Tuesday, September 12, 2017 / 20 Zul Hijj 1438 Hijri

Market Today (September 8, 2017)				
Opening	**PSX**	**Gold Per 10 gm**	**KCA Spot Rate**	**Crude Oil USD /bbl.**
	41,126.83	45,257.00	6,746.00	47.79

(Source: Web)

Exchange rates issued by the Treasury Management Division of National Bank of Pakistan. September 08, 2017			
Country	**Currency**	**Selling TT & OD**	**Buying TT Clear**
USA	USD	105.5	105.3
UK	GBP	139.04	138.78
Euro	EUR	126.17	125.93
Canada	CAD	87.07	86.91
Switzerland	CHF	110.31	110.1
Australia	AUD	84.49	84.33
Sweden	SEK	13.3	13.27
Japan	JPY	0.9649	0.9631
Norway	NOK	13.45	13.42
Singapore	SGD	78.4	78.25
Denmark	DKK	16.96	16.93
Saudi Arabia	SAR	28.13	28.08
Hong Kong	HKD	13.64	13.61
China	CNY	16.49	16.46
Kuwait	KWD	350.22	349.56
Malaysia	MYR	25.08	25.04
New Zealand	NZD	76.26	76.12
Qatar	QAR	28.97	28.92
UAE	AED	28.72	28.67

(Source: Business Recorder)

Sectoral Share in GDP %		
Sectors/Sub-Sectors	2014-15	2015-16 (p)
Commodity Producing Sector (Agriculture + Industrial Sector)	41.4	40.8
Agriculture	20.80	19.82
Crops	8.2	7.4
Livestock	11.7	11.6
Fishing	0.4	0.4
Forestry	0.4	0.4
Industrial Sector	20.6	21.0
Mining & Quarrying	2.9	2.9
Manufacturing	13.6	13.6
Construction	2.4	2.6
Electricity & Gas Distribution	1.7	1.9
Services Sector	58.6	59.2
Transport, Storage & communication	13.4	13.3
Wholesale & Retail Trade	18.3	18.3
Finance & Insurance	3.2	3.3
Ownership of Dwellings	6.7	6.7
General Government Services	7.1	7.6
Other Services	9.9	10.1

(Source: Economic Survey of Pakistan 2015-16)

Minister Promises Reduction in Port Charges

The development of business and addressing reservations of the business community is the government top priority, said Minister of State for Ports and Shipping Chaudhry Jaffer Iqbal. In a meeting with Lahore Chamber of Commerce and Industry (LCCI) President Abdul Basit, he said, I will act as a facilitator of the business community as no country can move forward without their due role. He assured businessmen that port charges would be reviewed and reduced while company-to-company shipping charges would also be balanced. He conceded that lack of professionalism existed at the Karachi Port Trust (KPT) and a lot of improvement was needed. The situation at Port Qasim, he said, was far better, but initiatives for improvement were well under way. The issue of mishandling of consignments at Karachi Port will also be addressed at the earliest, Iqbal added. The second liquefied natural gas (LNG) terminal will be in working condition by November. Speaking on the occasion, the LCCI president said liaison of the ministry with upcountry businessmen would help build trust and resolve issues in the shortest time. He pointed out that port charges were adding to the cost of doing business as these were 14% higher compared to Dubai Port, 8% higher from Singapore and also higher than Indian ports. There is also difference between company-to-company shipping charges that is creating problems, he said, suggesting container tariffs for all companies should be equal while the code of ethics should also be the same for shipping lines. He said a number of LCCI members had complained that their consignments were being mishandled at Karachi Port by the authorities concerned. Modern scanners can be installed to avoid such mishandling. The business community has to pay demurrage because of the sluggish process at dry ports. The process should be expedited and at least seven days should be given to the business community in that regard, the LCCI chief demanded. He said official and private or commercial vessels should be treated equally for berthing at the port. He called for implementation of the container security system, adding shipping companies should also be directed to reimburse the deposited security at the earliest as a delay of two to three months caused dearth of working capital. ***(Express Tribune)***

