January 2019

NEWS COVERAGE PERIOD FROM JAN 21st TO JAN 27th 2019

FOURTH MEMBER OF PM'S ECONOMIC ADVISORY COMMISSION RESIGNS

By Irshad Ansari Published: January 26, 2019

ISLAMABAD: Another prominent member of the PTI government's Economic Advisory Commission (EAC) has stepped down citing 'personal reasons', The Express Tribune has learnt.

Former chief economist of Pakistan Sakib Sherani is the fourth member of the 18-member EAC to have resigned since its establishment in September 2018. The EAC was set up by Prime Minister Imran Khan to seek expert advice on economic and financial policies of the government.

The commission comprised seven members from the government and 11 from the private sector.

Officials at the finance ministry have sought to downplay Sherani's resignation, saying that he had said in the first meeting of EAC that it wouldn't be possible for him to continue as member for too long because he was already working as a consultant.

According to sources, Sherani has informed the prime minister and Finance Minister Asad Umar about his resignation.

Sherani is the fourth member of the EAC to have resigned within four months and 25 days of the formation of the premier commission. Finance Ministry officials claim that Sherani has resigned due to personal reasons. However, sources say that is not the case.

Sources say that Sherani has stepped down in protest against the government move to bypass the EAC in the preparation of the Finance Supplementary (Second Amendment) Bill, 2019, and five-year macroeconomic framework and midterm budgetary framework.

Atif Rehman Mian, Professor of Economics, Public Policy and Finance at Princeton University, was the first to quit days after the formation of the EAC on September 1, 2018.

Atif Mian, who belongs to the Ahmadiyya community, was asked by the government to step down after politico-religious parties agitated his appointment on the commission.

The withdrawal of Atif Mian's nomination, for which the PTI government drew flak on the social media, didn't go down well with other private members of the EAC.

Dr Asim Ijaz Khwaja, Professor of International Finance and Development at the Harvard Kennedy School, pulled out of the EAC, saying "being a Muslim I can't justify this".

Dr Khwaja announced his quitting on Twitter. "Have resigned from EAC. Painful, deeply sad decision. Grateful for chance to aid analytical reasoning but not when such values compromised. Personally as a Muslim I can't justify this. May Allah forgive/guide me&us all. Ever ready to help. Pakistan Paindabad," he had written on his official Twitter handle.

Dr lmran Rasul, Professor at Department of Economics, University College, London, followed suit a day later.

"With a heavy heart, I have resigned from the EAC this morning. The circumstances in which Atif was asked to step down are ones I profoundly disagree with. Basing decisions on religious affiliation goes against my principles, or the values I am trying to teach my children," Rasul wrote on his Twitter handle.

After the resignation of Sherani, the number of private sector members on the EAC has also come down to seven. The remaining members on the commission from the private sector are Dr Farrukh lqbal, Dr Ashfaque Hassan Khan, Dr ljaz Nabi, Dr Abid Qaiyum Suleri, Dr Asad Zaman, Dr Naved Hamid and Syed Salim Raza.

From the government side, the commission's members are finance minister, Planning Minister Khusro Bakhtiar, Finance Secretary Arif Ahmed Khan, SBP Governor Tariq Bajwa, Adviser on Institutional Reforms Dr Ishrat Hussain, Adviser on Commerce Abdul Razaq Dawood and Deputy Chairman of the Planning Commission.

https://tribune.com.pk/story/1897518/1-fourth-member-pm-imrans-economic-advisory-commission-resigns/

POLITICAL ECONOMY OF SDGS

Amjad Bhatti January 27, 2019

Sustainable Development Goals signed by the previous government call for renewed political commitment

In the beginning of new millennium, a global social contract was signed by the comity of nations setting a 15-year development agenda naming Millennium Development Goals (MDGs) targeting extreme poverty, education, gender equality and child mortality.

Pakistan was being ruled by military when the MDG framework was signed in year 2000. Military rule continued till 2008 when democratic transition was made possible and the exiled leadership of the PPP and the PML-N returned to take part in the elections. One of the main reasons of abysmal failure in the MDGs at the point of termination in 2015 has often been cited as the lack of political ownership of MDGs framework in Pakistan.

None of the three governments in 15 years were adequately geared to integrate MDGs framework with public policy and budgetary frameworks with the exception of Benazir Income Support Programme (BISP) — a gender-sensitive social protection initiative announced in 2008 through an act of the parliament.

Hence, Pakistan failed most of the MDG targets while countries in Sub-Saharan Africa made substantial progress in the same development agenda. In Pakistan's context, three key factors can be attributed to the underperformance of MDGs and related development targets: (a) lack of political ownership of MDGs, (b) institutional disconnect of MDGs with multi-layered governance framework and (c) absence of and disregard of allocative and technical efficiency.

Resultantly, the official assessments revealed that out of 34 indicators, Pakistan was able to achieve only 3, was partially proceeding to achieve 7 and was completely off track on 24 indicators. During

15-year MDG regime, Pakistan produced only five reports, that too based on contentious "interim data" while the government which signed MDGs in 2000 decided to drop chapters on poverty and income distribution from the Pakistan Economic Survey in 2007, considering them "politically damaging" for the regime.

Concomitantly, there have been two civil transitions of power in Pakistan since the signing of MDGs — in 2008 and 2013 while the latest transition of power in 2018 has just happened against the backdrop of a new global contract renamed as Sustainable Development Goals (SDGs) or Agenda 2030 signed in 2015 by former PMLN-government.

This time around, the political ownership of SDGs was far more encouraging than MDGs signed by the erstwhile military ruler. For example, Pakistan was the first country to adopt SDGs 2030 agenda through a unanimous resolution of the Parliament in February 2016, making it a National Development Agenda. Some follow-up institutional and administrative mechanisms were also put in place which include forming Parliamentary Task Force on SDGs at federal and provincial levels, establishing Prime Minister's SDG Fund and setting up SDG-Support Units at federal and provincial level on cost-sharing between respective governments and UNDP.

With the social sector devolved to the provinces, there is a need to develop robust inter-provincial mechanisms to mainstream SDGs in existing sectoral planning via annual development plans and long-term budgetary frameworks. Much needed 'localisation of SDGs is possible through a political response.

Meanwhile, the general election 2018 has reconfigured the power landscape in Pakistan where the PTI rules the centre, Punjab and Khyber Pakhtunkhwa while Sindh government is retained by the PPP, and Balochistan is led by Balochistan Awami Party, a relatively new entity founded in 2018 by political dissidents of the PML-N. The former ruling party, signatory to SDGs, failed to form government, however, it offers a strong opposition in the National Assembly, Senate and Punjab Assembly with an overt support of other opposition parties including rival PPP, making the government accountable at federal and provincial levels, particularly in Punjab and Khyber Pakhtunkhwa provinces.

The electoral manifestos of key political parties including PTI, PPP and PML-N make direct references to the SDGs which is a step forward at least at the level of conceptual recognition by the key political actors in the country. However, mere recognition of SDGs does not serve much without actual delivery of missing services to the people of Pakistan.

Experience has shown that development interventions have largely been decided and influenced by supply-driven and patronage-based considerations or dictated by technocentric approach in isolation of political economy paradigm.

Development is not merely a technical issue neither it is an apolitical process. SGDs cannot be achieved without some key political decisions aimed at critical public policy rethinking if not reforms per se. Development communities need to identify the political pathways through which progress towards sustainable development is possible, and to understand how the SDGs can facilitate such progress.

A renewed political commitment on SDGs is required by the government that took charge of the country after 2018 elections as the SDGs were signed by its rival political party. An uncertainty has also been created about the future of the 18thAmendment and National Finance Commission Award which could jeopardise the previous political consensus on key areas of constitutional governance including provincial autonomy, democratic devolution and fiscal decentralisation, reversing the process of democratic consolidation in the country.

Punjab, KPK and Balochistan also need to refer to the previous work done in this direction and internalise SDGs as a point of departure for short-term and long-term development planning, implementation and management. On the other hand, PPP in Sindh has reassured consistency and continuity of policy commitments on SDGs referring to its electoral manifesto. Chief Minister Sind Syed Murad Ali Shah has already identified six priority areas to be integrated into the budgetary framework of the Sindh government by realigning forthcoming annual development plans in line with the SDGs targets.

With the social sector devolved to the provinces, there is a need to develop robust inter-provincial mechanisms to mainstream SDGs in existing sectoral planning via annual development plans and long-term budgetary frameworks. Much needed 'localisation of SDGs is possible through a decentralised political response to lingering development deficits at local and sub-national levels.

http://tns.thenews.com.pk/political-economy-sdgs/#.XE7lRlUzbcs

RABBANI EQUATE 'MINI-BUDGET' TO CAPITALIST ECONOMY

ZULFIQAR AHMAD | JAN 26TH, 2019 | ISLAMABAD

Terming the Finance Supplementary (Second Amendment) Bill, 2019 a budget of 'quasi-comprado capitalists,' former Chairman Senate Raza Rabbani on Friday accused the government of announcing budget for the fiscal year 2019-20 five months before time. Taking part in a debate on Finance Supplementary (Second Amendment) Bill, 2019, he said that though this mini-budget caters the big business tycoon, the government also announced fiscal budget for fiscal year 2019-20 five months before time.

"The June-July for 2019-20 budget has been announced now, which is happening for the first time in history of the country. The super tax abolishing on non-banking companies, the green field project, tax exemption on companies' profits, which is not shared with stakeholders, the bank on giving minimum dividend, the reduction in profit earned from the funds provided by banks from 35 percent to 20 percent on houses, SMES, small loans and agriculture loans, etc, all these will be applicable from 2020," he added. Rabbani said that all big business houses had opened their door for election campaign of the incumbent government ahead of July 25 general lections last year.

"And big business house like the Abraajs, the Dawoods helped the election campaign of this government, as a result, if you can analyse the election results, two new classes emerged – first class is the big businessmen who made it to Parliament as MNAs. The second class is of expatriate Pakistanis, who retuned home to contest elections," he added.

Given the situation, he said it is a class-oriented budget and a budget of "quasi-comprado capitalists" which helped the incumbent government and are also present in the Cabinet, adding the reform package was given by keeping in view the interests of big businessmen and their cronies.

He said the message is quite clear as the reforms on which the government is working on are decades old, which it introduced in the mini-budget to favour the big business tycoons by completely ignoring the poor and professional class.

"In a meeting of the cabinet a day ago, the government conveyed a clear message that it's anti-labour, and will be there to protect the interest of the businessmen which is reflected in ban on trade unions. The cabinet banned all trade activities in PIA, which has already been militarised, and Security Printing Press," he lamented.

He continued that by invoking Essential Service Act, the government made it clear that it is there to protect the industrialist class and will crush the labour class, adding in less than six months it is the second budget, and old NFC Award is intact, which is open violation of the Article 160.

"New funds are being generated but NFC is not announced, and the provinces are not being given the funds [and] the NFC was never announced whenever there is either a direct or indirect military rule in the country and this is happening today," he lamented.

He said State thinks that all these funds are reducing the federal kitty, and to be more precise: "Major hurdle in front of the federal government is clause 3-A of Article 160, which states that the new NFC will not less than the older NFC."

"And these rulers have the habits of Gen Musharraf who had brought down the share of the provinces from 57 percent to 43 percent, so we're moving in that direction. We must keep this in mind that throughout in these mini-budgets there was no mention of NFC Award, but Article 158 was also openly violated…Sindh, which is the largest producer of gas, is not being given gas," he decried.

He also negated the government's claim of not getting any dictation, saying Finance Minister Asad Umar must stop claiming that the government is not on its knees as it is already on its knees, which is reflective from the back to back visits of IMF teams.

Rabbani said though the government remained tight lipped about IMF teams visits, the team while leaving the country told media that it wanted gas price hike, increase in electricity prices, privatisation and increase in taxes, and the government exactly did the same.

Despite implementation of all the four conditions put forth by IMF team, he added, the government claims all these are home grown recipes, but in fact, it is dancing to the tune of IMF.

"Soon after elections, Asad Umar, who was finance minister in waiting then, had openly said the government had no option but to go to IMF, and then he has been taking strategic U-turns on this issue, and today, we're doing all this at our own, is not true," he regretted.

He continued that there is an amnesty clause in the mini-budget, and that has especially been introduced to benefit the overseas Pakistanis, who staged a comeback and are now working as MNAs, MPAs and senators.

"Mr Chairman, this is nothing new as whenever state includes a political system in the incubator, it has to give such amnesties. This is what dictator Ziaul Haq did by introducing development fund to facilitate these people. Gen Musharraf also continued it and this government is also pursuing that policy to appease the new political class," he maintained.

Senator Mushtaq Ahmed of Jamat-e-Islami also criticised the government for not paying any heed to the skyrocketing price hike in the country and facilitating the industrialist class in one way or another.

Senator Azam Swati of ruling PTI was all praise for his party government, saying the reforms are introduced to bolster the economy and encourage the foreign investors.

https://fp.brecorder.com/2019/01/20190126442434/

GOVT TO UNVEIL MEDIUM-TERM ECONOMIC FRAMEWORK NEXT WEEK

By Our Correspondent Published: January 26, 2019

ISLAMABAD: Minister of State for Revenue Hammad Azhar has revealed that the government will announce a medium-term economic framework next week, where more supply-side measures will be taken to give a fresh boost to exports and investments.

He termed the economic reform package, announced on Wednesday, a neutral budget in terms of fiscal and monetary measures but said it would revive and facilitate investment and economic growth.

“Moreover, the government is moving towards direct taxation while gradually curtailing indirect taxes,” he said while speaking at a seminar titled “Economic Reforms: Way Forward”, organised by the Sustainable Development Policy Institute (SDPI) on Friday.

“Our economy is consumption-based where in the last 10 years our fiscal and monetary policies failed to revive growth and facilitate investment,” he said.

He was of the view that the Pakistan Tehreek-e-Insaf government (PTI) had taken tough measures, which led to stabilisation of the economy, adding the sole aim of the reform package was to boost supply-side of the economy and enhance production and exports.

He highlighted that the government had proposed a simplified and friendly tax regime to ensure ease of doing businesses. Responding to a question, he said the government was neither planning nor was in favour of any tax amnesty scheme.

Board of Investment (BOI) Chairman Haroon Sharif said all foreign state visits of the prime minister were fundamentally aimed at reaching out to investors to steer Pakistan’s economy out of crisis.

“At BOI, we have four objectives – increasing productivity, technology transfer, facilitating investments to support the export sector and job creation,” he remarked.

Sharif pointed out that first phase of the China-Pakistan Economic Corridor (CPEC) had matured and in the second phase Pakistan had got five concrete proposals from China, Saudi Arabia, the United Arab Emirates, Malaysia and South Korea in sectors like petroleum products, renewable energy, hospitality and tourism.

“The feedback received from the investors and business community is on the taxation structure which is repressive, inconsistency in policies and lack of contract enforcement capacity,” Haroon said, adding that with the help of technology, the government reduced the number of taxes to 16 from 47.

This “is a significant improvement whereas we intend to further slash the number of taxes to a single tax in the next one year,” the BOI chief said.

Such corrective measures, he stressed, had set the direction of the economy, which would build confidence of investors.

SDPI Executive Director Dr Abid Qaiyum Suleri called the reform package an attempt to improve the cost and ease of doing business. “Sometimes governments opt for unpopular corrective measures to get the economy out of crisis. This is for the first time any government is trying to engage Gulf states in an institutional manner, which is a positive step towards improved ties with these states,” he added.

Published in The Express Tribune, January 26th, 2019.

https://tribune.com.pk/story/1896915/2-govt-unveil-medium-term-economic-framework-next-week/

‘PUNJAB TO BE MADE HUB OF ECONOMIC, TRADE ACTIVITIES’

By Our Correspondent Published: January 25, 2019

LAHORE: Provincial Minister for Industries and Trade Mian Aslam Iqbal has said that Punjab will be made a real hub of social, economic and trade activities, where investment-friendly atmosphere has already been created and all possible facilities are being provided to the investors.

While chairing a meeting on industrialisation and investment in the information technology (IT) sector and issues related to taxation, the minister announced that one-window operation was being initiated for 26 departments of Punjab.

“With the provincial departments, some 19 federal departments will work jointly under one umbrella for the facilitation of investors,” Iqbal revealed.

He informed the participants that representatives of investment companies have been consulted and a future action plan would be evolved in the light of their suggestions.

The minister constituted a sub-committee which would review the recommendations and proposals of the meeting for evolving the action plan.

“Work on the Quaid-e-Azam Apparel Park is being encouraged and a strategy has been evolved for establishing special economic zones and new industrial estates,” he shared.

He was of the view that good governance could be promoted through information technology and it would boost investment.

Notifying that state-of-the-art information technology park would be created in Punjab, he was of the view that the promotion of e-commerce was the need of the hour “and steps have been taken on this account.”

Speaking on the occasion, Punjab Finance Minister Hashim Jawan Bakht said reiterated that the IT industry has a pivotal role to play in a bid to meet the demand of future and “we are ready to take every step for the promotion of IT sector.”

Published in The Express Tribune, January 25th, 2019.

https://tribune.com.pk/story/1896124/1-punjab-made-hub-economic-trade-activities/

MINI-BUDGET AIMS TO REVIVE BUSINESS SENTIMENT

Khaleeq Kiani Updated January 24, 2019

ISLAMABAD: Withdrawing critical taxes on capital market and ban on purchase of vehicles by non-filers of income tax returns and facilitating industry, agriculture and small and medium enterprises (SMEs), the PTI government announced on Wednesday the second supplementary budget in almost four months with overall net revenue loss of Rs6.8 billion.

Finance Minister Asad Umar delivered his second budget speech in the National Assembly amid exchange of name calling and taunts with opposition parties — unlike delivery of previous supplementary budgetspeech in September last year in a calm and peaceful environment.

While introducing the Finance Supplementary (Second Amendment) Bill, 2019, the minister claimed at the outset that it was not a new budget but “a package of investment and export promotion measures for industrial revival which addresses all the key challenges” facing the economy and would lay the foundation for macroeconomic stability and growth in the years to come.

Tax collections to fall by Rs6.8bn, revenue target unchanged • Large incentives for lending to SMEs, agriculture, housing • Stock market is biggest winner • Non-filers allowed to buy cars up to 1300cc

Finance ministry officials believed that the impact of loss in revenue arising out of facilitations and incentives to various business segments would largely be compensated by resulting economic revival and expansion.

When contacted, Finance ministry’s spokesman Dr Khaqan Najeeb said that “there is no change in FBR’s target and in overall fiscal deficit” during the year. The Federal Board of Revenue target remained unchanged at Rs4.398 trillion, he added.

