction in the need for loans to fuel the widening dollar and rupee gap. This will reflect both on foreign and domestic borrowing. And this, in turn will shave off a significant chunk of debt servicing which is another drain on finances.

White elephant

It is a common argument that Pakistan Railways cannot be revived because it is too far gone and corruption and mismanagement is too deeply entrenched. There is nothing that cannot be revived if the political will and the right planning are present. There is no reason why, with the right road-map, railways cannot one again become a viable economic entity.

The report penned by Kaiser Bengali makes a very valid point that Railways has not suffered because of corruption, rather corruption has festered because of neglect.

There was a time that Pakistan Railways was a profit making enterprise and carried the bulk of Pakistan's freight traffic. This is the norm, the world over where railroads have freight carriage as their primary source of income, not passengers.

This was until the 1970s, but since then, following the deregulation of the road sector and creation of the National Logistic Cell and gradually freight cargo started shifting to the roads, leaving Pakistan Railroad to focus more and more on passenger services.

How can one expect PR to have competed? It had to finance the construction of railroad tracks whereas the NLC and other road transport companies did not have to spend a penny to build roads or maintain
them. This was a grossly uneven playing field. The government builds roads out of the PSDP.

It is key that the freight business be once again made the mainstay of the railroad sector. That is the first step and has to be part of any plan to revive railways. It is good to know that the PML-N government seems to be focusing on just this.

Published in The Express Tribune, September 16th, 2013.

Uneven playing field: Manufacturing sector falls behind as services take over

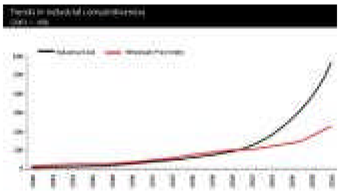
By Our Correspondent

Published: September 15, 2013

KARACHI:

For a long time our exports have been unable to move out of traditional areas like rice, textiles and leather and have also been unable to register exponential gains in numbers over the years. For over three decades now the growth in exports as a percentage of GDP has averaged about 12%.

These three traditional areas make up about 66% of Pakistan's total exports. The strategy to expand exports by focusing on three main product ranges and not paying as much attention to expanding the range of products has not worked. The other reason our exports have failed to takeoff is because of the shift from manufacturing and agriculture to the services sector in recent years.



Source: Ministry of Finance, Economic Survey and Pakistan Bureau of Statistics

Our economy has been agro-based since the start and has also grown into a manufacturing-based economy. But the recent growth of the services sector, at the expense of, instead of along with manufacturing – has created an imbalance that has created structural flaws.

The report describes a strong services sector imposed on weak commodity producing sectors like someone with a bloated body trying to stand on weak legs. Such an economy can neither be strong nor stable.

The report calls for investment in agricultural infrastructure, particularly water management and soil conservation. It categorically states that manufacturing is the engine of growth and the source for exports and jobs and will remain so for the next two-three decades.

This is the path that should have been followed but the macroeconomic policy framework that has been followed over the last two decades has created an anti-industry bias. This policy has resulted in reduced absolute and relative profitability in manufacturing and raised absolute and relative profitability in alternative non-commodity producing sectors.

The sad result of this policy has been that now few investors are willing to choose manufacturing and usually opt for the large and easy profits to be made from trading in land, commodity and stock markets.

This has hit the pace of industrialisation and another factor that is responsible for this is unfair competition from imports and the surge of the non-commodity producing sectors.

Unfair competition from imports

The onslaught of imports began with the formal adoption of the neo-liberal policy framework in 1988 and consequential trade liberalisation in the early 1990s. The results have been devastating. A comparison of revenue receipts from customs duty and domestic indirect taxes – sales tax and central excise duty – shows that, from 1980 to 1993, the ratio of customs duty receipts and domestic indirect taxes receipts was 55:45. It was 50:50 in 1994 and declined to 20:80 by 2010. If the charge, earlier, was that imported goods did not enjoy a level playing field, now it is the domestic manufacturing sector that does not face a level playing field.

Manufacturing is the goose that is laying the golden eggs – in terms of exports and jobs – and cannot be sacrificed at the altar of the state's (and society's) obsession with consumption

And deeper analysis of this escalation of the domestic tax burden shows that it has been accompanied by increases in other production costs, particularly energy, partly, due to the need to self-generate power at a significantly higher unit cost.