Challenges to Economy Spelled Out

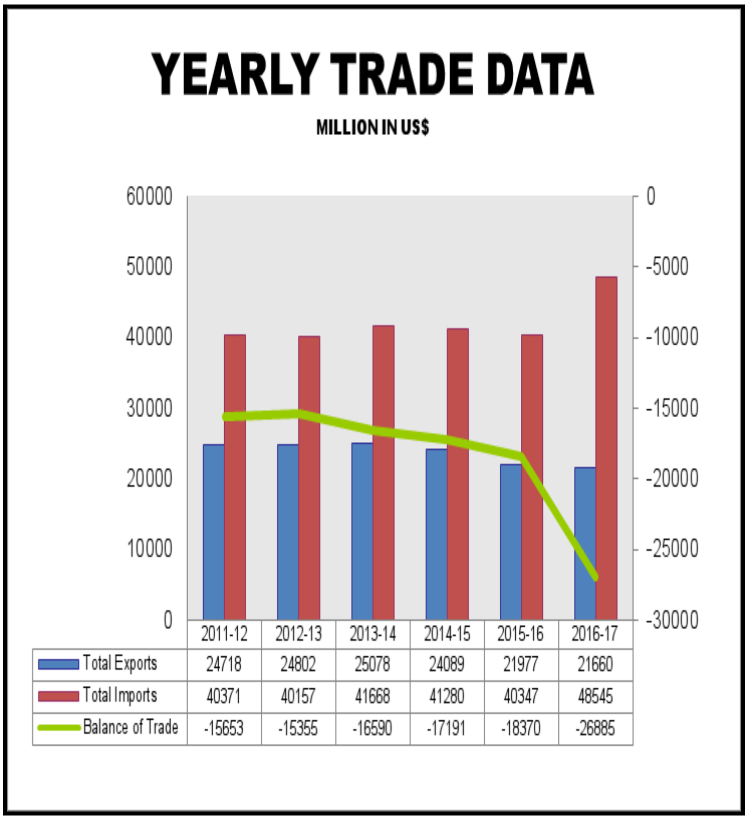
Finance Ministry has indicated that the country total public debt would rise above 60 percent from existing 59.3 percent as percentage of Gross Domestic Product (GDP) after adding figures of second quarter. At a recent briefing to the federal cabinet meeting presided over by Shahid Khaqan Abbasi, Secretary Finance, Shahid Mahmood shared country economic situation including economic challenges ahead in the backdrop of USA new South Asia strategy for the region. Mahmood reportedly recognized that balance of payment, fiscal deficit, debt sustainability, resurgence of circular debt and emerging geo-political situation are major challenges before the incumbent government. According to Secretary Finance the economy is facing following challenges: (i) Balance of Payments which includes widening of current account deficit, widening of trade deficit, slowdown in remittances, financing of balance of payment gap; (ii) fiscal deficit; (iii) debt sustainability; (iv) resurgence of circular debt; and (v) emerging geo-political situation. He shared the following details with the federal cabinet.

ECONOMIC INDICATORS: While briefing on the key economic indicators, the cabinet was informed that except decline in exports and increase in Current Account Deficit, all the economic indicators had fared well in comparison to FY 2012-13.