Another official said the government would lose some revenue on account of removal of withholding tax on banking transactions for tax filers and stock exchange trading, but this would be more than compensated by an end to the ban on purchase of vehicles of up to 1,300cc capacity by non-filers and increase in duties on luxury cars and other items.

Duties on import of cars and jeeps above 1,800cc would increase by 5-10 per cent — from 20pc to 25pc for up to 3,000cc and from 25pc to 30pc for above 3,000cc. Also, 10pc excise duty has been imposed on import of cars and jeep engines exceeding 1,800cc to discourage luxury imports.

The Pakistan Tehreek-i-Insaf government had also announced the elimination of restriction on non-filers on purchase of vehicles in the Sept 17 supplementary budget but backed out later after widespread criticism, mostly from the opposition benches, for facilitating informal economy and non-filers.

The finance minister has a new justification this time, saying the decision will have a positive impact on the local automobile industry and remove a distortion between purchase of immovable property and vehicles.

Last time, Mr Umar had claimed that the restriction was interfering in the ability of overseas Pakistanis to do business and invest in Pakistan.

A curious insertion 1A in the finance act related to an amendment to section 123 of the income tax ordinance attracted a great deal of attention. The insertion says that “[w]here an offshore asset of any person, not declared earlier, is discovered by the Commissioner…the Commissioner may at any time before issuing any assessment order…issue to the person a provisional assessment order…for the last completed tax year of the person taking into account the offshore asset discovered.”

Some in the opposition seized upon this clause to argue that the government has introduced an “unannounced amnesty scheme”, but minister of state for revenue, Hammad Azhar, took to social media to clarify that the new clause simply extends the powers of the tax authorities to go after undeclared assets once they are discovered.

“Now the demand and recovery of tax can be executed immediately after receipt of information in suitable cases. This will enable the FBR to recover tax provisionally and the regular proceedings (which take about a year or two) will follow. This will also ensure that that we can request for freezing offshore accounts from other countries by conveying our tax demand to them.”

Arguably significant support and facilitation packages were offered to almost the entire business sector, starting from SMEs to agriculture and from low cost housing to banking and from traders to industry and special economic zones and big businesses — apparently targeting the traditional support pockets of the Pakistan Muslim League-Nawaz as the finance minister highlighted how the previous government kept squeezing them over the last five years.

For example, the minister said the tax rate was being reduced from 35pc to 20pc for income of banks arising out of additional SME financing, agricultural financing and low cost housing.

A seed money of Rs5bn would be offered as interest-free loan to the housing sector. Mr Umar described these areas as priority sectors to spur economic growth and create jobs. The additional financing will be worked out on the basis of average advances to these sectors in calendar year 2018 and the facility would remain in place from tax years 2020 to 2023.

The minister expressed the hope that the course of stabilisation coupled with structural reforms he was charting for the economy would usher an era of economic prosperity for people and promised to focus his attention on accelerating investment and domestic savings through an upcoming medium-term macroeconomic growth framework.

“Growth will come through expanding domestic supply and financed largely from domestic resources,” he said.

Another key move was the announcement for settlement of Gas Infrastructure Development Cess (GIDC) arrears against various industries that would come up for approval before the cabinet on Thursday. The finance minister hinted at bringing down the overall rate of GIDC for all sectors to reduce the cost of doing business, besides a 50pc cut in these rates for the fertiliser sector that he believed would reduce fertilizer price by Rs200 per bag.

To facilitate businesses with minimum FBR interface, the minister announced that withholding agents were no more required to file monthly withholding statements, but only biannual statements.

The finance minister also announced steps cajoling the newspaper industry, small shopkeepers and owners of marriage halls in the form of reduction in tax rates. Also included in the reduced duty rates or removal of regulatory duty are import of raw material/inputs for 135 tariff lines meant for plastic, footwear, tanning, leather, home appliances, diapers and chemical sectors. Most of these steps would come into force on March 31. Regulatory duty was also announced for removal of input materials of around 200 tariff lines for manufacturing of automobile parts by local vendors.

Accepting the demand of big businesses and their chambers, the finance minister also announced abolition of super tax on non-banking companies with effect from July 2019, besides offering incentives to industries to set up Greenfield projects.

Mr Umar said the economic framework would ensure the economy to stay on an accelerating growth path, reduce current account deficit sharply and fiscal consolidation lead to reduction in the fiscal deficit. In addition, the government will continue to manage quasi fiscal deficit in the energy sector and bring the flow of this build-up to zero.

Through aggressive structural reforms, the FBR revenue is estimated to grow significantly in real term as a percentage of GDP, with the provinces expected to follow the same. The structural measures, the minister hoped, would affirm a positive trend in domestic savings, thus ensuring a substantial portion of higher investments financed through domestic resources and exports and remittances grow in double digits.

On top of that, the minister said that adequate foreign financing from bilaterals, multilaterals, launch of Pakistan Banao Certificates, Panda Bonds, Sukuk and Eurobond and commercial financing would keep flowing to help build foreign exchange reserves to a comfortable level of import in the medium-term.

Published in Dawn, January 24th, 2019

https://www.dawn.com/news/1459459/mini-budget-aims-to-revive-business-sentiment

NET REVENUE LOSS OF RS6.8BN IN MINI-BUDGET AS GOODIES DOLED OUT TO BUSINESS

Kalbe Ali Updated January 24, 2019

ISLAMABAD: The amended finance bill has reduced and abolished several taxes as the government accepted the long-standing demand of various sectors including small enterprises, low-cost housing while charges on banking transactions has been abolished for filers.

The amended finance bill, presented on Wednesday, has removed the Advance Income Tax on cash withdrawal and cash-denominated instruments from banks for filers, while the Federal Board of Revenue (FBR) will issue bonds in lieu of cash for pending refunds of industrialists.

Promissory notes for sales tax refunds finalised

• Tax reduction on intercorporate dividend for group cos

• Customs duties on total of 75 products removed

Briefing the media, FBR Member Policy Hamid Atiq said the inflows from this tax were a major source of revenue but the government has decided to facilitate the filers. The revenue loss would be between Rs11-12 billion, while increase in Federal Excise Duty (FED) would generate Rs3-4bn, he claimed.

“The net overall drop in revenue would be Rs6.8bn,” the member planning said, adding however that the government has not reduced the tax collection target of Rs4.39 trillion for the ongoing fiscal year.

He also said the overall collection in the first six month of previous year was 43 per cent of total target compared to 41pc in the current year, adding that the new measures would encourage the tax payers especially the business community.

The FBR has to pay around Rs80bn to business community in terms of refunds which was difficult due to liquidity shortage, he said. Therefore, the new measures will give businesses “promissory notes” that are either encashable at a bank or can be collateralised into a loan.

“The bonds can be encashed in the open market, deposited in the banks as collateral and the FBR will give 10pc interest over them after a three-year period,” Atiq said.

Number of Withholding statements filed by businesses has also been reduced from 12 to 2 in a year.

Incentives have been given to banks for advancing loans to micro and small enterprises, low-cost housing, agricultural finance as the income tax from these loans has been reduced to 20pc from 39pc.

Meanwhile, super tax of 4pc has been abolished from the non-banking sector to be applicable from the next fiscal year.

Advance Tax on cash withdrawal by non-filers in bank accounts where the amount has been forwarded from foreign remittance has been abolished as well.

Tax on inter-corporate dividend in case of companies availing group relief has been reduced while tax on undistributed profits has been gotten rid of to promote reinvestment of profits by the companies. Moreover, Advance Tax on small marriage halls with area up to 500 square yards has been brought down to Rs5,000, from Rs20,000.

Exemption has been granted for five years to industries for establishing plants to manufacture equipment used in generation of renewable energy if set up between Mar 1, 2019 and June 30, 2023.

The advance income tax at the time of auction of franchise rights, from participating teams in national and international sports tournament organised by any Sports Board or entity established by the Government, is also being abolished.

Reductions have been made in custom duties including 5pc duty on the import of news prints for members of All Pakistan Newspapers Society and Council of Pakistan Newspapers Editors.

Custom duty on import of plastic moulding compounds has been reduced from 5pc to 3pc whereas that on industrial inputs, covered under 53 tariff lines is being either removed or brought down. Similarly, Additional Customs Duty on industrial inputs covered under 22 tariff lines is being removed.

Regulatory duty is being eminated on input materials of around 200 tariff lines imported under SRO 655(I)/2006 dated Jun 5, 2006 that are used for manufacturing of auto parts by local vendors.

Regulatory duty on smuggling-prone items like tyres, padlocks, groundnuts, food/chocolate preparations, floor coverings, vacuum flasks — falling under 24 tariff lines — has been reduced.

on mobile phones is to be rationalised through collection of all duty/taxes on uniform slabs based on C&F values at fixed rates.

The total taxes on mobile phone valued up to Rs10,000 have been brought down from Rs1,025 to Rs400, those costing above Rs28,000, tax has been decreased by Rs338 to Rs4,000.

For sets up to Rs60,000, the tax is Rs6,000 with a reduction of Rs100 and for those valuing up to Rs105,000, new tax will be Rs8,000, recording a decrease of Rs505.

Regulatory duty of 25pc on export of lead, lead products, scrap of lead and 15pc copper scrap is being removed in respect of exports made under DTRE/Manufacturing Bond Schemes.

Amendments have been made in sales tax and federal excise duty, including exemption on plant and machinery to greenfield industries excluding consumer durables and office equipment, to be used for setting up new industry for production of taxable goods.

Exemption on machinery and equipment relating to renewable energy will also continue.

The proposed finance bill has exempted sales tax relating to ostomy procedures for cancer patients, related to appliances and items listed under PCT heading 99.25.

However, the FED on imported luxury cars/SUVs has been increased from 20pc to 25pc on up to 3000cc vehicles and 30pc for those exceeding 3000cc. A 10pc FED is also being levied on local luxury cars/SUVs.

Published in Dawn, January 24th, 2019

https://www.dawn.com/news/1459447/net-revenue-loss-of-rs68bn-in-mini-budget-as-goodies-doled-out-to-business

”MINI-BUDGET” SEEKS TO REPRESENT FRESH START TO FUEL INDUSTRIAL GROWTH

ZAHEER ABBASI | JAN 24TH, 2019 | ISLAMABAD

The government Wednesday unveiled an economic package to increase investment and growth of industrial sector in particular, and reversed some tax reforms introduced to broaden the tax base by its predecessors.

Finance Minister Asad Umar amid a noisy protest by the opposition in the National Assembly also criticised the policies of his predecessors and stated that their policies have left an economic morass for the successors ahead of unveiling the Finance Supplementary (Second Amendment) Bill 2019. The minister said that most daunting challenge for the new government was to deal with the balance of payment and budget deficit. The present government has taken structural reforms, and sought help from friendly countries to deal with the balance of payment crisis. He added that structural measures undertaken have started yielding results in the form of growth in exports and contraction in trade deficit contributing to considerable reduction in current account deficit.

The finance minister said that proposed measures would increase investment, revive growth of industrial and agriculture sector and propel the country on path to self-sufficiency.

The government, he said, has decided that tax on banks income for loans to specific sectors, small and medium enterprises, agriculture, and housing scheme is being reduced from existing 39 percent to 20 percent. There would also be allocation of Rs 5 billion for ”Qarz-e-Hasna” for low-cost housing. The government has also decided to abolish withholding tax on banking transactions for filers while non-filers have been allowed to purchase up to 1300cc vehicles by paying higher tax.

The minister said that there is improvement in external account with contraction in current account deficit, saying this is not sufficient and the present government will take difficult decision to fix the economy even if it has take an IMF programme for this purpose but would make sure that it is for once. “The economy can be improved only if there is a balance between income and expenditure,” said the minister.

There is need to eliminate difference between the rich and the poor and for achieving real GDP growth, investment would have to be increased in the country, he added. The finance minister also announced to abolish advance tax on cash withdrawal from accounts of foreign remittances.

The finance minister said as part of ease of doing business, filing of withholding statement for private businesses is proposed to be reduced to twice a year from monthly basis and duty on diesel engine is proposed to be reduced from 17 percent to 5 percent. He said that minimum withholding tax on marriage halls is proposed to be reduced from Rs 20,000 charged on each function to Rs 5,000. The government, he stated, has decided to abolish import duty on news print industry.

Asad Umar said the government with the objective to increase the exports and industrial growth has decided to review some categories of customs and regulatory duties. He further stated that import duty on raw material for various sectors, auto vendors, engineering and other sectors is being reduced while investment in Special Economic Zones (SEZs) is being made easy by doing away anomalies.

The green field projects would be fully exempted from taxes and duties for five years period and similarly investment in units manufacturing renewable energy equipments would also be exempted from customs duty and sales tax, and exemption in tax is also for companies participating in national and international sports leagues.

The finance minister said that Super Tax on non-banking companies would be abolished from fiscal tax year 2020 and reduction of 1 percent in corporate income tax would continue while there is a proposal that tax on undistributed profit be done away from July 1.

The finance minister said that stock exchange can play a role to mobilise investment and stated the government has decided to abolish 0.02 percent withholding tax on trading. Additionally, he said, that capital losses carry forward has been allowed for three years. There is also a proposal of merging different slabs of taxes and duties on mobile phones while advisor to prime minister on commerce and textile will reveal measures to boost exports in a press conference, added the finance minister.

Umar said that the government has also decided to clear refunds of sales tax and income tax through promissory notes from the next month that would ease the liquidity problem of exporters. The minister said that the government and business community are standing against each other in the court on Gas Infrastructure Development Surcharge (GIDC) issue which is not good and the matter is being taken to the cabinet today (Thursday). Umar said that decrease in GIDC rate would contribute to slash urea price by Rs 200 per bag.

Earlier, Umar flayed the policies of previous governments and stated those who have ruled the country for last ten years and especially those in last five years, have left the economy in a very poor shape for winning the votes. The budget deficit was around 6.6 percent due to over spending in election year, knowing that the amount would be collected from the people to finance the slippage in deficit. With over Rs 500 billion deficit in power sector and over Rs 150 billion in the gas sector, the previous government left the deficit at around Rs 3 trillion for the successor to deal with. The finance minister said that previous Punjab government closed fiscal year with Rs 40 billion deficit while former KPK government ended fiscal year with a budget surplus of Rs 35 billion.

https://fp.brecorder.com/2019/01/20190124441833/

FINANCE BILL, 2019: A SHIFT FROM CONSUMER ECONOMY TO INDUSTRIAL ECONOMY, SAY TRADERS

N H ZUBERI | JAN 24TH, 2019 | KARACHI

Business community has termed Finance Supplementary Amendment Bill, 2019 presented in the National assembly by Finance Minister Asad Umar as good effort to mobilise business and industrial activities in the country under present circumstances.

They said that efforts have been made to change the direction from consumer economy to industrial economy. Secretary General of Businessmen Panel (BMP), Ahmad Jawad has appreciated the measures in the Finance Bill, 2019 regarding lifting of ban on purchase of vehicles on non-filers up to 1300cc and removing the embargo on withdrawal of Rs 50,000 cash, abolishment of Super Tax on non-banking companies. Also, agriculture sector RD has been reduced from 17 percent to 5 percent on all diesel engines which are used in agriculture.

He further said reducing tax on small marriage halls is a good step. In housing sector, tax on small houses will be reduced from 39 percent to 20 percent.

Jawad said these measures increase the confidence of masses. The automobile sector may flourish again after the measures taken in the bill are implemented.

Similarly, in the ‘mini budget’ for refunds of sales tax, the government will introduce giving bonds. At least some relief is given to business community which will help increase exports, he added.

Tax exemption up to five years on all Greenfield and other power projects is a healthy incentive for new investors which will help increase investment climate in the country. Now, there is a great opportunity for foreign companies to invest in power projects in Pakistan, Jawad maintained. Gulam Ahmed said he can’t comment without seeing ‘mini budget’ documents. He added that the government must provide water, power, gas so that industries could run full capacity and facilitate local and foreign investors to make investment in the country.

https://fp.brecorder.com/2019/01/20190124441899/

PM SEEKS ECONOMIC ASSISTANCE PACKAGE FROM DOHA

Syed Irfan Raza Updated January 23, 2019

ISLAMABAD: Seeking another bailout package, this time from Qatar, Prime Minister Imran Khan on Tuesday assured overseas Pakistanis in Doha that he would turn the motherland into a developed and economically strong country.

During his two-day official visit to Qatar that began on Monday, the prime minister met Qatari Emir Sheikh Tamim bin Hamad Al-Thani and Prime Minister Abdullah bin Nasser bin Khalifa Al-Thani, business community of Qatar and overseas Pakistanis, according to the Prime Minister Office.

The red carpet was rolled out to welcome Prime Minister Khan at the Diwan-i-Amiri where a formal ceremony was held in his honour. He was presented a guard of honour by a smartly turned-out contingent of the Qatari Amiri Guards, and the national anthems of both countries were played.

A one-to-one meeting was held between Prime Minister Khan and Qatari Emir Sheikh Tamim. They discussed the entire spectrum of bilateral ties and regional and international matters of mutual interest. The two sides also held delegation-level talks.

Imran holds meetings with Qatari emir, businessmen; addresses public meeting in capital

The Pakistani side asked the Qatari government to reduce the price of liquefied natural gas (LNG) and make its supplies on deferred payments under the existing 15-year supply contract. Presently Pakistan's LNG import bill is said to be $4 billion per year.

The Pakistan Tehreek-i-Insaf led government has been criticising the contracts signed by the previous Pakistan Muslim League-Nawaz (PML-N) government for LNG import from Qatar at a price equivalent to 13.39 per cent of the international benchmark crude oil price, and two terminals set up by the private sector for re-gasifying imported LNG.

Before this, Prime Minister Khan obtained economic bailout packages from Saudi Arabia and the United Arab Emirates.

According to the PM Office, during the PM's visit to Qatar, all issues of bilateral nature were discussed, particularly the strengthened economic and trade relations between the two countries.

The emir of Qatar hosted a lunch for the prime minister and the members of his delegation.

Prime Minister Khan also met Chairman of the Qatar Businessmen Association (QBA) Sheikh Faisal bin Qassim bin Faisal Al-Thani and Hussain Alfardan, one of the Middle East's leading businessmen.

The QBA chairman conveyed interest of Qatari businessmen in investing in Pakistan. The investment areas include hospitality, large-scale manufacturing, transportation and food production.

The meeting was followed by another meeting with Hassan Al-Thawadi, secretary general of the Supreme Committee of Delivery and Legacy, who briefed the prime minister on FIFA 2022 World Cup preparations. He promised to focus on encouraging skilled manpower import from Pakistan.