As if this was not enough, the recent 75% increase in electricity tariffs for the industry is akin to a death blow for the manufacturing sector. In an environment where there is already little investment interest in manufacturing, this is going to further slow down the flow of investment.

It is a basic thing that any business will be profitable as long as revenues exceed costs. An industrial unit will be profitable till the output price of its products exceeds its input (production) cost. However, with input costs rising faster than output prices, the industry has been rendered uncompetitive with respect to imports and with respect to competing non-manufacturing sectors.

A comparison of industrial cost and output prices, represented by wholesale price indices from 1980 shows that, for the period 1980 to 2000, the wholesale price index is higher – although slightly – than industrial cost index. From 2001, industrial cost has risen sharply compared to wholesale prices. Given this situation, it cannot be a matter of surprise that investors have tended to abandon the manufacturing sector for more lucrative alternative opportunities.

Essentially, the objective of collecting GST from manufacturing should be to document the economy and not to raise revenues to finance the non-development expenditures of the state. The government should not strangle this sector because it is unable to increase its tax base.

The report also stresses that given the importance of industrialisation in strengthening the economic base for sustained development and employment generation, the state's withdrawal from the industrial development arena needs to be reversed.

This is particularly necessary in view of the failure of the private sector to invest in ventures where large capital outlays and higher levels of technical and managerial skills are required and where the payback period is longer and risks higher – relative to short-term investments in speculative trading.

Manufacturing is the goose that is laying the golden eggs – in terms of exports and jobs – and cannot be sacrificed at the altar of the state's (and society's) obsession with consumption.

Published in The Express Tribune, September 16th, 2013.

Emergency brakes: PIA unions set eyes on employee buyout

By Saad Hasan

Published: September 14, 2013

KARACHI:

Pakistan International Airlines' (PIA) strongest union has thrown its weight behind an employee buyout of the cash-strapped carrier, which has become a burden for the current government.

"The government should give us the first right of refusal of whatever market prices the shares get," stated the Joint Action Committee of PIA Employees (JACPIAE)."Even if the employees have to beg from door-to-door, we won't allow a national asset to be gifted to someone." They added.

JACPIAE has already approached local and foreign investors to back its bid, and PIA's Collective Bargaining Agent, which is controlled by Pakistan People's Party-backed labour union, agrees with them.

Earlier this week, the government announced its decision to privatise 26% of the total shares of PIA along with management control. The airline and officials of the Privatisation Commission are working on a detailed plan.

"Our foremost priority is to stop this (privatisation). But then we already own part of the airline. We have an advantage." stated President of Society of Aircraft Engineers Shaukat Jamshed, and insisted that workers first try to stop privatisation before considering the buyout option.

The last government had distributed 12% of PIA's shares among the staff under the Benazir Employees Stock Option Scheme.

Pakistan has previously witnessed two successful employee-buyouts. First in 1991, when Exxon decided to exit the market, its employees arranged financers and bought 75% equity in what later became Engro Corporation.

And consecutively a year later, employees collectively bought out Millat Tractors, which is now one of the most competitive companies in the country.

"Letting the employees have a stake is preferable to a private investor taking control. A private investor would fire people and that create no economic value" said Asad Umar, who was among the workers of Exxon who opted for the buyout.

At the moment, analysts and industry officials can only guess the terms which will be offered to the investor.

"Accumulated losses is not the big issue, it's the long term debt that matters. And if the government picks that up then this transaction does not make much sense," said Umar.

PIA has a negative equity of over Rs125 billion. Its long term debt exceeds Rs80 billion. Starting from the first quarter to March 2013, PIA's loss increased 10% to Rs8.62 billion.

Investor Arif Habib, who is also on the board of directors at PIA, said "It is yet to be decided how the government proceeds with the privatisation but it's possible that the government will take ownership of the liabilities. It is not unusual, it has happened before."

PIA saw a decline of 10,000 flights to 45,000 in 2012. The number of revenue passengers – who pay for their seats – declined to a six-year low of 5.2 million, and available seat kilometres at 19.84 million remains at a four year low.

"Selling just 26% shares won't absolve the government from bearing the airline's liabilities but it's needed to make the transaction seem attractive to the investor," stated an analyst.

Former CEOs including Tariq Kirmani and Zafar A Khan have argued that PIA is in dire need of a layoff. PIA is over staffed with 19,000 employees, placing it at the bottom in the league of all airlines when it comes to worker-to-aircraft ratio.