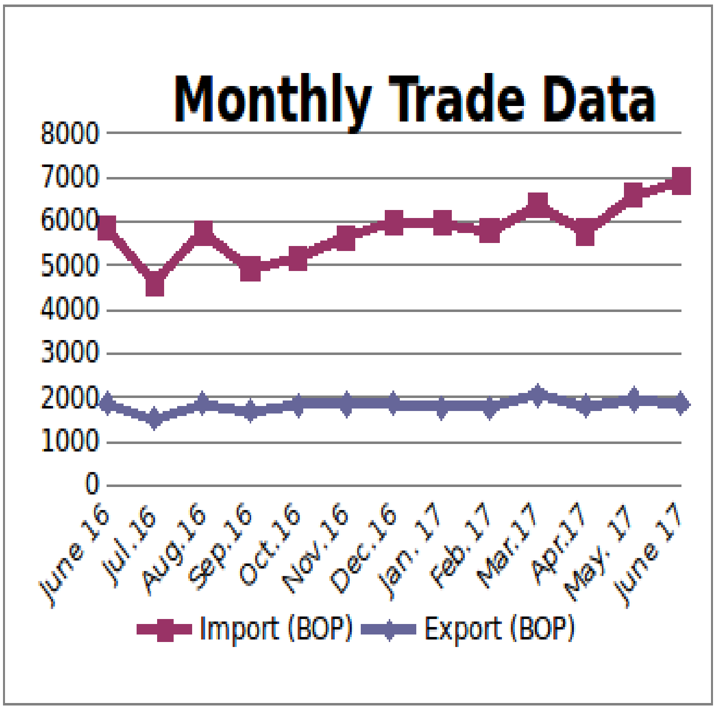
GROWTH PERFORMANCE AND OUTLOOK: The Cabinet was informed that: (i) GDP growth started picking up in FY 2014 and

Economic Indicators	
Annual (2015/16)	
Foreign Debt	$62.649bn
Per Capita Income	$1,512
GDP Growth	4.24%
Average CPI	8.6%
Monthly (June, 2017)	
Trade Balance	$-3,189 mln
Exports	$1,865 mln
Imports	$5,054 mln
Weekly (July 14, 2017)	
Reserves	$20.830 mln

(Source: SBP)



(Source: SBP)



(Source: SBP)

remained above 4 percent. It reached 5.3 percent (highest in 10 years) in FY 2017; (ii) domestic demand got fillip due to higher infrastructure spending by the government and low interest rates; (iii) Industrial performance improved due to improvement in energy supply;(iv) projected growth target in FY 2018 had been set at 6.0% keeping in view all key sectors of the economy coupled with Reform Agenda, which primarily focused on improving governance and fiscal sustainability;(v) economy was under pressure due to adoption of expansionary mode by the government which was backed by pro-growth policies resulting in pressure on fiscal and external accounts; and (vi) real sector growth had improved perceptibly since 2012-13 and forecast augurs well for the sector.

SUSTAINING GROWTH: The Secretary stated that the government had taken the following steps to sustain growth in future: (i) 10,000 MW of electricity generation and 1,500 mmcfd of gas would be added to the system by 2018; (ii) significant increase in investments under CPEC in energy, rail & road infrastructure and related sector; (iii) expectations had encouraged private investors to contribute their share in accelerating growth; and (iv) growth target of 7% had been set for FY 2020 and onwards.

INFLATION (CPI): The Secretary also briefed the cabinet about the arrest of inflation in detail. He stated that: (i) CPI inflation had reduced to 2.91% in July 2017, while FY 2016 witnessed lowest inflation in 47 years; (ii) measures like effective monetary policy, prudent expenditure management, monitoring of prices/supply of commodities, timely pass-through of decline in oil prices to the consumers had contributed to reduction of inflation; and (iii) inflation target for FY 2018 had been set at 6.0% by the Government keeping in view all other economic indicators.

CREDIT TO PRIVATE SECTOR: The Cabinet was informed that credit to private sector had increased from Rs. 748 billion in FY 2017 compared to contraction of Rs.7.6 billion in FY 2013. Positive development was seen in both working capital and fixed investment.

FISCAL CONSOLIDATION: The government took following steps for fiscal consolidation: (i) improved revenue collection and prudent spending; (ii)significant reduction in deficit from 8.2 percent of GDP in FY 2013 to 5.8 percent in FY 2017; (iii) though fiscal deficit had reduced, yet Federal PSDP had increased three folds since FY 2013; and (iv) fiscal deficit could have been 4.3%, but due to over draft of nearly Rs.35 billion by the Provincial Governments, agricultural package and increase in petroleum products, the deficit had risen to 5.8%.