Sheikh Nawaf Bin Nasser Bin Khaled Al-Thani, a representative of the NBK group, also called on the prime minister.

The prime minister also met a delegation of the Qatar Chamber of Commerce led by Sheikh Khalifa Bin Jassim Bin Mohammed Al-Thani and including leading importers of the Gulf state.

The meeting concluded with a resolve to increase imports from Pakistan and providing a bilateral framework of trade which will enhance Pakistani exports to Qatar.

Representatives of the Sikh community in Qatar also called on the prime minister and thanked him for the groundbreaking of Kartarpur Corridor which was the longstanding desire of the community globally.

Speaking at a public meeting at Al Wakara Stadium in Doha that was organised by the Qatari government, Prime Minister Khan said his government would boost tourism to such an extent that it would help stable the crippling economy of Pakistan. "We will generate so much money through tourism that we will have no need to get dollars from abroad," he added.

"I am happy to address overseas Pakistanis in my first public gathering after become prime minister," the prime minister said.

He said Pakistan had the potential of four types of tourism — historical, beach, religious and mountains — even then the country was lagging behind in this field as compared to other countries which had only one type of tourism. “Malaysia has only beach tourism while Turkey has beach and historical tourism but their annual income from it is $20bn and $40bn, respectively,” he added.

The prime minister did not miss an opportunity to criticise previous rulers of the country saying they had looted the country with both hands. “The way Pakistan was looted with both hands no other country could survive if it would have happened there.”

Reacting to the remarks of Imran Khan, PML-N leader Ahsan Iqbal said the prime minister was introducing Pakistan as a “corrupt” state before the world.

The prime minister said he had met a number of foreign investors and heads of renowned firms who had wanted to invest in Pakistan but could not do so due to “corruption” and “complicated” tax regime. “Now we have reduced number of taxes from 36 to 16 and as far as corruption is concerned, you should not be worried about it. Not a single scandal of the incumbent government has come to fore in its first five months.”

Terming overseas Pakistanis “backbone” of the country, he said Pakistan was running because of remittances being sent by expatriate Pakistanis. “The time is not far away when people will come to Pakistan for jobs,” he claimed by assuring participants of the public gathering that people would soon get fruits of sagacious policies of the government.

Published in Dawn, January 23rd, 2019

https://www.dawn.com/news/1459236/pm-seeks-economic-assistance-package-from-doha

GROWTH LIKELY TO STAY SUBDUED: IMF

RECORDER REPORT | JAN 22ND, 2019 | ISLAMABAD

Growth in the Middle East, North Africa, Afghanistan and Pakistan region is expected to remain subdued at 2.4 percent in 2019 before recovering to about 3 percent in 2020, says International Monetary Fund (IMF). The IMF in its latest report “World Economic Outlook (WEO) Update” stated that multiple factors weigh on the region’s outlook, including weak oil output growth, which offsets an expected pickup in non-oil activity (Saudi Arabia); tightening financing conditions (Pakistan); the US sanctions (Iran); and, across several economies, geopolitical tensions.

It further stated that as of early January, with some notable exceptions (e.g. Mexico, Pakistan), emerging market governments generally face lower domestic-currency long-term yields than in August-September. Foreign-currency sovereign credit spreads have edged up for most countries and risen substantially for some frontier markets.

The global expansion has weakened. Global growth for 2018 is estimated at 3.7 percent, as in the October 2018 World Economic Outlook (WEO) forecast, despite weaker performance in some economies, notably Europe and Asia. The global economy is projected to grow at 3.5 percent in 2019 and 3.6 percent in 2020, 0.2 and 0.1 percentage point below last October’s projections.

The global growth forecast for 2019 and 2020 had already been revised downward in the last WEO, partly because of the negative effects of tariff increases enacted in the United States and China earlier that year. The further downward revision since October in part reflects carry over from softer momentum in the second half of 2018 – including in Germany following the introduction of new automobile fuel emission standards and in Italy where concerns about sovereign and financial risks have weighed on domestic demand – but also weakening financial market sentiment as well as a contraction in Turkey now projected to be deeper than anticipated, the report maintained.

https://fp.brecorder.com/2019/01/20190122441281/

NEWS COVERAGE PERIOD FROM JAN 14th TO JAN 20ty 2019

GOVT TO LOOK FOR NEW CHIEF ECONOMIST IN COUPLE OF WEEKS

Mehtab Haider January 20, 2019

ISLAMABAD: The PTI-led government has decided to advertise the post of chief economist for hiring someone outside the loop of the Economist Group within a couple of weeks.

"Yes, we have decided to advertise the post of Chief Economist of the country with MP-1 scale as the incumbent Chief Economist Ijaz Wasti is going to retire from the service next month on February 22, 2019," top official sources at Ministry of Planning confirmed to The News on Saturday.

Almost 10 days back, Ijaz Wasti had assumed his charge after getting promotion into grade 22 and subsequent approval of summary by Prime Minister Imran Khan.

Wasti had become chief economist from the fold of the Economist Group after lapse of 12 years, as no professional belonging to the group was appointed on this slot since 2006. Dr Pervez Tahir was the last Chief Economist who was removed by then premier owing to his differences over growth and poverty figures.

Afterwards, every government including Musharraf, PPP and then PML-N preferred to keep the Economist Group out of this prestigious position owing to different reasons.

The top bureaucrats, especially belonging to the mighty District Management Group (DMG) always raised questions about the capability and capacity of the Economist Group. However, many believe that without giving them a chance and proper opportunities, the officers belonging to this group could not demonstrate their abilities.

The post of the chief economist mainly belongs to the Economist Group, but they have been ignored. Now again, they would be ignored despite the fact that there were officers who could be given acting charge till their promotion into grade 22.

The search for the new chief economist would commence at a time when the PTI government was in the process of finalising the 12th Five Year Plan.

For the Planning Commission, the challenge was to develop a consensus with the Ministry of Finance on overall macroeconomic projections over the next five years, from 2018-19 to 2022-23, at a time when the government was moving towards seeking another bailout package from the International Monetary Fund (IMF).

In last week's meeting held at the Ministry of Finance, the Planning Commission's technical expert was not allowed to sit when the Finance Ministry presented its flawed macroeconomic framework.

Even renowned economist Dr Hafiz A Pasha had termed this macroeconomic framework inconsistent and incomplete and in contrast to the ground realities.

“It will be hard to build consensus with the Finance Division because we want to make an ambitious plan for achieving higher growth trajectory, but the Finance Division will have to remain conservative in order to strike staff level agreement with the IMF,” said one top official while talking to The News the other day.

On one hand, in the 12th Five Year Plan, the Planning Commission has proposed achieving average GDP growth rate of 5.8 percent in five years period, against 4.8 percent GDP growth in last 11th plan period.

It envisages that the growth rate would touch seven percent mark at the end of the tenure of the PTI government.

On the other hand, the Finance Ministry was projecting growth rate touching six percent by the end of 2022-23. The PML-N led regime had achieved growth rate of 5.8 percent in its last year of rule in 2017-18.

For agriculture, the Planning Commission envisages growth rate of 3.6 percent under the 12th plan targets against 2.4 percent growth achieved in the last five years under the 11th plan period.

The government plans to achieve industrial growth at 6.8 percent under the 12th plan, against 5.3 percent achieved in last five years under the 11th plan.

The services sector envisages growth rate of 6.1 percent in the next five years period, against 5.5 percent achieved in the last five years period under the 11th plan.

https://www.thenews.com.pk/print/421023-govt-to-look-for-new-chief-economist-in-couple-of-weeks

BAILOUT TALKS CONTINUING, SAYS IMF OFFICIAL

TAHIR AMIN | JAN 19TH, 2019 | ISLAMABAD

The International Monetary Fund (IMF) and Pakistan are continuing discussions for a bailout package. This was stated by Director Communication Department IMF, Gerry Rice, during a media briefing. Rice said that during annual meetings in October last, Pakistan’s Finance Minister Asad Umar made a formal request for financial assistance from the IMF.

“Since then we have had a staff team visit Islamabad following that request. And where we stand is that IMF staff is continuing discussions with the Pakistani authorities, with our counterparts, toward reaching an understanding on policy priorities, on reforms to stabilise the economy and lay the foundations for sustainable and inclusive growth. So that is where we are. We’ve had the formal request for financial assistance, we followed up with that and the discussions continue,” Rice added.

During his last press conference, Rice had stated that IMF will conduct a proper debt sustainability analysis of Pakistan before granting it a bailout package. Clearly debt transparency is essential to conduct proper analysis of the sustainability of a country’s debt. “That is what the IMF does when we are going into a programme with our member countries. So that will be the case in Pakistan. But one of the things that we do in every programme is to have a very detailed debt sustainability analysis to ensure that indeed the country’s debt profile is sustainable. So that kind of information and that level of detail will be available at such times as we reach conclusions on the discussions and go forward with the programme," Rice had added.

However, Fitch Solutions in its latest report stated that the latest round of Chinese largesse has given Islamabad confidence to snub the IMF's more stringent requirements for obtaining funds. "However, if Pakistan experiences acute signs of a currency crisis over the coming months, we would not be surprised to see talks between Pakistan and the IMF resume," it added.

https://fp.brecorder.com/2019/01/20190119440700/

ECONOMIC FRAMEWORK TO BE UNVEILED ON JANUARY 23

By Shahbaz Rana Published: January 19, 2019

ISLAMABAD: Prime Minister Imran Khan has endorsed the proposed 'economic stabilisation programme', which is aimed at putting the economy on a sustainable recovery path, the finance minister says.

"The macroeconomic framework will now be unveiled on January 23," said Asad Umar while talking to The Express Tribune on Friday.

PM Imran gave his approval during a briefing on the macroeconomic framework by the Ministry of Finance, which was also attended by some members of the Economic Advisory Council.

The PM endorsed the plan a day after the State Bank of Pakistan data revealed that the external sector challenges "still persist".

The high-level huddle also discussed whether Pakistan should go to the International Monetary Fund right away or wait for an opportune time due to extremely tough conditions proposed by the fund for the bailout package.

In October, Pakistan had decided to knock on the IMF door, but staff level programme negotiations ended inconclusively due to disagreement on the conditions.

On last Tuesday, the premier had given 10 days to the Finance Ministry to present the macroeconomic framework.

"A meeting will also be held today [Saturday] to discuss the future roadmap of the IMF programme," said Umar. "The future benchmarks of the IMF programme will now be discussed."

Umar said that the communication strategy of the macroeconomic framework would also be decided.

The finance minister dispelled the impression that there was disagreement on the proposed macroeconomic framework.

He announced unveiling the five-year macroeconomic framework along with the Finance Bill on January 23.

The Federal Board of Revenue also got approval for the broader contours of taxation measures from the prime minister primarily aimed at ease of doing business.

The government plans to lower tariff rates on raw materials and intermediary goods to cut the production cost.

However, some participants had difference of opinion on the underlying macroeconomic assumptions.

Sources said the Ministry of Finance once again made highly “optimistic macroeconomic assumptions”.

The framework was built on the assumptions of steep fiscal and monetary adjustments, which according to some participants were unrealistic, they said, adding that there was also difference of opinion whether the foreign inflows that the Ministry of Finance was projecting could be materialised or not.

Both these assumptions carry implications for the end period objective of putting the economy on sustainable path of economic growth.

There were apprehensions that most of the assumptions were not based on realism, according to the sources.

One external shock, for instance in shape of fluctuation in the crude oil prices, could undermine the whole stabilisation programme, the sources said, adding that there were also questions over the strategy that the government wanted to adopt to achieve targets set in the macroeconomic model.

However, the stakeholders bear broad consensus on the structural adjustments required for stabilising the economy. These were the size, pace of adjustments and the assumptions, which were contested by the experts.

“One fundamental flaw in the proposed macroeconomic framework is that the current expenditures showed growth while the development expenditures remained constant in terms of the size of the economy,” said former finance minister Dr Hafiz A Pasha, who saw the proposed plan last week and disagreed with the framework.

“The government’s target should be to economise the current expenditures to save resources for development spending as the country needs to spend on construction of dams,” he added.

Since last week, the government has made slight adjustments in the proposed macroeconomic framework.

The Ministry of Finance is projecting that the current expenditures would keep growing from 18.3 per cent of the gross domestic product (GDP) in this fiscal year to over 19 per cent of the GDP.

Compared to this, the development expenditures were constant at 3.5 per cent of the GDP, the sources said.

They said that defence spending has also not been fully reflected and is shown growing constant at 2.8 per cent of the GDP over the next four years.

The external sector challenges largely remain unaddressed and despite official claims of achieving quick stabilisation, the first half results are worrisome.

The current account deficit during the first half of the fiscal year stood at $8 billion –only 4.4 per cent less than the comparative period of the last fiscal year.

This means, the finance ministry's projection to restrict the current account deficit to $13.2 billion by June has become unrealistic.

Even the 4.4 per cent reduction in the current account deficit was due to healthy growth in remittances.

Despite taking import compression measures and devaluing currency by 32 per cent during last one year, the SBP data showed that the trade deficit in the first half actually widened by 5.4 per cent to $15.6 billion.

The imports grew 3.0 per cent in the first half while growth in exports was almost flat, according to the SBP.

These results showed that the government was far away from bringing some stability in the external sector.

https://tribune.com.pk/story/1891715/2-economic-framework-unveiled-jan-23/

CRISIS IN ECONOMY AND GOVERNANCE

By Dr Moonis Ahmar Published: January 18, 2019

According to news reports, despite $2 billion worth of financial aid provided by Saudi Arabia to Pakistan in the last two months, the country's foreign exchange reserves held by the State Bank on January 11 plummeted to $ 7.05 billion — lowest in the last five years. Never in the recent history of Pakistan has its economic predicament appeared to be so serious and despite jumpstart measures to improve the economy there is no immediate possibility for betterment.

The PTI-led government, however, denies that there is any economic crisis in the country. Prime Minister Imran Khan, during his conversation with journalists at the Prime Minister Secretariat on December 29, ruled out any sort of economic crisis and termed it 'economic challenges'. It is not difficult to define what is meant by a crisis as the term according to Oxford Dictionary denotes "a time of intense difficulty or danger". A country with 220 million people is undoubtedly facing a grave economic crisis because its foreign exchange reserves are only capable of meeting less than two months of imports; its trade gap is around $25 billion a year and its economic growth rate will shrink to 4% in 2018-19. Pakistan will have to arrange more than $12 billion to repay just interest on loans during the current financial year. The circular debt has reached an alarming Rs1.5 trillion and according to the Economic Survey of Pakistan, the country's tax-to-GDP ratio is a meagre 11.2%. Even a layman with a limited knowledge of economy will not dispute the existence of a severe economic crisis, particularly with a sharp rise in the prices of essential commodities, including medicines and utilities.

The government cannot escape from the ground realities confronting the country's economy as it is also having serious repercussions on the mode of governance. Without a vibrant economy and good governance, one cannot expect human and sustainable development to take place. Crisis in the economy and governance can be described as a 'double jeopardy' for Pakistan because of three main reasons. First, unlike their predecessors, the PTI government which came to power with a commitment to bring qualitative change in the lives of 220 million people of Pakistan must not deny ground realities pertaining to crisis in the economy, governance and slow pace of development. When the Prime Minister rules out any sort of economic crisis, it means he is oblivious to facts which threaten the very existence of Pakistan. Nations which are not shy of recognising the existence of crisis and possess leadership qualities to manage and successfully deal with such crises can never fail.

In retrospect, almost all the governments of Pakistan failed to understand the dynamics of economic or political crisis. Fifty years ago, when a popular movement got triggered against Ayub Khan, the then president, in both East and West Pakistan, the government ruled out the existence of a political crisis. On the contrary, the government was busy celebrating 'A decade of development." Within a couple of months, Ayub Khan's regime was gone. Second, the double jeopardy of Pakistan in the shape of crisis in the economy and governance is getting serious because despite the claims of PM Khan to fix things in the first 100 days of his government, one can observe further deepening of the economic crisis.

Neither have the overseas Pakistanis made a significant contribution towards bailing out our economy nor has the menace of corruption and nepotism been reduced, if not eradicated. Is it the right way that instead of pursuing a policy of self-reliance by drastically slashing imports and taking firm policy steps to eradicate corruption and ensuring the rule of law, the government is relying on getting loans from Saudi Arabia, the UAE and China to give a temporary cushion to its depleting foreign exchange reserves? The amount being deposited by Saudi Arabia with the State Bank of Pakistan is, however, exhausted because of payment of foreign debt and for meeting the import bill. Piling up of foreign debt by borrowing billions of dollars will put enormous burden on the country's economy in the days to come.

Third, the nexus between economy and governance is quite obvious in other models of development like those in the UAE, Malaysia and Indonesia where the focus and emphasis of their leadership is on promoting exports, modernising infrastructure and improving the quality of life of the people.

The UAE's exports are $316 billion and its foreign exchange reserves are $90 billion. Malaysia's exports are $187 billion and its foreign exchange reserves are $101 billion. Whereas exports of Indonesia are $168 billion and its foreign exchange reserves are $119 billion. These are the countries which were way behind Pakistan in the 1970s in terms of economy, governance and human development.

Unless there is investment in quality education, providing the people better necessities of life like efficient and affordable public transport, housing, clean and safe drinking water, there cannot be a 'great leap forward' as far as economic development is concerned. Without utilising human resource and ensuring the rule of law and justice, no nation can accomplish minimum criteria of economic progress, good governance and development.

The UAE, Malaysia and Indonesia, which were underdeveloped countries at the time of their independence from colonial tutelage, are now better off in terms of quality of life of the people because their leadership was above contradictions and focused on dealing with issues which were a cause of poverty, social and economic backwardness.

Even a country like Bangladesh which was described by former US secretary of state Dr Henry Kissinger as an 'international basket case' is cited as a miracle because of its success in maintaining an economic growth rate of 7% over the last five years.

Bangladesh's exports are now $37 billion and its foreign exchange reserves are $33 billion. Despite political issues, Bangladesh, which was termed an 'international basket case,' has managed to transform from an impoverished to a relatively stable country.

Instead of concentrating on its original goals of fixing the economy, eradicating corruption, ensuring good governance and human development, the PTI government is accused of unleashing political victimisation of opposition leaders. Cases of nepotism and corruption are also cited by opposition parties against the PTI government, particularly against its high-profile ministers and advisers. If the Prime Minister is getting bogged down in the vicious cycle of political schism with the opposition and his fragile government is unable to perform in the last five months, it means Imran Khan's vision for a "New Pakistan" is a non-starter.

Without eradicating the culture of corruption, nepotism, greed, opportunism and hypocrisy, Pakistan cannot deal with its deep-rooted economic malaise and corrupt and inefficient governance system. Unfortunately, despite the election rhetoric, the PTI government has not been able to put a dent on the VVIP culture or adhere to meritocracy.