Salaries, wages, allowances, welfare, social security cost, retirement benefit and compensated absences amounted to over Rs25 billion in 2012.

On the other hand, the money spent on repairing the flying machines, cost of replacing spare parts including expensive engine parts, the overhauls, all put together amount to approximately Rs8.9 billion. Fuel cost which make up 35% of operational cost of an average airlines, is over 47% in the case of PIA.

Published in The Express Tribune, September 15th, 2013.

Number of super-rich soars 34% in just one year

By Kazim Alam

Published: September 15, 2013

KARACHI:

Pakistan currently boasts of as many as 415 ultra-high net worth individuals (UHNWIs) – super-rich people with a net worth of at least $30 million each – after accounting for shares in public and private companies, residential and passion investments, such as art, planes and real estate.

According to recently released Wealth-X and UBS World Ultra Wealth Report 2013, the number of ultra-wealthy individuals in Pakistan increased from 310 in 2012 to 415 in 2013, a surge of 33.9% in just one year.

A global UHNWI prospecting, intelligence and wealth due diligence firm, Wealth-X worked with private banks, educational institutions and luxury brands to compile this report with sponsorship from UBS, an international financial services firm.

AVERAGE WORTH

$120.5m

is the average wealth of a Pakistani UHNWI in 2013
compared to global average of $139.4 million

The report says the collective wealth of Pakistani UHNWIs is currently $50 billion, which is up 25% from 2012 when their total wealth stood at $40 billion.

The World Bank estimates Pakistan's gross domestic product (GDP) at $231.2 billion, which means that the wealth of 415 wealthiest Pakistanis is worth more than one-fifth, or 21.6%, of the country's GDP.

In contrast, the total wealth of the world's UHNWI population is equivalent to 40% of global GDP, although such individuals account for approximately one in every 35,000 people.

Pakistan posted the biggest percentage increase (in Asia) in terms of the UHNWI population as well as total wealth such individuals possess

Out of the 20 countries listed in the Asian category, Pakistan's rank is 12th in terms of UHNWI population. Interestingly, Pakistan posted the biggest percentage increase in terms of both the UHNWI population as well as total wealth such individuals possess.

For all Asian countries, the UHNWI population and their total wealth increased on average by 3.8% and 5.4%, respectively. But the percentage increase in the two categories for Pakistan was remarkably high at 33.9% and 25%, leaving behind all Asian countries, including India (1.6%, 1.1%), China (-5.1%, -4.1%) and Bangladesh (5.9%, 15.4%).

Average wealth of a Pakistani UHNWI in 2013 was $120.5 million. In contrast, the global average wealth of an UHNWI in 2013 was $139.4 million, which is 15.6% higher than the average Pakistani UHNWI.

While the United States and Europe grew faster than Asia in the last 12 months, the report forecasts that Asia will have more UHNWIs and wealth than both regions in the next five years.

"At the current growth rates, Asia's UHNWI population and wealth will eclipse that of Europe in 2021 and 2017, respectively," the report said.

While the United States currently leads in terms of UHNWIs, Asia is expected to have a larger population by 2032, and a greater total UHNWI wealth in 2024, the report says.

Published in The Express Tribune, September 15th, 2013.

Govt misses SC's 3G auction deadline for appointing PTA members, chairman

By Farooq Baloch

Published: September 15, 2013

KARACHI:

The federal government has missed the Supreme Court's (SC) deadline to appoint the chairman and members of the Pakistan Telecommunication Authority (PTA), said a source familiar with the matter.

The apex court, on September 2, had directed the government to appoint the chairman and members of PTA, the telecom sector's regulatory body, within 10 days. The SC had also directed that following his appointment, the new chairman would present a schedule for the long delayed auction of third generation (3G) mobile spectrum before the apex court on the next hearing date – Monday, September 16.

The deadline has already passed without any official announcement from the government regarding the appointments of any members – one of whom would be made the authority's chairman. This was also confirmed by sources familiar with the matter.

"If someone had been shortlisted or appointed, the news would have spread like wildfire," said an official who requested anonymity while confirming no members were appointed as of September 12, the deadline given by the SC. There was no announcement on Friday either.

The members are appointed by the establishment division, while the cabinet division issues an official notification in this regard, an official said. It wasn't likely for the government to look into 165 applications and finalise the members in just 10 days, he added.