TAX COLLECTION: While appreciating the performance of FBR in revenue collection, the Cabinet was informed that: (i) tax collection had increased by 73% since FY 2013; (ii) elimination of concessionary regime, had enhanced the collection by Rs 300 billion; (iii) tax-to-GDP ratio had increased from 9.8% in FY 2013 to 12.5% in FY 2017; and (iv) in July 2017, the collection by FBR had increased by 30% over the corresponding month last year.

WORKER REMITTANCES: During his briefing, Secretary Finance revealed that Saudi Arabia, UAE, USA and UK were the principal sources of remittances. However, drop in oil prices, which in turn caused economic slowdown in Middle East, more stringent financial regulations in USA and post Brexit effect, led to a decline in remittances by 3.1% in FY 2017. However, worker remittances bounced back and recorded 16% growth in July 2017 compared to same month last year.

FOREIGN DIRECT INVESTMENT (FDI): As regards FDI, the Secretary stated that: (i) the bulk of FDI came in Power, Oil & Gas Exploration, Communication, and Financial sectors; (ii) China, U.A.E, United States, Hong Kong, United Kingdom and Italy were the major contributors; and (iii) government had set the target of USD 4.1 billion for FY 2018.

FOREIGN EXCHANGE RESERVES: During his presentation, Mahmood said that on August 24, 2017, the reserves were USD 20.0978 billion as compared to USD 11.0196 billion in FY2013.

BALANCE OF PAYMENTS: Secretary Finance said that Current Account Deficit in FY 2017 had widened since second quarter due to: (i) increase in trade deficit by 39%; (ii) decline in remittances by 3%; (iii) rise in imports particularly of machinery and petroleum products on account of increased economic activity; and (iv) slowdown in exports due to globally weak demand, lower commodity prices. However, he mentioned that the situation had started to improve due to export package, uninterrupted energy supply and positive global outlook. Exports in July 2017 had increased by 21% over July 2016.

PUBLIC DEBT (AS % OF GDP): The Cabinet was informed that Total Public Debt was 59.3% of GDP after the first quarter, but would rise above 60% after adding the figures of second quarter.

PROFILE OF PAKISTAN STOCK EXCHANGE (PSX): Mahmood said that Pakistan Stock Market was performing well and total Market Capitalization was USD 99.62 billion on May 24, 2017 as compared to USD 51.30 Billion on May 11, 2013. However, due to domestic uncertainty and USA new South Asia strategy, Pakistan Stock Market had lost USD 16 Billion in the last 15 days.

After the briefing by the Secretary Finance, the Cabinet discussed the issue at length. Following is the gist of the discussion: Members appreciated the efforts of the Finance Division for steering the economy from troubled waters to stability. Businesses had lost competitiveness due to higher cost of demo business, which should be examined and comprehensive strategy be put in place. Large Scale Manufacturing (LSM) sector had been outdated and negligible investment has been made in this sector. Cabinet members proposed that Government should give priority to Agriculture Sector, because in the shortest possible time, the sector could enhance productivity and contribute to economic growth as farmers had the capacity to deliver. Farmers did not need subsidy but rather help through reducing the cost of production in the form of reduction in taxes pertaining to the sector. Government should increase the amount of loans to farmers and private banks should be bound to lend to farmers as presently they were shy of lending. After the 18th Amendment, the subject had been devolved to Provinces, which had not paid requisite attention to the sector. The Federal Government should devise a strategy in consultation with all Provinces to give boost to the sector. Cabinet members were of the view that government had very limited choices. Efforts should be made to enhance productivity, increase exports, increase tax collection and decrease imports. It was proposed that committees be constituted, one for indicating options for increasing exports and another for enhancing the agricultural productivity in the shortest time frame. The cabinet maintained that the problems identified were known to all and that all should work hard on solutions. Relevant ministries should come up with concrete solutions to problems. ***(Business Recorder)***