These are the facts which people who are at the helm of affairs must not deny because respect of a nation is only possible when its leadership is credible, clear, consistent, dynamic and honest.

There is no short cut to dealing with Pakistan's serious economic predicament and crisis in governance. Unless there is positive transformation in the mindset of people in terms of owning the resources of the country, upholding the rule of rule, adhering to proper work ethics namely time management, and rejecting corruption and nepotism, Pakistan would remain vulnerable to serious economic, political and governance crises.

Published in The Express Tribune, January 18th, 2019.

https://tribune.com.pk/story/1890732/6-crisis-economy-governance/

PAKISTAN, CHINA AGREE TO MAKE 2019 A YEAR OF ECONOMIC COOPERATION

RECORDER REPORT |JAN 16TH, 2019 | ISLAMABAD

Pakistan and China have agreed to make 2019 a year of economic cooperation by promoting joint ventures, exports and industrial, socioeconomic and agriculture cooperation under the China-Pakistan Economic Corridor (CPEC). The understanding reached during a meeting between Minister for Planning and Development Makhdoom Khusro Bakhtiar and Chinese Ambassador to Pakistan Yao Jing on Tuesday. During the meeting, matters of mutual interest including progress on CPEC projects came under discussion.

Both the sides agreed to expedite work by promoting joint ventures and exports-led growth under the CPEC by declaring 2019 as "Year of Industrial, Socioeconomic and Agriculture Cooperation."

Khusro Bakhtiar highlighted that Pakistan can become an ideal destination for investment in different sectors. He said that Ministry of Planning would facilitate Chinese investors looking for opportunities under the CPEC as well as create a pull effect. He highlighted that the government is working over the policies that will improve ease of doing business.

The minister said that the first meeting of the Joint Working Group (JWG) on socio-economic development is a major milestone and that the action plan discussed therein will support uplift of the less developed areas. Pakistani side has already forwarded an invitation letter to China for visit of the experts' team.

"Both the sides will work out for speedy implementation of initiatives in already identified six areas including agriculture, education, medical treatment, poverty alleviation, water supply and vocational training projects." he added.

The minister hoped that the JWG on agriculture meeting, scheduled for 15th February this year, would provide an opportunity to broaden the CPEC cooperation. He emphasised that Chinese investors should explore investment opportunities in agriculture sector of Pakistan for input supplies as well as food production, processing, logistics, marketing and exports in a vertically integrated way on their own or in joint ventures (B2B) with Pakistani companies.

Both the sides agreed to ensure that this year Gwadar projects such as new international airport, hospital and vocational institutes will hit ground within three months as the projects are beneficial for local population, they will gain the support and trust of the local population.

Yao Jing appreciated that 8th Joint Cooperation Committee (JCC) meeting held successfully in a cordial atmosphere where all deliverables were achieved, adding that the scope of the cooperation was expanded to new avenues.

Khusro Bakhtiar said that an MoU on industrial cooperation signed during 8th JCC provided a framework to promote communication on key industries such as textile, petrochemical and iron & steel. It encourages Chinese investors to relocate and explore opportunities of investment in Pakistan.

Yao Jing appreciated the efforts of government of Pakistan for facilitating Chinese investors and informed that a large number of Chinese investors would visit Pakistan soon that would further strengthen the bond of economic and bilateral cooperation.

https://fp.brecorder.com/2019/01/20190116439887/

ECONOMIC TRANSPARENCY

Editorial Updated January 15, 2019

AS things move along, the need for greater transparency and disclosure on what exactly the government is signing onto is growing.

The eighth Joint Cooperation Committee meeting on CPEC between Pakistani and Chinese government delegations was held in December, but to this day, there is very little known about the details of what the government of Pakistan has consented to do.

In addition, we have seen $2bn land in the State Bank as a 'deposit', following a visit to Saudi Arabia by the prime minister accompanied by a high-powered ministerial entourage, with promises of another billion to come soon, and a 'deferred payment' facility to underwrite a portion of the country's oil imports.

Yet, not a word has been uttered about what has been promised in return. Likewise, we are now hearing of another $3bn worth of 'deposits' to be made by the UAE, but once again, there is not a word about what is expected in return. No details have even been released about the terms on which these 'deposits' have come, whether on their tenure or return.

Now we are hearing of a massive investment from Saudi Arabia to be made in an 'oil city' in Gwadar. What exactly is going on here, many wish to ask.

Foreign investment is welcome in Pakistan, but in most cases it comes under a policy framework that is transparently known, has been debated in cabinet at least, and with the terms available to all. Some sort of a bilateral framework between two countries exclusively is also fine, but it should be known to all what exactly is being built, what concessions are being granted, how Pakistan's long-term economic interests are being served, and so on.

Foreign investment that creates jobs, transfers skills and imparts dynamism to Pakistan's economy and spurs its markets is welcome. But investment that seeks to create a transshipment enclave, or provides exclusive access rights and privileges to one group of investors only is of debatable merit.

When government ministers are asked for details, they refuse to entertain the request on the grounds that the other party — whether China or Saudi Arabia — prefers discretion in this matter.

Discretion is fine and has its place in deal-making of the sort that is under way between the states, but since sprawling Pakistani interests are involved, transparency and disclosure requirements must not be jettisoned.

The feeling right now appears to be that the government, in its desperation to avoid the stringent terms of an IMF programme, is signing every dotted line that is placed before it by foreign powers such as China and Saudi Arabia, in return for a bailout that will last a few months at best.

This is not the kind of policymaking that the PTI promised the country in the run-up to the election.

Published in Dawn, January 15th, 2019

https://www.dawn.com/news/1457668/economic-transparency

SAUDI ARABIA TO INVEST $10BN, SAYS PETROLEUM MINISTER

WASIM IQBAL 2019/01/15/

ISLAMABAD: Minister for Petroleum and Natural Resources Ghulam Sarwar Khan has said that Saudi Arabia will invest an estimated $10 billion in the setting-up of a deep conversion oil refinery at Gwadar and petrochemical sector.

The minister said this during an informal talk with media persons here on Monday. He said that a memorandum of understanding (MoU) with respect to the establishment of an oil refinery with the Saudi government would be signed during the visit of Saudi Crown Prince Mohammed bin Salman who is expected to arrive here by end-February.

He talked about his recent visit to Gwadar where he received Saudi Minister for Energy, Industry and Mineral Resources Khalid bin Abdulaziz D Al-Falih and other members of the Saudi delegation. Al-Falih went to Gwadar to visit the sites for setting up Saudi's Amarco's proposed oil refinery there.

"The Saudi delegation had an aerial view of the proposed sites for setting up an oil refinery at Gwadar. One site is 80 kilometres while the other is 30 kilometres away from Gwadar and hopefully, they would like the location somewhere nearer Gwadar," the minister guessed.

The proposed oil refinery will have the capacity to refine from 200,000 to 300,000 tonnes of oil per day; however, a feasibility study will be carried out to determine the real size of and investment in the proposed oil refinery, keeping in view the quantities of domestic consumption and export.

The minister maintained that a UAE company has shown interest in the development project of Parco Oil Refinery extension of up to 300,000 tonnes of oil per day capacity at Hub (Balochistan).

He said that work on refinery would be started soon as Saudis are showing keen interest in the project. He said, “They showed interest to invest in mining, renewable energy and industrial sectors as well as in the liquefied natural gas (LNG) projects.”

In Balochistan, he said the drilling in allocated blocks would be started in two months after restoration of law and order situation there. In this respect, grilling at Block 28 – a joint venture of Oil and Gas Development Company Limited (OGDCL) and Mari Petroleum Company Ltd – would be launched soon.

He said that discussions might take place on price reviewing clause in the LNG contract with 15-year-long during recent visit of a high-level delegation to Qatar. It should be discussed in the Prime Minister’s scheduled visit to Qatar, he added.

He said, “The federal government has initiated talks with the provinces on new energy policy.” Consultations with provincial governments of Sindh and Balochistan were already held in this respect, he added.

The objective of long-term policy is to bring foreign direct investment (FDI) for developing indigenous sources of oil and gas.

https://epaper.brecorder.com/2019/01/15/1-page/759450-news.html

FOREIGN INVESTORS POURED RS20B INTO SOCIO-ECONOMIC DEVELOPMENT IN 2018

By Our Correspondent Published: January 14, 2019

LAHORE: Leading foreign investors, who are members of the Overseas Investors Chamber of Commerce and Industry (OICCI), have invested over Rs20 billion in socio-economic development activities in Pakistan over the previous year.

Providing details, OICCI President Irfan Wahab Khan revealed that the OICCI CSR Report 2018 highlighted the financial and non-financial contribution from the existing foreign investors. The contribution reached over 60 million direct beneficiaries throughout Pakistan with direct investment of Rs6 billion and 1.2 million of human hours, he said.

In addition to this, one of the OICCI members, Novartis Pharma (Pakistan) Limited, in coordination with its major overseas shareholders, invested $140 million (Rs15 billion) under the Novartis Access Programme to provide medicines for treating non-communicable diseases (NCDs) in the low to lower-middle income groups.

In terms of specific social sectors, the OICCI president said, human capital development and health and nutrition remained the key areas of focus.

"Around 87% of the members were involved in the human capital development initiatives. Many of them have funded new school facilities and made contribution to the vocational training programmes for skills development among the youth," he said.

Health and nutrition-related initiatives were supported by 85% of the OICCI members through donations to reputable hospitals, medical/blood/eye care camps and health awareness campaigns, he said, adding infrastructure development was another area of interest and 61% of the members assisted in the development of infrastructure in the vicinity of their respective major operating facilities.

"Over the last few years, there has been a noticeable enhancement in the sustainability and CSR initiatives of the OICCI members through proactive engagement between the business and all stakeholders in the society," commented OICCI Secretary General Abdul Aleem.

OICCI members, Aleem said, engaged with over 160 social and development-sector organisations in some of the key social development initiatives of member companies. As in the past, the CSR activities were spread all over the country with 35% of these activities focused on Sindh, 28% on Punjab, 12% on Khyber-Pakhtunkhwa, 10% on Balochistan and 15% on tribal areas, Gilgit-Baltistan and Azad Kashmir, he added.

During 2018, the OICCI members invested over $2.7 billion in Pakistan and accounted for roughly one-third of the tax collected in the country.

https://tribune.com.pk/story/1888246/2-foreign-investors-poured-rs20b-socio-economic-development-2018/

ECONOMIC SLOWDOWN

RECORDER REPORT | JAN 14TH, 2019 | EDITORIAL

In its latest analysis of Pakistan's economy, Fitch Solutions, a research arm of the global credit rating agency, expects the country's GDP growth rate to plunge to 4.4 percent during FY19. The economy will also be clouded by widening fiscal and external account deficits despite expectations of central bank holding the rates steady to support economic activity. On the positive side, the authors of the report have noted that "their core view is that the decline in energy imports and the cumulative rate hikes in FY19 will help stabilise the country's external account and anchor the rupee, "allowing the core inflation pressures to head lower over the coming months." On the other hand, the widening current account (C/A) deficit, weakening currency and dwindling foreign exchange reserves suggest that the current fiscal trends (expenditures outpacing growth in receipts) are unsustainable. Stressing the urgency to reverse the present fiscal trend, Fitch Solutions has observed that the government is left with limited room to cut expenditures and suffers from a small tax base. According to it, large debt servicing cost and huge military budget suggest that there is a little room for manoeuvrability. In addition, there was a huge financial drag on the economy from the loss-making state-owned entities. On the external side, the collapse of international oil prices has not resulted in Pakistan's trade balance improvement and financial inflows are not adequate enough to cover imports, presaging an import crunch over the coming months. While there were little prospects of an export rebound, the new PTI government has moved to secure financial assistance totalling dollar 6 billion from Saudi Arabia and other friendly countries.

By looking at the report, one feels that a lot of hard work has been done by its authors to assess Pakistan's economy and its prospects. Most of its observations appear to be well-founded though at places, the authors seem to be more pessimistic than some other agencies and organisations who are more aware of the economic situation in Pakistan. For instance, Fitch Solutions is of the view that country's GDP growth rate would plunge to 4.4 percent during the current year. It may be mentioned here that the growth rate during FY18 was 5.8 percent and targeted to increase to 6.2 percent in 2018-19. Though the performance of the last year and the target for the current fiscal year are impossible to be achieved due to slower growth in the agriculture and industrial sectors which may also adversely affect the services sector, the State Bank has projected the growth rate for the current fiscal year to be between 4.7 percent and 5.2 percent. A higher growth may soften price pressures in the economy and lead to higher exports. The authors of Fitch Solutions report are, however, right about growing fiscal deficit. The report attributes the growing fiscal deficit to slipping fiscal discipline since 2016 amid mismatch in revenue growth and rising expenditures. While government is very slow or refrains from taking additional revenue mobilisation measures, large debt servicing cost due to continuous increase in the outstanding stock of debt and huge military expenditures due to constant confrontation at the borders consume most of the budgetary resources and very little is left for other items of expenditure. Huge financial losses of Public Sector Enterprises (PSEs) are another drag on the budget that continues to increase over the years. The previous government intended to privatise some of the loss-making PSEs but could not translate its plan into reality due to stiff opposition by trade unions and Opposition parties. The present government does not want to touch the subject on the plea of large-scale unemployment that would follow. It has, however, promised to restructure the PSEs into profitable business organisations, knowing fully well that this would not happen. Commenting on the external woes, Fitch Solutions sees no respite as Pakistan's external sector continues to deteriorate despite a steep drop in oil prices. Exports are also likely to come under pressure amid a global trade slowdown. We are not so pessimistic and feel that substantial depreciation of the Pak rupee and imposition of higher duties on imports would certainly lead to contraction in trade deficit and improvement in the current account but with a reasonable time lag. Similarly, the report notes that the inflow of remittances, bulk of which comes from the Middle East, will see a dip as the manpower exports to the region are expected to slow down. Such an assertion is not backed by the recent trends as home remittances have shown a healthy growth during the recent months.

https://fp.brecorder.com/2019/01/20190114439471/

NEWS COVERAGE PERIOD FROM JAN 7th TO JAN 13th 2019

PAKISTAN, SAUDI ARABIA MAY INK $10BN MOUS THIS MONTH

Syed Irfan Raza Updated January 10, 2019

ISLAMABAD: Pakistan and Saudi Arabia are likely to sign memoranda of understanding for more than $10 billion Saudi investment in Pakistan this month. Pakistan will also sign similar MoUs with China, the United Arab Emirates and Malaysia over the next two months.

This was said in the second meeting on ease of doing business (EoDB) presided over by Prime Minister Imran Khan on Wednesday. The meeting was told that the MoU on investment framework with the UAE was expected next month.

Talking to Dawn after the meeting, Finance Minister Asad Umar said Saudi Prince Mohammad bin Salman bin Abdulaziz would visit Pakistan next month and most of the MoUs were expected to be signed during his trip.

PM briefed about similar agreements that will be signed with China, UAE and Malaysia in next two months

When contacted, Board of Investment (BoI) Chairman Haroon Sharif said Saudi Arabia was interested in Pakistan's four sectors — oil refinery, petrochemicals, renewable energy and mining. "We are expecting $10bn plus Saudi investment and the MoUs to be signed in this regard will not be common or vague but concrete agreements," he added.

The $10bn investment will be in addition to the $6bn bailout package given by Riyadh to Islamabad during Prime Minister Khan's visit to Saudi Arabia in October last year. "According to a survey, 65 per cent of the investments will take place in the country's commercial hub Karachi and 35pc in Lahore. Therefore, better law and order situation and ease-of-doing-business opportunities were prerequisite for foreign investment," the BoI chairman added.

He said the government had made it mandatory for all foreign firms to invest in joint ventures with Pakistani firms so that local companies could also get boost and deal with local issues in a better way.

He said Saudi firm Aramco would invest in an oil refinery and was likely to set up its own refinery in Pakistan. "Saudi Arabia is also interested in petrochemicals and will make investment in this sector as well," he added.

Mr Sharif said there was a big room for renewable energy in Sindh, Balochistan and central Punjab and, therefore, Saudi firm Aqua Power, which controls renewable energy business in Tunisia, the UAE and Jordon, had a comprehensive plan on renewable energy projects in Pakistan.

He said he had recently visited China and signed MoUs on industrial cooperation under the China-Pakistan Economic Corridor (CEPC). "Now we have to build economic zones along the corridor."

The BoI chief said the UAE was interested in agriculture, housing and other sectors. He added that four Malaysian firms were also due this month and would invest in four sectors — halal meat, gemstone, information technology and hi-tech education.

An official press release issued by the Prime Minister Office said: "Briefing the meeting about various positive developments with regards to investment facilitation, it was informed that an MoU on industrial cooperation has been signed with China last month. The MoU with Kingdom of Saudi Arabia is expected to be signed this month whereas investment framework MoU with the UAE is expected in February 2019."

The meeting was attended by the finance minister, Adviser to the PM on Commerce Abdul Razak Dawood, PM's adviser Dr Ishrat Hussain and the BoI chairman.

The BoI chairman briefed the prime minister about the progress on various indicators related to ease of doing business.

The meeting was informed that the number of taxes had been brought down from 47 to 21. "We have clubbed together many taxes to facilitate the business community," Mr Sharif added.

He said a new system of value added tax refund would be in place by March 31 which would significantly reduce time in obtaining the VAT refund, adding that efforts were also being made to improve the risk-management system to reduce the number of physical audits.

About the ease of starting business, the prime minister was informed that integration of the Securities and Exchange Commission of Pakistan with provincial portals and Employees Old-Age Benefits Institution (EOBI) had been completed in Punjab and efforts were being made to expedite launch of such portal in Sindh.

The meeting was informed that significant progress had been made to facilitate provision of electricity and timely information to the businesses. Besides availability of required documents on website, a full online application system is being rolled out and advance notifications are being ensured about change in tariff, etc.

In the area of getting credit, the meeting was informed that registrar would be appointed by the end of this month and rules under the Secured Transaction Act were being finalised by the Ministry of Finance.

The prime minister emphasised the need for greater focus on addressing issues relating to ease of doing business in Sindh since Karachi was financial hub of the country.

It was decided that regular meetings on EoDB would be chaired by the prime minister with participation of the chief ministers and chief secretaries. It was also decided that dedicated EoDB offices would be set up at federal and provincial levels for the purpose of removing bottlenecks and facilitating investors for smooth business operations.