A summary, to appointment members of PTA, was already sent to the Prime Minister House, said another official, adding that it was also submitted to the SC in the last hearing. The official added however that they didn't receive any notification from the cabinet division regarding appointments in the telecom regulator.

While there seems to be no progress on the appointment of PTA's leadership – the signing authority and a must for completing 3G auction – the Ministry of Information Technology (IT) and Telecommunication has formed a committee, almost on the same pattern as the former government, to supervise the auction. The titles of the members are almost the same but the faces have changed, said an official requesting anonymity.

Forming an auction supervisory committee (ASC) will be a wrong step, a senior official said. The former government had made the same mistake, he added, explaining that the PTA, being an autonomous body, should be given full authority in the matter.

The telecom regulator had successfully auctioned 2G spectrum without any supervisory committee and it doesn't need one, said the official. Millions of dollars are at stake with the 3G auction, he said, which leads to vested interests of specific people. The previous ASC had also given dictations to PTA and this interference led the country nowhere, he said.

It is best to give full autonomy to PTA, which is responsible for the outcome of the auction, the official said.

The current ASC will be chaired by the finance minister, while other members include Minister IT and Telecom; Chairman, PTA; Executive Director, Frequency Allocation Board; Member Telecom; Secretary Finance, Secretary Law and Parliamentary Affairs and Minister of Science and Technology, the official said.

The members of the ASC, formed by the former government, included Minister Privatisation, Minister Water and Power, Minister for Petroleum and Natural Resources and was also headed by finance minister.

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Descent into chaos: Evolution from an economic state to a security state

By Kaiser Bengali

Published: September 15, 2013

Sustainable Reform

Economic policy management covers a large area encompassing several sectors and sub-section. An important area of macroeconomic management is monetary policy and the issue of discount rate and banking spread that impacts the cost of production. Another critical area is that of economic governance and law and order.

There are a host of procedural issues that industrialists and industrial managers face on a day to day basis and which impacts on manufacturing development. The working paper, "Proposed Agenda for Sustained Economic Revival" written by Dr Kaiser Bengali looks at various aspects of macroeconomic policy, considered more critical for economic revival, and argues for priority attention to these aspects.

The paper proposes reforms in the fiscal and import structures of the economy, with the aim of resolving the underlying severity of budget and current account deficits.

The paper considers plugging the rupee and dollar gaps as crucial for sustained economic recovery and, in this respect, pleads for stopping haemorrhaging of foreign exchange and for expansion of the industrial base and creating a sustained basis for employment growth.

Dr Bengali is a former Managing Director of the Social Policy and Development Centre and currently a Consultant. He has also served as Adviser to Chief Minister Sindh for Planning and Development.

There is an air of optimism since the change of government but the fact remains that Pakistan faces grim economic prospects and short-term measures will not do the trick. Damage that has been done over a period of decades cannot be undone in just a few years.

So far, what the governments have been doing is treat the symptoms and not the cause and no single regime can be held responsible for this state of affairs, but there is no doubt, that there needs to be a unified effort to turn things around.

The measures that need to be taken are not just economic in nature. Supremacy of the Constitution, an independent Judiciary and continuity of democracy are all elements that need to be promoted and upheld to pave the way towards a stable environment, which will then encourage economic growth. This cannot be done until the political setup which will have to include all political parties, the bureaucracy and the agricultural and industrial leadership develop a consensus on the way forward.

Consumer-oriented

85%

of the GDP is generated by consumption nowadays,
a situation that was different prior to the 1980s

How we got here

However, this time around, we need to treat the disease, and not just the symptoms, we need to diagnose how we got here, isolate the root causes and eventually, find possible solutions.

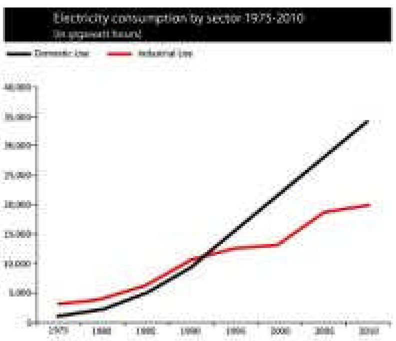
One of the primary transformations that Pakistan has undergone since the 1970s is the shift from a production based to consumption based economy. This is primarily why in our case a drop in imports signals a drop in industrial output, in retail sales and in tax generation, as a result.