Published in Dawn, January 10th, 2019

https://www.dawn.com/news/1456638/pakistan-saudi-arabia-may-ink-10bn-mous-this-month

WB SEES ECONOMIC SLOWDOWN

TAHIR AMIN | JAN 10TH, 2019 | ISLAMABAD

Gross Dom-estic Product (GDP) growth of Pakistan is projected to decelerate to 3.7 percent in fiscal year 2018-19, with financial conditions tightening to help counter rising inflation and external vulnerabilities, says the World Bank (WB). The WB in its latest report, “Global Economic Prospects, Darkening Skies” states macroeconomic imbalances weigh on growth outlook in Pakistan and is expected to face financing needs due to large current account and fiscal deficits combined with low international reserves.

WB had revised GDP growth projection for Pakistan down to 4.8 percent in October 2018. International Monetary Fund (IMF) has also revised downward the GDP growth rate from 4.7 percent in April, 2018 to 4 percent in October 2018. Asian Development Bank (ADB) has revised downward GDP growth projection for Pakistan to 4.8 percent in September against the previous projections of 5.1 percent.

The WB states that in Pakistan external debt is sizable and current account deficits have deteriorated considerably. Recent currency pressures have eroded Pakistan””s foreign exchange reserves significantly – they currently amount to only around two months of imports.

There were some signs of rising inflation pressure across the region, and both India and Pakistan raised rates in 2018 to counter the effects of currency depreciation, rising energy prices, and domestic capacity constraints.

Price pressures, widening fiscal and current account deficits, or in some cases currency and financial market volatility have prompted a shift to less accommodative monetary policy in some countries (e.g., India, Mexico, Pakistan, the Philippines, Romania), maintains the report.

Pakistan""s fiscal deficit rose to 6.6 percent of GDP last year, well above the government""s target of 4.1 percent, as tax collection fell short of expectations.

Activity is slowing and financial conditions have tightened in a number of commodity importers that have experienced financial market stress or continue to face widening fiscal and current account deficits (e.g., Pakistan, the Philippines, and Romania).

Growth is projected to accelerate to 7.1 percent for South Asia in 2019. This mainly reflects strengthening domestic demand in India, as the benefits of structural reforms such as GST harmonization and bank recapitalization take effect. Elsewhere in the region, the forecast is for a moderation in activity, notably in Bangladesh and Pakistan.

Excluding India, regional growth moderated slightly in 2018. Pakistan""s GDP (factor cost) is estimated to have grown 5.8 percent in fiscal year 2017-18, with solid contributions from consumption and investment. Activity was supported by strengthening in the agricultural and industrial sectors, and a sustained acceleration in services.

The report further states that in Pakistan, the informal sector provides two-thirds of total employment but produces only about one-third of GDP. This difference points to considerably lower informal labor productivity relative to total labor productivity in Pakistan than in Brazil, in part reflecting lower educational attainment of informal workers.

Pakistan raised income taxes on non-corporate partnership firms in 2009. Pakistan""s corporate tax hike was followed by rising informality as firms switched business models and reported lower earning.

Several of the policies discussed above were not primarily implemented with informality in mind. Yet, they had the unintended consequence of raising informality: tax increases in Pakistan, decentralization of minimum wage regulation in Indonesia, and trade liberalization in Egypt, Brazil and Colombia. Other reforms did not have as large an effect on informality as expected, such as the tax reform in Georgia.

The report further states that important net rice exporters such as India, Pakistan, and Yemen implemented policy interventions that, ultimately, raised domestic rice prices more than the increase in world prices. In Pakistan, heavy summer flooding that affected one-fifth of the country""s land area and inflicted extensive damage to crops raised domestic rice prices relative to the world price over the same period.

https://fp.brecorder.com/2019/01/20190110438422/

5-YEAR PLAN EYES 5.8PC GROWTH

NAVEED BUTT 2019/01/08

ISLAMABAD: Federal Minister for Planning, Development & Reform Makhdoom Khusro Bakhtiar Monday said that 12th Five-Year Plan (2018-23) aims at achieving 5.8 percent Gross Domestic

Product (GDP) growth rate. The minister expressed these views while chairing a meeting with reference to the 12th Five-Year Plan.

"This growth has been projected on the basis of 3.6 percent growth in agriculture, 6.1 percent in industry and 6.8 percent in services sector on average during the plan period," he added.

Planning Secretary Zafar Hasan, Joint Chief Economist Rai Nasir Ali Khan, Chief Macroeconomics Muhammad Zafar and review committee members attended the meeting.

The minister said that in line with the government's vision, emphasis during the plan period will remain on social sectors, poverty alleviation, job creation and improvement of governance for ensuring transparency and overcoming corruption.

He said that it was informed that consolidation period is expected to be over by next fiscal year, adding that GDP growth will start picking up from the current 4.2 percent to 7 percent during terminal years of the Five Year Plan.

The meeting was apprised that draft of the plan is ready which will be launched after the approval from the competent forum.

The minister appreciated the macroeconomic framework prepared by Planning Commission of Pakistan.

The framework is based on consultation process involving all stakeholders including civil society, media, private sector and above all the provinces.

https://epaper.brecorder.com/2019/01/08/1-page/757505-news.html

UAE, PAKISTAN FORMALISE $6.2BN BAILOUT PACKAGE

Syed Irfan Raza January 07, 2019

ISLAMABAD: The red carpet was rolled out for Crown Prince of Abu Dhabi and Deputy Supreme Commander of United Arab Emirates armed forces Sheikh Mohammed bin Zayed Al Nahyan here on Sunday, weeks after the UAE offered $3 billion to support Pakistan's battered economy.

In a rare gesture, Prime Minister Imran Khan received the crown prince at Noor Khan Airbase and personally drove him to PM House where the official welcoming ceremony was held.

A contingent of armed forces presented a guard of honour to the visiting dignitary, who reviewed the parade. The national anthems of both the countries were played. A formation of JF-17 Thunder aircraft presented an impressive fly-past to the crown prince. He was given a 21-gun salute at the airbase.

Red carpet rolled out for Abu Dhabi crown prince; Imran drives Sheikh Mohammed from Noor Khan Airbase to PM House

Crown Prince Sheikh Mohammed turned his private hunting trip into official visit and formalised a $6.2 billion bailout package promised to the Pakistan Tehreek-i-Insaf (PTI) government to help support the country's economy.

"The crown prince was in the country for last two days on his annual hunting trip in Rahim Yar Khan, and on conclusion of his private visit he met Prime Minister Imran Khan to further cement bilateral ties between Pakistan and the UAE," Information Minister Fawad Chaudhry told Dawn after the departure of the prince.

He said that during the crown prince's visit, the UAE had formalised $3bn loan on 2.8 per cent interest rate as well as $3.2bn for supply of oil on deferred payment.

The UAE government had announced the bailout package during Prime Minister Khan's visit to Dubai in November last year. The two countries had last week finalised the terms and conditions of the $6.2bn support package for Pakistan to help address its balance of payments crisis.

The UAE package is said to be of the same size and terms and conditions as those given by Saudi Arabia. With the new package, Pakistan is expected to save a total of $7.9bn on oil and gas imports from the two friendly countries — accounting for over 60pc of the annual oil import bill worth $12-13bn.

It was the first official visit of the Abu Dhabi crown prince to Pakistan in nearly 12 years and the two sides met for the third time in four months as Prime Minister Khan had visited the UAE twice after assuming office in August to seek economic assistance.

The crown prince was accompanied by a high-level delegation comprising cabinet members and senior officials. He was accorded a ceremonial reception at the Prime Minister House, which was followed by a tête-à-tête and delegation-level talks.

Both leaders held wide-ranging talks focusing on all areas of bilateral relations. The prime minister briefed the crown prince on the situation in India-held Kashmir and the plight of Kashmiris.

The two leaders underscored the importance of effectively pursuing various initiatives taken for a strengthened strategic bilateral economic relationship, including working on a long-term investment framework agreement. They also resolved to take all measures to deal with matters related to trade enhancement, and decided to form a task force to achieve this objective.

Prime Minister Khan thanked the UAE for the generous $3bn balance of payments support and noted that this financial support showed the UAE's continued commitment and friendship that remained steadfast over the years. He also welcomed the UAE's interest in investing in Pakistan's oil and gas, logistics, ports and construction sectors.

Both leaders expressed the hope that the forthcoming meeting of the Pakistan-UAE Joint Ministerial Commission, to be co-chaired by foreign ministers of the two countries in Abu Dhabi in February, would play a pivotal role in chalking out a comprehensive roadmap and expediting approval of pending agreements and memoranda of understanding.

They expressed satisfaction over the ongoing defence and security cooperation and resolved to explore further collaboration in the areas of training, joint exercises and defence production. Both leaders strongly condemned terrorism in all its forms and manifestations and expressed their resolve to work closely to root out this scourge.

The crown prince recognised the efforts and unparalleled sacrifices made by Pakistan to eliminate terrorism and extremism.

Prime Minister Khan thanked the UAE leadership and its people for their continued commitment to Pakistan's socioeconomic development and eradication of polio from the country.

In order to counter white-collar crimes, including money laundering, the two leaders directed the authorities concerned to expedite the finalisation of a mutual legal assistance agreement.

The prime minister briefed the crown prince about the efforts Pakistan was making to support and facilitate Afghan-owned and Afghan-led reconciliation process. He also appreciated the role of the UAE in hosting reconciliation talks in Abu Dhabi.

The two leaders agreed to work closely for a lasting peace and stability in Afghanistan.

During the delegation-level talks, Prime Minister Khan led the Pakistani team comprising Foreign Minister Shah Mehmood Qureshi, Finance Minister Asad Umar, Information Minister Fawad Chaudhry, Minister of State for Interior Shehryar Afridi and Foreign Secretary Tehmina Janjua. Crown Prince Sheikh Mohammed bin Zayed led the UAE side.

Finance Minister Umar told the media after the meeting that the talks focused on a long-term economic cooperation between the two sides as Pakistan wanted enhanced trade and investment from the brotherly country instead of asking for bailout package.

"The world's biggest investors are in the UAE and Saudi Arabia and we want to attract them for investment in Pakistan," he said, adding: "These bailout packages from the UAE and Saudi Arabia are mere breathers so that Pakistan can come out of the prevailing crisis, but we are eying on long-term measures that include more trade opportunities and investments in Pakistan."

The minister said the issue of outstanding dues to be paid by UAE firm Etisalat to Pakistan was also discussed.

In July 2005, Etisalat had bought 26pc shares in the Pakistan Telecommunication Company Limited.

"Besides fresh investment deals, we also want to remove problems in previous investments," Mr Umar.

Talking about reports of another mini-budget to be announced soon, he said it would not be a mini-budget but implementation of the recommendations made by five committees of the Economic Advisory Council (EAC) formed by the PTI soon after coming to power. "We do not want to wait for the next budget for implementation of those beneficial suggestions that will help enhance trade and investment in the country," he added.

Unprecedented foolproof security clamp was put in place on arrival of Crown Prince Sheikh Mohammed bin Zayed in Islamabad. More than 4,500 police personnel were deployed and Metro Bus service was temporary halted.

Around 150 well-trained snipers were deployed on rooftops of buildings on the VVIP route and 400 commandoes of the Rawalpindi police in their respective jurisdictions. Link roads along the VVIP route were plugged with barbed wires and the Blue Area was blocked for traffic.

Published in Dawn, January 7th, 2019

https://www.dawn.com/news/1455942/uae-pakistan-formalise-62bn-bailout-package

NEWS COVERAGE PERIOD FROM DEC 31st TO JAN6th 2019

PAKISTAN DELEGATION DEPARTS FOR FATF MEETING WITH ACTION PLAN

Khaleeq Kiani January 05, 2019

ISLAMABAD: Pakistan on Friday dispatched a Terror Financing Risk Assessment Report electronically to the Financial Action Task Force (FATF) followed by a 12-member team to explain the action plan that the government intends to follow to come into compliance with international obligations and secure an exit from the grey list of the Paris-based watchdog.

A senior government official told Dawn that the high-level delegation led by Secretary Finance Arif Ahmed Khan left for Sydney, Australia to attend a three-day meeting of the FATF. The delegation comprised representatives of the State Bank of Pakistan (SBP), National Counter Terrorism Authority (NACTA), Federal Investigation Agency (FIA), Federal Board of Revenue (FBR) and Financial Monitoring Unit.

The official said the delegation will address questions and observations of the FATF on the basis of risk assessment report already transmitted to the global anti-terror financing watchdog. The report highlights the implementation status of plans for various agencies of the government on the FATF's recommendations.

Islamabad's report identifies Pak-Afghan and Pak-Iran borders as key routes for terror financing and money laundering

It said a total of 4,643 suspected transactions relating to terror financing and money laundering had been identified and blocked since 2015, including 3,677 suspected transaction reports and 966 financial intelligence reports. A total of 1,167 transactions were captured during 2018 alone, including 975 STRs and 210 financial intelligence reports.

The report identified some key routes of the terror financing and money laundering, saying Pak-Afghan and Pak-Iran borders were two key routes of such flows.

To address the challenge, checking and security systems at Pak-Afghan border had been strengthened with improved technology and vigilance while security had also been beefed up at Pak-Iran border.

The report said that the long coastal belt was also a source of smuggling and security was being tightened through law enforcement agencies, including through marine and coast guards. It said Afghan Transit Trade was also a source of such unregistered financial flows. All these channels were also being misused by foreign agencies to support terror-related activities.

The tools being used for financial transaction for terrorism included donations, cash smuggling, natural resources, drugs, non-governmental organisations and foreign agencies. The report said the FBR identified about 1,185 illegal transactions since 2015, followed by 1,049 by the SBP and about 1,295 by the FIA.

An official said that no amendment to the law was required for further proscription of organisations. The Foreign Office has given new guidelines, for regulators and law enforcement agencies, so once

MOFAP will issue an SRO, the relevant agencies and regulators will move for swift action on that basis.

During the May and September meetings later this year, regulators and law enforcement agencies will be expected to demonstrate results in the form of investigations, prosecutions, convictions, supervisory actions, sanctions with resulting impacts on compliance by financial institutions, implementing cross-border currency and border controls and enforcement of regulatory regime at the borders. NACTA will be expected to enhance coordination with LEAs and CTDs coupled with effective implementation on UNSCR Sanctions.

In June 2018, Pakistan made a high-level political commitment to work with the FATF and APG to strengthen its AML/CFT regime and to address its strategic counter-terrorism financing-related deficiencies by implementing a 10-point action plan to accomplish these objectives. The successful implementation of the action plan and its physical verification by the APG will lead the FATF to clear Pakistan out of its grey list or else move into the black list by September 2019. In August, the APG as part of the pre-site mutual evaluation identified a series of deficiencies in Pakistan’s anti-money laundering/counter-terror financing laws and mechanisms.

The authorities are required to upgrade agencies and their human resources to be able to handle foreign requests to block terror financing and freeze illegal and targeted assets. By the end of September next year, Pakistan has to comply with the action plan it had committed with the FATF in June to get out of the grey list or else fall into the black list. Over the next nine months, i.e. till September 2019, the government will complete the investigation into the widest range of terror financing activities, including appeals and calls for donations and collection of funds, besides their movements and uses. The outcome will be published at least twice before September next year.

Published in Dawn, January 5th, 2019

https://www.dawn.com/news/1455619/pakistan-delegation-departs-for-fatf-meeting-with-action-plan

CIRCULAR DEBT HAS RISEN TO RS1.4TR, PAC TOLD

Malik Asad Updated January 02, 2019

ISLAMABAD: Circular debt, which stood at Rs1.14 trillion during the term of the previous government, has now increased to Rs1.4 trillion. The energy sector’s circular debt has reached Rs1,362 billion mark, of which Rs755bn is of the Power Holding Company Limited and Rs607bn of Standby Term Finance Facility loans.

This was said by Power Division Secretary Irfan Ali while briefing the Public Accounts Committee (PAC) on Tuesday at its meeting held in the Parliament House and chaired by opposition leader Shahbaz Sharif.

Circular debt generally arises out of high electricity losses (due to theft and inefficiencies in the distribution system) and inability to recover the total amounts billed to consumers by power companies. This leads to a financial gap because of which the power sector fails to discharge its obligations towards fuel suppliers and banks. This in turn badly affects both the energy and financial sectors.

Over 12,000MW power plants to be completed with $25bn investment in energy sector under CPEC

Mr Ali cited almost all of the above reasons for the recent increase in circular debt. Giving the details of the sector-wise demand-based payables of circular debt as on Nov 30, he said Rs36.2bn was payable to generation companies running plants on gas and re-liquefied natural gas, Rs83.5bn to oil-based companies, Rs450.5bn to independent power plants, Rs28.6bn to nuclear plants and Rs156.7bn to the National Transmission and Dispatch Company/Wapda.

He said that with the assistance of the Asian Development Bank, the government was going to launch the Advance Metering Infrastructure project in the areas covered by the Lahore Electricity Supply Company and the Islamabad Electricity Supply Company at a cost of $40 million. In the second phase, the project will be extended to the Peshawar Electricity Supply Company, Multan Electricity Supply Company, Hyderabad Electricity Supply Company and other areas with high power theft cases. The second phase of the project will cost $500m.

In response to a question by the committee members, the official said that the power division had launched a drive to bring to book the elements involved in power theft both within the distribution companies and consumers. He added that an indiscriminate operation was being carried out against thieves and so far relevant police stations had been approached to lodge 15,746 FIRs against 21,475 “thieves” and 11,356 of them had been registered.

Mr Ali further said that Pakistan had planned to take the share of renewable energy in the energy mix to 25 per cent by 2025 and to 30pc by 2030.

According to him, at present total installed capacity is 33,836 megawatts (MW) and de-rated capacity 31,006MW. Total hydel power production is 9,730MW and total generation by Gencos is 5,682MW of which 4,177MW is de-rated production. Total capacity of thermal plants run by IPPs is 15,186MW and their de-rated capacity 13,973MW.

Total installed capacity of nuclear plants is 1,345MW and de-rated capacity 1,246. Solar capacity is 400MW, wind 1,185MW and Bagasse-based plants’ installed capacity is 306MW with de-rated capacity of 295MW. Hydel contributes is 27pc of the total installed capacity, LNG 26pc, natural gas 12pc, furnace oil 16pc, coal 9pc and renewable and nuclear 5pc each.

The committee was informed that with an investment of $25bn under the China-Pakistan Economic Corridor (CPEC), power plants of 12,334MW capacity would be completed. The CPEC has 18 priority projects with a capacity of 11,110MW with an investment of $21.7bn and three actively promoted power projects with a capacity of 1,224MW and total investment of $3.3bn.

Published in Dawn, January 2nd, 2019

https://www.dawn.com/news/1455026/circular-debt-has-risen-to-rs14tr-pac-told

CURRENCY JOLTS: DESPITE MASSIVE SLUMP, RUPEE LIKELY TO FALL MORE

By Salman Siddiqui Published: January 1, 2019

KARACHI: Three governments let the rupee slump by a record 32% in the past 13 months in what analysts believe largely uncoordinated efforts but with the apparent objective of lessening pressure on the current account deficit and acquiring an International Monetary Fund (IMF) bailout to address balance of payments woes.

The previous Pakistan Muslim League-Nawaz (PML-N) government, caretaker set-up and current Pakistan Tehreek-e-Insaf (PTI) administration let the rupee dive to Rs138.86 against the US dollar by the end of December 2018 compared to the parity of Rs105.54 in early December 2017.

The PTI government, after coming to power in August 2018, formally approached the IMF in October and kicked off discussions for a bailout worth $6-8 billion in November.

Though the rupee has gone down this much in six rounds of depreciation since December 2017, the country has not yet been able to secure an IMF loan programme as other suggestions like the hike in discount rate and energy tariffs as well as more rupee fall have not been met. Experts expect another slump in the value of the rupee sometime in January 2019 to fulfill the stringent condition.

"We may see 2-3% depreciation sometime in mid-January before an agreement on the IMF programme," suggested BMA Capital economist Fawad Khan while talking to The Express Tribune.

Analysts and experts believe that the IMF has suggested letting the rupee weaken to Rs145 to the greenback. Previously, it had proposed that the rupee's parity should be at around Rs125 before the PML-N government allowed the first round of depreciation in December 2017.

However, it should be noted that the IMF bailout is no more required after friendly countries Saudi Arabia and the United Arab Emirates (UAE) have pledged and extended financial assistance worth $6 billion and $3 billion respectively to help Pakistan avert a balance of payments crisis. Moreover, China is also expected to offer $3-4 billion in loans but the amount has not yet been announced.

Apart from these, billions of dollars can be raised by floating dollar-denominated bonds, like Eurobond, in world markets to bridge the financing shortfall.

In a bid to win over voters and succeed in elections for a second consecutive term in mid-2018, the PML-N government – which let the rupee go down by over 9.6% in the last six months of its rule – earlier held the currency artificially stable at an average rate of Rs102.2 from January to August 2015 and at Rs104.5 for about 28 months (September 2015 to early December 2017).

The rupee had been at around Rs97 to the greenback when the PML-N formed its government on June 5, 2013.

That left the rupee overvalued against the US dollar and other major world currencies. It also widened the gap between Pakistan's low foreign income, primarily from sluggish exports and almost static remittances, and high expenditures to finance a heavy import bill and make debt repayment.

The gap – called the current account deficit – touched a record high at $19 billion in the previous fiscal year ended June 30, 2018. To bridge the gulf, financing came partly through the foreign currency reserves, which depleted fast and fell to a near five-year low.

In its report, the State Bank of Pakistan (SBP) suggested that a 13-year high economic growth of 5.8% achieved in FY18 came at "the cost of widening macroeconomic imbalances as manifested in the five-year high fiscal deficit and a record-high current account deficit."

The downtrend in the rupee's value over the past around 13 months has reflected mounting pressure on the country's foreign currency reserves, which have shrunk to a critical level of $7.45 billion now, despite the receipt of first two loan tranches of $1 billion each from Saudi Arabia in November and December 2018.

"Market-based adjustment (in the rupee-dollar rate) is reflective of the country's external balance of payments position, which has come under pressure due to a large trade deficit," said the central bank.

The SBP was of the view that the adjustment in the rupee-dollar exchange rate, along with the increase in interest rate – which was raised 4.25 percentage points in the past 11 months to a six-year high of 10% at present – and other administrative measures, had been helping in overcoming the current account deficit so far in the current fiscal year 2018-19.

"Real effective exchange rate (REER) and monetary policy (benchmark interest rate) are the two effective tools available with the central bank to deal with the situation. We are using both of them," SBP Governor Tariq Bajwa said earlier.

It will, however, slow down economic growth which will remain in the range of 3-4% and push up inflation to around 7-8% in FY19.

Had the PML-N government not artificially held the rupee stable during its first four-and-a-half-year rule, the country would not have been needed to face the decade's steepest depreciation of 23.14% in just a year from January to December 2018, said the BMA economist. "Year 2008 had seen a record depreciation of 24.36%," he recalled.

"Different governments took different policy measures…the interim government should have done more than what it did – as it let the rupee go down by around 11% between June 5 and August 17, 2018 – during its short tenure," he said.

History suggested that the rupee depreciated at an average of 5-5.5% per year from 1991 to 2017.

"Now, we should not expect a steeper depreciation but gradual currency weakening will continue," Khan said, adding, "we should expect the rupee to trade at Rs145 (to the US dollar) by June 2019."

Published in The Express Tribune, January 1st, 2019.

https://tribune.com.pk/story/1878602/2-currency-jolts-despite-massive-slump-rupee-likely-fall/

FIRST HALF OF FY19: TAX COLLECTION MISSES TARGET BY RS175B AS ECONOMY SLOWS

By Shahbaz Rana Published: January 1, 2019

ISLAMABAD: The government is badly failing in its promise to enhance tax revenues as the shortfall in collection in first half of the current fiscal year has widened to Rs175 billion, signalling a slowdown in the economy and underscoring the need for taking immediate corrective administrative measures.

The shortfall against the target set for the July-December period was equal to 0.5% of gross domestic product (GDP). This has made it impossible to achieve the revised budget deficit target of 5.6% of GDP or Rs2.2 trillion, unless additional measures are taken and administrative changes are made.

Till Monday evening, the FBR could provisionally collect only Rs1.79 trillion in taxes in first six months of the current fiscal year against the requirement of Rs1.96 trillion, according to Federal Board of Revenue (FBR) officials. The number would slightly improve once book adjustments were fully accounted for, they added.

The FBR was able to reach close to Rs1.8 trillion after taking billions of rupees in advances from public-sector companies and commercial banks.

The government on Monday also increased sales tax on petroleum products to the standard 17% aimed at supporting revenue collection. The general sales tax on high-speed diesel was increased from 13% to 17% and on petrol from 8% to 17%.

The Rs1.785-trillion collection of taxes during the first half was Rs60 billion or 3.5% higher than the collection made in the same period of previous fiscal year. During July-December of the last fiscal year, the FBR had collected Rs1.73 trillion.

The 3.5% growth was far lower than the nominal economic growth of over 11%, indicating huge revenue leakages. The first half year's collection was equal to only 41% of the annual target of Rs4.4 trillion. The provisional collection fell short of the desired pace of 14.5% growth that was needed to hit the annual target of Rs4.4 trillion. The Rs1.8-trillion tax collection was short of the original goal by at least Rs175 billion.

This has raised questions over the government's ability to achieve its goal of enhancing revenue collection aimed at the broader objective of lowering the country's debt. Finance Minister Asad Umar has already announced the introduction of a mini-budget in mid-January but he has stated the purpose of the second mini-budget is to support economic growth.

The Ministry of Finance's internal assessment showed that without additional measures, the FBR may not cross even the Rs4.1-trillion mark, according to sources in the ministry. They said the finance minister was not happy with the FBR's performance.

The government is of the view that if the FBR cannot achieve even 10% annual growth in collection, then it should be closed down, according to the people privy to these meetings.

Only in December, the FBR's provisional collection fell short of the target by Rs74 billion, according to the sources. The collection for the month stood at Rs395 billion, down Rs21 billion, or 5%, as compared to December last year. The monthly target was Rs469 billion.

However, Dr Ashfaque Hasan Khan, a senior member of the Economic Advisory Council (EAC), argued that the FBR's performance should not be compared with last year due to the inflated revenues reported previously.

"Are we measuring the FBR's collection with a right base, as the previous year's total tax collection of Rs3.842 trillion was the result of taking hundreds of billions of rupees in advances," asked Khan. He said the FBR under Asad Umar was not doing what it had done under Ishaq Dar.

In September, the PTI government had also got approved a mini-budget from parliament. The FBR had hoped that since the government notified new tax measures in the mini-budget, there would be no shortfall in targets in the remaining nine months of the fiscal year.

But the situation is not improving and there is a shortfall in the tax collection against almost every notable head. FBR authorities insist that this was a sign of slowing economic activities and shrinking purchasing power of the people due to growing inflationary pressures. Withholding tax collection from imports, salaried persons, dividend income, technical fees and contracts dropped massively in the current fiscal year.

During the recently concluded talks, the International Monetary Fund (IMF) demanded that Pakistan increase the FBR's annual tax collection target to Rs4.7 trillion. The Supreme Court's decision to stop the FBR from collecting advance tax on mobile phone calls and reduction in sales tax on petroleum products also impacted the tax collection, according to the FBR authorities.

But the government also needs to make right appointments in the FBR as there was clear disconnection between the headquarters and the FBR's field formations.

Published in The Express Tribune, January 1st, 2019.

https://tribune.com.pk/story/1878604/2-first-half-fy19-tax-collection-misses-target-rs175b-economy-slows/

February 2019

NEWS COVERAGE PERIOD FROM FEB 18th TO FEB 24th 2019

PAKISTAN LAGGING BEHIND IN EMBRACING 4TH INDUSTRIAL REVOLUTION

By Imran Rana Published: February 23, 2019

FAISALABAD: Integrating modern sciences with the social fabric is imperative to fully harvest benefits of recent technological developments, said National University of Technology Islamabad (NUT) Chief Coordinator Colonel Bakhtiar Asif.

Speaking at a meeting at the Faisalabad Chamber of Commerce and Industry (FCCI) on the promotion of fourth industrial revolution in Pakistan, Asif said a comprehensive strategy should be evolved to take Pakistan into the ranks of countries embracing the fourth industrial revolution.

He emphasised that the industrial revolution was now entering a new phase of digitalisation, after successfully harvesting benefits of cutting-edge technology of computers and IT.

"Developed countries are moving towards the fourth industrial revolution, but we are lagging far behind in this area," he decried. "We are unable to manufacture chains of motorcycles and hence, we must sensitise our industries to switch to new technologies, which are not only cost-effective, but are also compatible with international standards."

Asif pointed out that Pakistan had abundant raw material and its focus should be on value addition to export value-added products to potential markets. "In this respect, we must switch to the fourth industrial revolution."

FCCI Senior Vice President Mian Tanveer Ahmed said population-wise, Faisalabad was the third major city, which had an important position in industrial and commercial sectors.

He said textile was the iconic representation of the city, but other sectors were also playing their role in the development of Faisalabad as well as Pakistan.

Published in The Express Tribune, February 23rd, 2019.

https://tribune.com.pk/story/1916526/2-pakistan-lagging-behind-embracing-4th-industrial-revolution/

ROADMAP FOR $21BN SAUDI INVESTMENT FINALISED

Khaleeq Kiani Updated February 19, 2019

ISLAMABAD: Pakistan is expecting $21 billion worth of seven memorandums of understanding (MoUs) signed with Saudi Arabia to come to fruition in three phases over the next six years.

The two sides have set up two major follow-up forums to ensure timely completion of feasibility studies and project implementation including the top level Saudi-Pakistan Joint Supreme Coordination Council (SPJSCC) and a Joint Working Group (JWG).

The SPSCC will be led by Prime Minister Imran Khan and Saudi Crown Prince Mohammed bin Salman bin Abdulaziz Al Saud while joint working group on energy would be led by Saudi Minister for Energy and Industry Khalid Al Falih and Petroleum Minister Ghulam Sarwar Khan.

Officials involved in two-day bilateral engagements said three initiatives of $7bn are expected to be completed in the first phase of 1-2 years (short-term). These include about $4bn Saudi investment in two regasified-liquefied natural gas (RLNG) based power plants in Punjab. The sale of two projects was, however, expected to go through the open bidding process even though the previous government had parked a major part of $1.5bn 'Saudi gift' in the Pakistan Development Fund to finance the two power plants.

Joint Working Groups formed; high-level coordination council to monitor progress

Another $2bn investment is expected from ACWA Power within two years, mostly in renewable energy projects in the coastal areas of Balochistan and Chaghi wind corridor, based on feasibility studies to be conducted in the near future, officials said.

ACWA Power is a Riyadh-based developer, investor, co-owner and operator of a portfolio of power generation and desalinated water production plants in 10 countries including in the Middle East and North Africa, Southern Africa and South East Asia regions.

In addition, a $1bn investment from Saudi Fund for Pakistan is also expected in first two years as participation in projects like Diamer-Bhasha and Mohmand dams, Jamshoro and Jagran power projects.

The mid-term investment up to $2bn is anticipated in 2-3 years. These include smaller petrochemical projects and food and agriculture projects of $1bn each.

The long term (4-6 year) Saudi investment worth $12bn is expected in two major projects. These include $10bn oil refinery to be set up by Aramco and $2bn investment in Mineral Development.

The feasibility study for oil refinery and identification of mineral projects are yet to be made, officials explained, adding that the formal agreements on all these projects would be signed on a fast-track basis as soon as their feasibility studies are completed.

The two sides decided to set up the SPJSCC at the highest level to enhance bilateral economic and business relations in various fields in an institutionalized manner and resolve any hiccups at the very outset. The meetings of the council will be held in the two countries on an alternative basis.

The two sides agreed to make use of all available channels to promote bilateral trade, investment and promote communication between the two peoples and businessmen. The Joint Commission on

Commerce and Trade, which is now part of the SPJSCC shall facilitate bilateral trade in specific sectors and products.

The two sides agreed to further strengthen measures to promote trade, participate in exhibitions and events, welcome business meetings from both countries, and encourage the private sector to take the lead in building a strong economic partnership between the two brotherly countries.

The two sides expected the total investment opportunities worth $20bn would increase the mutual investment and volume of bilateral trade.

A joint statement quoted Saudi side as expressing its appreciation for the initiatives taken to improve the conduct of business and facilitate foreign direct investment, and hoped the potential of the China-Pakistan Economic Corridor (CPEC) will contribute to the development and prosperity of the region.

In follow-up to the signing of MoUs, both sides agreed to have expeditious exchange of information to carry out feasibility studies and discussed other areas of cooperation including supply of petroleum products and LNG on a deferred payment basis.

Mr Falih said his country would look into some other mutually beneficial investment opportunities in energy sector of Pakistan.

Separately, a Pak-Saudi Investors Conference on the sidelines agreed to promote bilateral trade to its true potential as its existing size of $3.7bn was fall below the strength of brotherly relationship. Adviser to Prime Minister on Commerce, Textile and Industry Abdul Razzak Dawood and Saudi Commerce Minister Majid Bin Abdullah Al Qasabi co-chaired the conference.

Dawood said there were many untapped potential areas which should be explored for mutual benefit and take advantage of trade and investment opportunities like in agricultural, natural resources and human resource in Pakistan and logistic, mining and religious tourism in Saudi Arabia. He assured the guests that Pakistan would facilitate and provide a level playing field to Saudi investors.

He said Pakistan's economy was heading in the right direction but was facing energy shortage, when China came forward and decided to initiate investment in different energy generation projects under CPEC. He said the government was working on renewable energy policy to improve energy mix with alternate energy from existing 4pc to 30pc by 2025 to shift away from expensive oil and gas.

A statement quoted Mr Dawood as saying that Saudi investors and businessmen showed keen interest to invest in petroleum and energy generation sectors as the huge scope of investment were existing with lucrative rate of returns.

Saudi Minister for Commerce Majid Bin Abdullah Al Qasabi said Pakistan was a nation of passion and dedication, and the compass of bilateral relations was moving towards new direction.

Terming the current trade volume of $3.7 billion between the two countries as low, the Saudi minister said that this volume was very moderate and it should be enhanced by exploiting new areas of trade and development in the country. He hoped the current visit would help ease the bureaucratic challenges on both sides.

Published in Dawn, February 19th, 2019

https://www.dawn.com/news/1464742/roadmap-for-21bn-saudi-investment-finalised

RIYADH TO INVEST $21B OVER NEXT FIVE YEARS

By Zafar Bhutta Published: February 19, 2019

ISLAMABAD: Saudi Arabia has pledged to invest up to $21 billion in Pakistan over next two to five years, the Petroleum Division revealed on Monday.

According to details provided by the Petroleum Division PRO, the Kingdom will invest up to $7 billion in the short term, using $4 billion to acquire two LNG-based power plants set up by the previous government in Punjab that the Pakistan Tehreek-e-Insaf government plans to privatise through open bidding.

Saudi Arabia's ACWA Power is also keen on investing as much as $2 billion in renewable energy projects, particularly in the coastal areas of Balochistan.

In addition to these plans, the Saudi Fund of Pakistan is also looking to invest $1 billion in five Pakistani hydropower projects, including Diamer-Bhasha and Mohmand dam, over the next one or two years. Saudi Arabia has already financed the Neelum-Jhelum Hydropower Project.

Under the medium term investment plan revealed by the Petroleum Division PRO, Saudi Arabia will invest up to $2 billion over the next two to three years. The Kingdom will use $1 billion to set up petrochemical plant in Gwadar, which ties in with the PTI government's plan to develop the coastal city into an 'oil city'. Riyadh plans to invest another $1 billion for food and agriculture projects in Pakistan.

Over the long term, Saudi Arabia plans to invest up to $12 billion in oil and mineral sectors. According to the Petroleum Division PRO, $10 billion will be used to set up an Aramco oil refinery in Gwadar which will be capable of producing between 250,000 to 300,000 barrels per day. The Kingdom will invest the remaining $2 billion to develop the mineral sector in Balochistan and Khyber-Pakhtunkhwa.

At present, Pakistan has five oil refineries which are unable to meet the country's total demand for refined petroleum products. The proposed Aramco oil refinery would help Pakistan meet this demand and slash the country's annual oil import bill by as much as $1.5 billion.

https://tribune.com.pk/story/1913545/1-riyadh-invest-21b-next-five-years/

NEWS COVERAGE PERIOD FROM FEB 11th TO FEB 17th 2019

MBS VISIT TO HERALD NEW ERA OF ECONOMIC STABILITY: MINISTER

ABDUL RASHEED AZAD | FEB 15TH, 2019 | ISLAMABAD

Federal Minister for Religious Affairs Noorul Haq Qadri has said that visit of Saudi Crown Prince Muhammad Bin Salman (MBS) to Pakistan will herald a new era of prosperity and economic stability in Pakistan. Addressing an event organised by Pakistan Ulema Council (PUC) Tahir Mehmood Ashrafi Group titled "Pak-Saudi Arab Relations Conference" here on Thursday, Qadri stated that Pakistan and Saudi Arabia are knotted in eternal relationship of brotherhood and no one could make differences between Pakistan and Saudi Arabia.