Tax structure

80%

of the revenues is generated through indirect taxation and the richest 10% of the population ends up paying just 5.9% in indirect taxes

Today almost 85% of the GDP is generated by consumption, a situation that was different prior to the 1980s. One way that the report "Agenda for Sustained Economic Revival" looks at this and comes to this conclusion is by looking at the numbers for energy consumption. According to the report, until about 1990, industrial consumption exceeded domestic consumption but went through a gradual reversal after that. Now domestic power consumption is rising at a faster pace than industrial power consumption.



Source: Ministry of Petroleum and Natural Resources

One of the primary reasons given for this was when the focus of the government shifted. Up to the 70s, the main focus had been on industrial growth, agricultural revolution and economic development.

However, the regional paradigm shifted post 1977 and since then Pakistan has become a security state.

Once again, the report looks at a set of numbers and quotes defence spending to back this up. For example, according to data the growth of economic and development spending in the 70s was 21% per year while defence expenditure was growing at about two percent. In the 1980s development spending nose-dived to an annual increase of three percent while defence spending jumped to nine percent.

Saying that Pakistan has slipped from being an economic state to a security state is an opinion that can be challenged but the numbers that indicate this shift are irrefutable. And this is a result of the shift in the approach to economic management over the last three decades.

The trend shifted from accumulation of assets in the development period, including but not limited to the construction of dams, canals, motorways, power plants and, industrial zones and factories. And this growth was led by the public sector and complemented by the private sector. Whether one agrees with or supports the regimes in place, or not, it is an undeniable fact that Pakistan underwent an industrial and agricultural revolution in the 60s and 70s.

Published in The Express Tribune, September 16th, 2013.

OPEN MARKET FOREX RATES

Updated at: 16/9/2013 7:56 AM (PST)

Currency	Buying	Selling
Australian Dollar	97.25	97.5
Bahrain Dinar	276.5	277
Canadian Dollar	101.6	101.85
China Yuan	16.5	16.75
Danish Krone	18.75	19
Euro	140.25	140.5
Hong Kong Dollar	13.25	13.5
Indian Rupee	1.52	1.57
Japanese Yen	1.058	1.07
Kuwaiti Dinar	367	367.5
Malaysian Ringgit	31.35	31.6
NewZealand $	82.25	82.5
Norwegians Krone	17.25	17.5
Omani Riyal	270.25	270.5
Qatari Riyal	28.55	28.8
Saudi Riyal	28.1	28.35
Singapore Dollar	82.6	82.85
Swedish Korona	15.75	16
Swiss Franc	111.35	111.6
Thai Bhat	3.2	3.45
U.A.E Dirham	28.75	28.9
UK Pound Sterling	167.5	167.75
US Dollar	105.65	105.9

INTER BANK RATES

Updated at: 16/9/2013 7:56 AM (PST)

Currency	**Bank Buying TT Clean**	**Bank Selling TT & OD**
Australian Dollar	96.49	96.67
Canadian Dollar	101.08	101.28
Danish Krone	18.6	18.63
Euro	138.67	138.94
Hong Kong Dollar	13.46	13.49
Japanese Yen	1.0474	1.0494
Saudi Riyal	27.84	27.89
Singapore Dollar	82.23	82.38
Swedish Korona	16.01	16.04
Swiss Franc	111.99	112.2
U.A.E Dirham	28.42	28.48
UK Pound Sterling	164.86	165.17
US Dollar	104.4	104.6

Bullion Rates (Gold Prices) in Pakistan Rupee (PKR)

As on Mon, Sep 16 2013, 04:00 GMT

Metal	Symbol	PKR for 10 Gm	PKR for 1 Tola	PKR for 1 Ounce	
Gold 24K	XAU	44,935	52,357	139,767	
Palladium	XPD	23,897	27,844	74,329	
Platinum	XPT	49,208	57,335	153,057	
Silver	XAG	748	872	2,327	

Gold Rates in other Major Currencies

Currency	Symbol	10 Gm	1 Tola	1 Ounce	
Australian Dollar	AUD	459	534	1,426	
Canadian Dollar	CAD	441	514	1,372	
Euro	EUR	320	373	996	
Japanese Yen	JPY	42,342	49,335	131,700	
U.A.E Dirham	AED	1,573	1,832	4,892	
UK Pound Sterling	GBP	268	313	835	
US Dollar	USD	428	499	1,332	