He maintained that Prime Minister Imran Khan is committed to making Pakistan as a state on the pattern of Medina. “Being Muslims we are knotted in the relationship of faith with Kingdom of Saudi Arabia,” he added. “Imran Khan made first state visit to the Saudi Arabia, as both the brother Islamic countries in every thick and thin have assisted each other. Saudi Arabia has always remained on forefront whenever Pakistan has called Saudi Arabia either on the occasion of nuclear sanctions or economic mayhem,” Qadri added.

The conference was presided over by Chairman PUC Hafiz Muhammad Tahir Mehmood Ashrafi and was attended by Presided International Islamic University Dr Ahmed Al-Yusuf Al-Darvesh, Allama Tahirul Hassan and others. The participants at the conference welcomed the state visit of Saudi Crown Prince Muhammad Bin Salman to Pakistan, saying that this visit will prove a historic milestone to strengthen Pak-Saudi Arabia relations in the longer run.

The Saudi Arabia is committed to making historic investment in Pakistan to uplift Pakistan’s economy, which is demonstration of Saudi’s trust and confidence in the people of Pakistan and government of Pakistan, said Qadri.

The participants of the event also underlined that unity of Muslim Ummah is necessary to resolve confronting challenges of Muslim world. Muslims from all over the world gather and unite in Harmain Al Sharifain, keeping aside all distinctions and this unity is required to steer out the Muslim Ummah from prevailing challenges. President IIUI Dr Ahmed Yousif Al-Darvesh stated that Saudi Arabia feels proud on its brotherly relations with Pakistan. The participants also lauded the government’s efforts for strengthening ties with Muslim countries, saying that the visit of Saudi Crown Prince will further cement brotherly relations between Pakistan and Saudi Arabia. Massive Saudi investment in Pakistan will enhance opportunities for both Saudi and Pakistani merchants to boost bilateral trade between both the Muslim countries.

Pakistan has to play a bridge like role to strengthen relations among Muslim countries. People of Pakistan and Pak Armed Forces have played very vital role to annihilate the menace of terrorism and extremism and this unity will prolong to eradicate the menace of terrorism and extremism from Muslim world.

https://fp.brecorder.com/2019/02/20190215447234/

SAUDI PRINCE LIKELY TO SIGN $10BN MOUS DURING UPCOMING VISIT

The Newspaper’s Staff Reporter Updated February 12, 2019

ISLAMABAD: Pakistan and Saudi Arabia are expected to ink three major memorandum of understanding (MoUs) amounting to over $10 billion during the upcoming visit of Saudi Prince Mohammed bin Salman (MBS) to the country.

“Three mega government-to-government MoUs will be signed and their total volume will be in double digit billion dollars,” Board of Investment (BoI) Chairman Haroon Sharif told Dawn on Monday.

He said the three MOUs will be signed in the fields of oil refining, liquefied natural gas (LNG) and mineral development.

Prince MBS is paying his first two-day visit to Pakistan, most likely, on Feb 16 on the invitation of Prime Minister Imran Khan.

Besides the MoUs, other business agreements are also likely to be signed between businessmen and industrialist of the two sides. “A group of top 40 Saudi businessmen is accompanying Prince Mohammed. The delegation will interact with the local business community. It is expected that some other private level agreements will also be inked during the visit,” the BoI chief said.

Talking about an oil refinery that Saudi Arabia will set up at Gwadar, Mr Sharif said the facility will be established at a cost of $8 billion. “Besides foreign investment, it will also provide job opportunities to the locals of the port city. If they [Saudis] also establish a petrochemical complex along with the refinery, it will require an additional investment of billions of dollars,” he added.

The BoI chief said the Saudi government was keen to install an oil refinery at Gwadar and further urged the preparation of a feasibility report in this regard.

Responding to a query regarding China’s reaction over Saudis investment in Gwadar, Mr Sharif said the former had no objection over the latter’s plan to establish an oil refinery. “In fact the area where Saudis will install the refinery will exactly be determined after feasibility study. However, it will be far away from the China-Pakistan Economic Corridor (CPEC),” he claimed.

Responding to a question as to why Saudi Arabia has suddenly come up with huge investment plans in Pakistan, the board’s chairman said, “The leadership of Prime Minister Imran Khan and his commitment of ensuring transparency in Pakistan are the reasons behind much ambitious foreign investment in the country.”

Published in Dawn, February 12th, 2019

https://www.dawn.com/news/1463371/saudi-prince-likely-to-sign-10bn-mous-during-upcoming-visit

NEWS COVERAGE PERIOD FROM FEB 4th TO FEB 10th 2019

SEZS TO TOP TODAY’S ECC AGENDA

MUSHTAQ GHUMMAN | FEB 4TH, 2019 | ISLAMABAD

The Economic Coordination Committee (ECC) of the Cabinet on Monday (today) will determine solutions to critical issues facing companies in existing Special Economic Zones (SEZs), despite billions of rupees investment.

Presided over by Finance Minister, Asad Umar, the committee will also consider a proposal of Ministry of Overseas Pakistanis & Human Resource Development Division titled “strategy for increasing overseas employment for Pakistani workers” and Petroleum Division proposal Machike-Tarujabba oil pipeline project.

Giving the background of SEZs issues, the sources said, Prime Minister’s Advisor on Commerce, Textile, Industries and Production and Investment, Abdul Razak Dawood on February 2, 2019 met with the concerned companies in Karachi and assured them that their issues will be sorted out.

According to sources, recently, five companies facing hardship in National Industrials Park (NIP) have sent an SOS (Save Our Souls) to Abdul Razak Dawood, seeking his help in resolution of their issues.

The companies, including three from the auto sector, have commenced construction of industrial plants in Bin Qasim Industrial Park (BQIP) Special Economic Zone, National Industrial Park (NIP), Karachi, with a combined planned investment of Rs 35 billion.

The federal government recently appointed Rizwan Bhatti as Chief Executive Officer (CEO) of NIP. These companies argue that their investment of Rs 35 billion has been hijacked . However, the visit of Razak Dawood has given them hope that their issues may be resolved on priority basis.

According to the affected persons over the last year, more than 9 meetings have been held to facilitate BQIP investors by the Provincial Government (Sindh Economic Zones Management Company, SEZ Authority, Government of Sindh) and yet the Federal Government/concerned Ministries/NIP have not moved an inch to resolve their issues.

The companies, in their SOS, have claimed that they have suffered massive losses due to the Ministry of Industries and BoI inability to deliver on their SEZ obligations, obligations on which the companies had agreed to purchase BQIP's Pakistan Steel Mill (PSM) land at almost double the land price prevailing in Port Qasim Eastern Zone.

"Despite holding billions of rupees in their bank account, NIP has failed miserably in meeting its obligations, as per SEZ Act /Rules, to deliver state-of-the-art industrial park with provision of utilities (electricity, gas, water, sewerage, effluent plant etc.), infrastructure (road boundary walls, security etc) & allied facilities," said a representative of one of the companies.

The affectees further stated that the most critical and long pending issues that need to be resolved immediately by NIP are as follows: (i) execution of lease agreements & permission to mortgage letters – PSM has already approved the lease draft and is awaiting execution from NIP since last 3 months; (ii) Provision of Electricity- KE has already provided the requisite documents to NIP for release of payments to KE so that work on the electricity connection can begin; and (iii) availability of water and sewage connections, development of boundary wall and road network inside BQIP and availability of natural gas or RLNG.

The SOS further stated that Hi-Tech Alloy Wheels Ltd applied for SEZ status 12 months ago and its process has not yet been completed, and the imported plant is lying in bonded warehouse and attracting penal levies.

https://fp.brecorder.com/2019/02/20190204444573/

March 2019

NEWS COVERAGE PERIOD FROM MAR 25th TO MAR 31st 2019

MAYOR SAYS RS162BN PACKAGE FOR KARACHI GOOD BUT NOT ENOUGH

Fasahat Mohiuddin April 1, 2019

Commenting on the package worth Rs162 billion for Karachi's development announced on Saturday by Prime Minister Imran Khan during his visit to the city, Karachi Mayor Wasim Akhtar has said many problems of Karachi would be addressed through the PM's package; however, Rs162 billion was still not enough to resolve all the issues of Karachi.

Lauding the PM for announcing hundreds of billions of rupees' funds for the city, the mayor, while speaking to media persons at Bagh Ibne Qasim on Saturday night, said the funds would help start development projects in the city.

The mayor was of the view that the federal government should have taken the Sindh government into confidence regarding the development package as the implementation of the package would not be possible without the participation of the provincial government. He, however, maintained that the federal government should not be criticised for providing money for the development of Sindh.

According to Akhtar, the sole aim of all the stakeholders should be Sindh's development and no one should have any problem with the efforts made for the resolution of the issues of the Sindhi's people.

Regarding Bagh Ibne Qasim, which was inaugurated by the PM on Saturday after its renovation, the mayor said entry to the park will be free for the citizens and it will remain open till 11 pm.

The elected representatives of the city have given a gift to its residents in the shape of a beautiful park, he remarked. Akhtar said the park was situated near the sea due to which its visitors would get respite from heat during summer as the breeze blew constantly there. He added that the people of Karachi had after a long time got some good recreational place.

The PM's visit to Karachi also made evident the ongoing frictions between the federal and provincial governments as the Sindh government complained that its dignitaries were not invited at any event attended by the PM.

When asked about the Centre not having the provincial government on board during the PM's visit, Sindh Minister for Local Government Saeed Ghani told The News that such action on the part of the federal government showed its lack of good judgment. The PM has damaged his public perception, Ghani remarked.

https://www.thenews.com.pk/print/451672-mayor-says-rs162bn-package-for-karachi-good-but-not-enough

FBR FALLS RS318BN SHORT OF ACHIEVING TAX TARGET

By Shahbaz Rana Published: March 31, 2019

ISLAMABAD: The Federal Board of Revenue (FBR) has missed its first nine-month tax collection target by a record Rs318 billion amid weakening political support that has left it in a lurch besides contributing to its already dismal performance.

From July to March of this fiscal year, the FBR provisionally collected Rs2.7 trillion in taxes against its Rs3 trillion target, according to the officials of the tax-collection body.

The collection may jump by a few more billions once the final collection figures are available by next week.

Overall, the nine-month tax collection was higher by just Rs53 billion or two per cent as compared to the previous fiscal. The FBR had collected Rs2.628 trillion during the same period in the previous fiscal year, as per the State Bank of Pakistan data.

The nine-month collection is equal to 61 per cent of the annual downward revised target of Rs4.4 trillion.

Finance Minister Asad Umar had told the International Monetary Fund that the FBR may pool Rs4.1 trillion. Apparently, that will be an uphill task now.

The FBR has provisionally suffered a shortfall of Rs81 billion in March alone. It could collect only Rs351 billion against the monthly target of Rs432 billion, according to FBR officials.

The collection in March was Rs19 billion or 5.1 per cent less than that in March last year.

This is for the first time in this fiscal year that the customs duties' monthly collection target has been missed.

By the end of February, the customs department showed a 20 per cent growth in revenue collection. Against the monthly target of Rs72.8 billion, the FBR provisionally collected only Rs59 billion in customs duties in March.

The shortfall in customs duties was caused by the compression of imports to curtail the current account deficit. The overall nine-month growth in customs duties was 18 per cent.

However, the FBR has managed to bring 1.8 million income tax return filers in its fold, as the extended deadline for filing returns for the tax year 2018 ends on Sunday.

The FBR had recently given a technical extension to bring in the fold nearly 160,000 people who were left out because of a legal amendment.

The income tax law bars including the names of those who filed returns after the due date – Dec 15, 2018 — in the active taxpayers list.

Apart from the slowing down of the economy and changes in tax policies, the reducing political support has not only demoralised the FBR but also contributed to widening the shortfall, sources in the bureau claimed.

In March, the FBR had frozen the bank accounts of politically influential people hoping to recover Rs9 billion in taxes. However, it had to unfreeze the accounts on the government's instructions, the sources added.

Hammad Azhar, the minister of state for revenue, denied having any knowledge of the freezing or unfreezing of these bank accounts, maintaining that it was an administrative matter.

Dr Hamid Ateeq Sarwar, the official spokesperson for the FBR, insisted that these accounts were not unfrozen under political pressure.

"Sometimes the bank accounts are erroneously attached that we unfreeze after learning the complete facts of the case," he added.

The Lahore police had registered a criminal case against some office-bearers of the Lahore Chamber of Commerce and Industry on charges of creating a law and order situation after a tax raid.

The sources said the name of an office-bearer had been withdrawn from the case on the FBR's request.

But Dr Sarwar insisted that the officer-bearer was only present at the protest to pacify the rioters. He added that he did not have any role in the incident and the police registered the FIR on their own.

When contacted, the office-bearer told The Express Tribune that the government would have to find a permanent solution to eliminate black money from the economy before conducting raids.

"Laws and rules like declaring sale and purchase of properties at below market rates create black money and the businessmen shouldn't be blamed for that," he added.

FBR Chairman Jehanzeb Khan has already announced an end to such raids after the business community raised its concerns.

This is not for the first time that the Pakistan Tehreek-e-Insaf (PTI) government has interfered and stopped the FBR from proceeding against influential people.

In January this year, the FBR was stopped from moving against a company that was linked with a member of the National Assembly belonging to the PTI, highly-placed sources told The Express Tribune.

The FBR had traced a payment that an event organiser company made to settle an election campaign related bill.

The FBR's collection has also been affected by the non-payment of tax dues by power distribution companies because of the chronic circular debt. The Pakistan International Airlines has also not been making payments for last three months, according to FBR officials.

The FBR spokesperson had said this week that the tax machinery was suffering losses due to the low tax rates on the petroleum products, the reduction in individuals' income tax rates, the lower collection of withholding tax on financial transaction and mobile cards and the drop in import duties.

The FBR's collection has also suffered because of the reduced development spending releases by the federal and provincial governments.

https://tribune.com.pk/story/1940663/2-fbr-falls-rs318m-short-achieving-tax-target/

RUPEE PLUNGES TO 143.5 IN OPEN MARKET

By Salman Siddiqui Published: March 31, 2019

KARACHI: The rupee further lost its value against the US dollar in the open market on Saturday as speculation mounted that the currency would settle at around Rs145 in the inter-bank market by the time Pakistan inked a loan agreement with the International Monetary Fund (IMF) later next month.

The Exchange Companies Association of Pakistan (ECAP) reported that the rupee lost another Rs1.20 against the US dollar and closed at a new record low of Rs143.50 in the open market.

Dollar East Exchange Company reported that the rupee hit an intra-day low of Rs144 during the day.

The downtrend came after the rupee cumulatively lost Rs2.25, or 1.6%, in the inter-bank market in the past three weeks and closed at an all-time low of Rs140.78 on Friday – the last working day of the week.

“The trend over the past three weeks suggests the rupee will maintain its downturn in the inter-bank market in the next week as well…and that is why it hit a new low of Rs143.50 in retail on Saturday,” ECAP General Secretary Zafar Paracha told The Express Tribune.

“There is speculation in the market that the rupee will settle at around Rs145 by the time Pakistan strikes a loan agreement with the IMF,” he said.

The developments suggest Pakistan will formally sign the loan agreement late in April as the IMF’s staff-level mission will arrive in the third week of the month. Discussions will also take place during spring meetings of the IMF and World Bank in Washington during the month, Finance Minister Asad Umar said this week.

Besides, banks have been demanding full payment in advance from importers for opening letters of credit (LC) for the past two to three weeks. The situation created speculative demand for dollars in the market and contributed to depreciation of the rupee, he said.

Pakistan is facing a shortage of dollars that are needed to continue to make international payments mainly for imports and debt servicing. Apart from this, an upward trend in oil prices in world markets has also mounted pressure on the rupee because the country heavily relies on imports to meet its energy needs.

Pakistan Forex Association President Malik Bostan said the retail market received increased demand for dollars from individuals in first half of Saturday on speculation of further weakness of the rupee. However, the demand shrank notably by the time retail counters closed for the day. Accordingly, the rupee closed at 142.50 against the US dollar.

“The drop in demand for dollars during the closing hours suggests the speculation about further rupee depreciation has come to an end,” he said. “However, what would be the dollar rate in retail on Monday and later during the week would largely depend on the trend in the inter-bank market.”

“Currency dealers received very little demand for dollars, estimated at about $50,000, on future counters on Saturday compared to a high demand for around $3-4 million in the days when chances for further rupee weakness were high,” he said.

The depreciation of the rupee prompted jewellers to increase gold prices by Rs250 per tola (11.66 grams) to a new record high of Rs70,550 on Saturday.

The surge in the domestic market came despite decrease of $2 per ounce (31.10 grams) to $1,292 in the international market.

An office-bearer of the All Sindh Saraf and Jewellers Association said they had increased the price to adjust the rupee depreciation. Otherwise, there was almost no demand for gold due to a significant price increase in domestic markets.

Published in The Express Tribune, March 31st, 2019.

https://tribune.com.pk/story/1940771/2-rupee-plunges-143-5-open-market/

PUNJAB GOVERNMENT'S DEBT SOARS TO RS122 BILLION

By Muhammad Ilyas Published: March 30, 2019

LAHORE: During the last six months of the current fiscal year, the debt of the Punjab government has swelled to Rs122 billion.

Analysts have suggested that the Punjab chief minister's economic advisers have failed to check the increasing debt or speed up development works.

Sources have disclosed that no significant debt has been taken on for developmental works in Punjab and the amount borrowed is to meet the budgetary expenses by the government.

This is why no significant development work could be seen in the health, education and communication sector in the current fiscal year's budget.

The surge in external debt (Rs105 billion) has occurred due to the devaluation of the rupee. From July 18 to December 18, 2018, the amount of international debt has increased drastically. The local and international debts have swelled to Rs813.187 billion from the previous Rs692.754 billion.

Local debts, meanwhile, have decreased from Rs10.899 billion to Rs9.775 billion while international debt, most of which is in US currency, has risen from Rs681.855 billion to Rs803.412 billion.

The Punjab government between June 18 and December 18, 2018, paid Rs26.132 billion as debts. In terms of upcoming payments, an amount of Rs27.540 billion has to be paid due to rupee devaluation as compared to the actual amount Rs19.952 billion.

Published in The Express Tribune, March 30th, 2019.

https://tribune.com.pk/story/1940103/1-punjab-govts-debt-soars-rs122-billion/

US$ LIKELY TO SOAR TO RS 145 IN FY19

ZAHEER ABBASI | MAR 29TH, 2019 | ISLAMABAD

Real GDP growth for the current fiscal year is projected at 3.7 percent, budget deficit at 5.6 percent and adjustment of exchange rate at Rs 145 in the current fiscal year with a further projected depreciation to Rs 170 against the dollar by fiscal year 2022. These ambitious targets set by the Asad Umer led Finance Ministry have been shared with the International Monetary Fund (IMF), well informed sources informed this correspondent but hastened to add that further adjustments may be made during the ongoing negotiations with the Fund before final agreement is reached.

The medium term projected GDP growth rate is 3.8 percent for 2020, 4.3 percent for 2021 and 4.8 percent for 2022. Real GDP growth in medium-term will pick up momentum by fiscal year 2023 to around 5.5 percent after remaining subdued in fiscal year 2019, 2020 due to the effect of stabilization policy.

The growth momentum will be supported by shifting focus to small and medium enterprises and the increase in private sector investment.

Inflation is projected at 8 percent for the current fiscal year, reflecting pass-through of recent exchange rate depreciation, while lagged effect of accommodative monetary policy will get anchored as the effect of tightening of the monetary policy is fully realised.

Inflation is projected to ease to 5.96 percent by 2022. The exchange rate against dollar will be adjusted to Rs 155 in 2020, Rs 165 in 2021 and Rs 170 in fiscal year 2022.

The country"s foreign exchange reserves are projected at $ 11.629 to $ 13.00 billion; with exports at $27.296 billion and imports $54.602 billion for the fiscal year 2019.

The adjustment of rupee, effect of regulatory duties, containment of aggregate demand and fiscal consolidation are all likely to contain imports. The medium-term policies are expected to fuel exports to double digits in the coming five years. Overall, the current account is projected to decrease from a high of 6.1 percent in fiscal year 2018 to around 1.5% of GDP in fiscal year 2023. Under the IMF programme, the current account deficit is projected at 4.6 percent of GDP or $12.902 billion in fiscal year 2019, followed by 2.6 percent of GDP or $7.443 billion in fiscal year 2020, 2.3 percent or $6.998 billion in fiscal year 2021 and 2.7 percent or $8.478 billion in fiscal year 2022.

The State Bank of Pakistan (SBP) policy rate is projected at 10.5 percent in fiscal year 2019, followed by 12 percent in fiscal year 2020 and 2021 and 11 percent in fiscal year 2022.

The government claims it has put in place the necessary stabilization plan and outlined measures to address vulnerabilities and macroeconomic imbalances, required to put the economy on a sustainable growth path. In addition details of structural reforms and a comprehensive social sector strategy have been delineated. It is being ensured that exchange rate policy, monetary policy and fiscal policy move in tandem towards the intended direction to achieve greater macroeconomic stability in the short run and sustained growth in the medium-term.

The recently promulgated remedial measures including cumulative exchange rate adjustment of 31%, policy rate increase of 425 bps, fiscal tightening of around 1.5% of GDP through revised budget, rationalization of gas and electricity tariffs including incentives for export sector have started showing the intended results. With these policy adjustments the government projects in FY 2019: (i) a fiscal deficit of 5.6% of GDP; (ii) Curtailment of quasi-fiscal losses of 1% of GDP; and (iii) Growth in exports and remittances together with curtailment of imports likely to reduce current account deficit to around 4% of GDP. With these stabilization measures, the real GDP growth is expected to moderate to around 4%.

The strong policy actions, anchored in a decisive strategy have substantially closed the foreign financing gap for fiscal year 2019. Bilateral inflows and oil supplies on deferred payments have further helped bridge the foreign financing gap for fiscal year 2019 and will support a build-up of foreign exchange reserves to around 2.5 months of import by end fiscal year 2019. The authorities stand ready to take further stabilization measures including fiscal adjustments, import rationalization and monetary tightening to contain inflation that will be required to put the economy on a further sustainable growth path. In the medium-term the growth outlook is expected to improve to over 5% by fiscal year 2023.

As stabilization takes hold the medium term reform framework includes: (i) Structural measures to eliminate circular debt and inefficiencies in energy sector; (ii) Change the industrial mix to support small and medium enterprises sector; (iii) Increase financial inclusion, (iv) Moving from an import-led economy to a diversified export-led one, and (v) Ensuring productivity enhancement.

Prioritising reforms in tax system and public financial management, creation of holding company "Sarmaye-e-Pakistan" for rehabilitation of SOEs along with privatization is being put in place. Housing finance to provide shelter, uplift of agriculture to provide food security along with job creation remains the government"s priority. Overall the growth strategy will be anchored by an increase in productivity and support for doubling of exports by fiscal year 2023.

https://fp.brecorder.com/2019/03/20190329459312/

PAKISTAN'S FINANCING NEEDS MAY HIT $50B IN NEXT 2 YEARS

By Shahbaz Rana Published: March 27, 2019

ISLAMABAD: Pakistan's gross financing needs in the next two years could hit a minimum $50 billion and it will have to get short-term debt rolled over besides securing new loans to meet external obligations, said Shahid Kardar, former governor of the central bank on Tuesday.

He stated this while speaking at an event organised by the embassy of Switzerland in Islamabad, which discussed the challenges faced by Pakistan's economy and the way forward.

Kardar said the International Monetary Fund's (IMF) financing envelope would not be that big to meet the external financing needs.

As per Pakistan's entitlement, it can secure a net $6 billion from the IMF after excluding outstanding liabilities, said the former central bank governor.

Even the $50 billion financing requirement, on an average of $25 billion a year, seems very conservative given the external sector challenges being faced today. This requirement is worked out on the assumption of a single-digit current account deficit in dollar terms.

It seems that due to the huge external financing requirement, Pakistan's reliance on the club of friendly countries will continue in coming years or else it will be in trouble.

The government would have to contract nearly $35 billion in the next over two years to meet the financing needs, said Kardar.

Pakistan's external debt and liabilities have already crossed $100 billion. The amount that will have to be rolled over or rescheduled into long-term loans will be over $15 billion in just two years.

Pakistan's gross official foreign currency reserves of $10.6 billion have primarily been built on borrowed foreign funds. So far, the government has secured $9.2 billion in emergency loans from China, Saudi Arabia and the United Arab Emirates. Only China gave $4.2 billion since July last year.

The government is contracting expensive commercial loans at a time when it has much cheaper longer-maturity debt available from the World Bank, Asian Development Bank and IMF. However, loans from these countries are pegged with structural reforms, which are often painful and politically unpopular.

Kardar said it seemed that the IMF had frontloaded conditions for the under-discussion programme, which may create serious problems for the government. He was of the view that due to the prevailing macroeconomic conditions, poverty in the country could go up in the next two years.

He said the nature of problems suggested that it would require four years to address the structural issues but the IMF wanted to do most of it upfront, which could be problematic.

Finance Minister Asad Umar said on Monday the IMF had budged from its hard position, hoping that an agreement could be signed by the third week of next month.

Like the finance minister, Kardar also criticised past IMF policies, saying the IMF had failed in its own areas of core competence like taxation. It was on the IMF watch when Pakistan ended up distorting the tax structure including introduction of the concept of higher tax rates for non-filers of tax returns.

Umar also blamed the IMF for the current economic mess as the macroeconomic situation could not improve despite signing 21 programmes with the fund.

Kardar said due to the serious nature of structural issues, the average annual growth rate for the next two to three years could be 3%, which would not be sufficient to create adequate job opportunities.

Independent economists have time and again said Pakistan needs to grow at a pace of 8% to absorb the additional 40 million youth, who will enter the labour force over the next 35 years.

Pakistan requires an increase in its investment and savings ratios to create an enabling environment for the creation of jobs. However, low tax revenues have restrained the government's ability to enhance public investment.

Kardar said this year, the tax-to-GDP ratio may fall below last year's level of 13% as the Federal Board of Revenue struggled to enhance its collection.

"The federal government also needs to get its act together by curtailing expenditures in areas which fall in the provincial domain," said Kardar. He also sought a review of the independent power producers (IPPs) policy, which had given undue benefits to the producers at the expense of electricity consumers.

He said the IPPs had been given massive concessions and high rates of return at a time when global prices were going down.

Kardar also struck a positive note, saying the foreign direct investment may pick up due to a semblance of political stability. But foreign investors will only follow a boom that has to be created by domestic investors.

Published in The Express Tribune, March 27th, 2019.

https://tribune.com.pk/story/1937991/2-pakistans-financing-needs-may-hit-50b-next-2-years/

SBP CUTS ECONOMIC GROWTH FORECAST TO 3.5-4%

By Salman Siddiqui Published: March 26, 2019

KARACHI: The State Bank of Pakistan (SBP) has revised down its projection for real economic growth by half a percentage point, putting it in a range of 3.5-4% in the current fiscal year "mainly due to slowdown in growth of the agriculture sector and stabilisation measures taken to preserve macroeconomic stability."

"SBP has revised down its projection for real GDP (gross domestic product) growth during FY19 by 0.5 percentage point to 3.5-4.0%," the central bank said in its second-quarter (Oct-Dec 2018) report on the state of economy on Monday.

The economy was set to slow down in the second half (January-June) as inflation was likely to rise further, revenue collection would drop and fiscal deficit would widen further, the central bank said.

"Regarding price pressures, inflation is expected to remain high in the second half of FY19," it said. "CPI inflation (is projected) at 6.5-7.5% for the full year," it added.

The SBP projected that the fiscal deficit would further deteriorate by 0.5% of GDP, which brought it close to the level hit in FY18.

Large-scale manufacturing (LSM) contracted further in the second quarter. Moreover, "given that public development spending, a key driver for private sector industrial activities, is unlikely to pick up anytime soon, the full-year outlook for manufacturing activities remains subdued," the SBP said.

Furthermore, private consumption is going to remain lower due to a tighter monetary policy and pass through of exchange rate depreciation, which has resulted in both higher energy prices and core inflation. In addition, according to the SBP, the prospects for the upcoming wheat crop remain subdued in terms of growth.

"All these aspects are going to constrain the services sector in the coming months as well," it said.

Inflation is expected to remain high "due to the second round impact of recent exchange rate depreciations, upward adjustment in gas and electricity prices and higher budgetary borrowing from the SBP."

However, the lagged impact of policy rate increases would be instrumental in keeping demand pressures under check. Acknowledging these risks, the SBP continues to project average CPI inflation at 6.5-7.5% for the full year.

As noted earlier, the primary deficit has increased further while there has been a sharp reduction in development expenditure in order to improve the fiscal position. This situation has become more challenging as the growth in current expenditure inched up to 17.3% in the first half as compared to 13.5% last year.

On the contrary, revenue collection contracted 2.4% in the same period as compared to the growth of 19.8% last year.

Since there is limited room to curtail government expenditure in coming months, it is the growth in revenue that will be instrumental in determining the overall fiscal position for FY19.

Incorporating the performance of revenue collection in the second half in the last four years, the SBP projected that the fiscal deficit would further deteriorate by 0.5% of GDP, which brought it close to the same level as in FY18.

As for the external sector, while the current account deficit (CAD) improved $1.7 billion in first seven months of FY19, it was still high at $8.4 billion. "Some improvement is expected to continue in the remaining months as imports are likely to contract further on account of moderating domestic demand and relatively low international oil prices as compared to the beginning of FY19."

However, merchandise exports are expected to miss the target due to waning demand in certain export destinations. Additionally, this is compounded by competitive pressures in the international arena and the lack of diversified and higher value added products that can effectively utilise the export quotas allowed under specific trade agreements.

"Meanwhile on the external financing front, the efforts of the government have started to materialise in the shape of bilateral inflows from Saudi Arabia, the UAE and China. Some of these inflows have already been realised while the rest are due in 2HFY19."

Along with the Saudi deferred oil payment facility, these inflows have an important role in meeting the external financing gap for FY19, thereby, easing pressure on foreign exchange reserves and mitigating volatility in the foreign exchange market, it said.

Published in The Express Tribune, March 26th, 2019.

https://tribune.com.pk/story/1937202/2-sbp-cuts-economic-growth-forecast-3-5-4/

NEWS COVERAGE PERIOD FROM MAR 11th TO MAR 17th 2019

PAKISTAN CLOSER TO REACHING ACCORD WITH IMF: ASAD

Amjad Iqbal Updated March 17, 2019

TAXILA: Federal Finance Minister Asad Umar has hinted that bailout package talks with the International Monetary Fund (IMF) are in their final stages and the government will have further negotiations with the newly appointed IMF mission before reaching an agreement.

"Pakistan has come closer to reaching an agreement with the IMF as the differences between Pakistan and the IMF over a possible bailout package have decreased," said Mr Umar while talking to reporters after administering the oath to the newly elected body of the Tarnol Press Club on Saturday.

The IMF mission chief was due on March 26, the finance minister said, adding that a deal would materialise only after a detailed discussion with him. He made it clear that no final amount for the bailout package had been decided so far, as negotiations were still under way.

Finance minister says no amount for bailout package has been decided yet

He said the IMF had asked Pakistan to take strict measures but "we did not bow to their demands". He said the IMF understood Pakistan's position. And "now we are about to reach an agreement with the IMF," he added.

Just a day before the scheduled arrival of the IMF mission here, a delegation of the Financial Action Task Force's (FATF) Asia Pacific Group would visit Islamabad. The minister said the FATF delegation would be briefed about the steps the government had recently taken to tighten noose around terror financing.

He said India had made all-out efforts to get Pakistan blacklisted but it failed in its attempt. He admitted that FATF 'grey list' was a major challenge the country was facing.

Mr Umar also rejected reports that he had made a statement predicting a surge in inflation that would add to people’s sufferings. He clarified that the country’s economy was going through a tough phase, but the people would ‘eventually’ see improvement.

The finance minister said losses in electricity and gas sectors would be recovered from the accounts of former premier Nawaz Sharif and former president Asif Ali Zardari.

Responding to a question about China-Pakistan Economic Corridor (CPEC) projects, the minister said not “even a single penny is being cut” from the CPEC projects.

The minister then discussed the development projects planned for the neighbourhood. He said two steel pedestrian bridges would be established on GT Road at the cost of around Rs50 million to facilitate people crossing GT Road. He said work on the project would be initiated soon. Besides, a six-bed basic health unit would be established for residents of eight union councils, he added. He said development work at a cost of Rs170 million would be carried out to improve the living standard of the residents under which primary schools would be upgraded to middle and more buildings would be constructed. He also promised a water supply scheme and two graveyards — one comprising 20 acres and other of 25 acres — for the area.

Published in Dawn, March 17th, 2019

https://www.dawn.com/news/1470151/pakistan-closer-to-reaching-accord-with-imf-asad

MINI-BUDGET: STILL A WORK IN PROGRESS

Khaleeq Kiani Updated March 11, 2019

The National Assembly passed the second mini-budget of the current fiscal year last week with a rare 45-day gap following its presentation. Instead of considering recommendations made by the Senate, Finance Minister Asad Umar rushed through many amendments to the Jan 23 document.

The Senate Standing Committee on Finance, Revenue and Economic Affairs had proposed about 55 amendments to the Finance Supplementary Second Amendment Bill of Jan 23. But none of them appeared to have impressed the finance minister. He did not refer to any recommendation even in passing as the National Assembly passed the money bill amid the opposition’s boycott.

He had a change of mind about some of the budgetary proposals he had introduced in parliament earlier. For example, the final amendment passed by parliament removed altogether the restriction on the sale and purchase of vehicles by non-filers perhaps to facilitate local assemblers and manufacturers. A few of them are yet to actually start production and need buyers. Others continue to charge premiums and have long delivery times.

Why does the tax machinery not go after the buyers of new vehicles and force them to become return-filing taxpayers?

The PML-N government in its last budget in May 2018 put the non-filer restriction, which was withdrawn by the PTI in its first supplementary finance bill of September 2018. The move drew criticism and compelled the new government to surrender. But it came back with a revised scheme in January, allowing non-filers to purchase cars of up to 1,300cc. The joint opposition in the Senate opposed the move and proposed that the relaxation should be for cars of up to 800cc.

But the government reverted to its original stance: no restriction at all on the purchase or registration of cars by non-filers regardless of the capacity provided the vehicle is produced locally. No surprise that share prices of local automobile manufacturers have been hitting their daily upper limits on the stock exchange since then.

With a nominal effort, the tax machinery can always go after the buyers of new vehicles and force them to become return-filing taxpayers. Separately, a 10pc federal excise duty was imposed on locally manufactured vehicles with the engine capacity of 1,700cc and above.

Three more changes pertained to exemptions from advance tax on income and profit from Sarmaya-e-Pakistan Ltd (a state-run entity created to revamp loss-making public-sector entities up to privatisation), Duty Drawback Bonds and Pakistan Banao Certificates (the so-called diaspora bond).

The government will establish Refund Settlement Company Ltd, an entity fully owned by the Federal Board of Revenue (FBR), to issue proposed bonds to exporters and other businesses as an instrument to liquidate outstanding tax refunds estimated to be over Rs200 billion.

Another change related to the tax exemption of business income from greenfield industrial undertakings for a period of five years with conditions to prevent its misuse. The facility was also extended to all Special Economic Zones (SEZs).

The import of plant and machinery for greenfield industrial projects was also exempted from customs duty as an additional incentive. That was on top of the withdrawal of customs duty and advance income tax on the import of fire-fighting equipment for the industrial units in SEZs.

Most other schemes announced for industrialisation and investment in January remained unchanged.

A lot depends on how the government is able to roll out an implementation strategy and streamline systems to drive home success. The implementation strategy will determine if the government's support for the industry, low-cost housing, agriculture and small and medium enterprises coupled with investment and export promotion measures actually leads to the industrial revival.

Alarming, however, is the fact that the second supplementary amendment bill has not impressed the International Monetary Fund (IMF) as the document lacked tax expansion measures. The eight-month revenue shortfall amounted to Rs235bn, or more than 0.6pc of GDP, official data shows.

That will mean an increase in the fiscal deficit at a time when the defence expenditure is set to go further up in the wake of renewed regional hostilities. That rise in the defence expenditure is on top of the over 22pc increase in the first half of 2018-19. The fiscal deficit in July-December was 2.7pc, which is the highest since 2010-11 when the full-year deficit touched 6.6pc of GDP.

Strangely, the government expects recoveries from held-up Gas Infrastructure Development Cess (GIDC) to partially make up for the revenue shortfall so far along with the loss of revenue due to these facilitations. Industry sources, however, suggest the government has not yet been able to take on board all the GIDC defaulters to streamline the revenue flow.

This comes on the heels of the government's short-term borrowing from friendly countries for budgetary support, repayable in one time, coupled with more than a record Rs3 trillion domestic borrowing as inflation, particularly core inflation, is heading north. Despite pronouncements to the contrary, the IMF-oriented stabilisation measures, including the second round of hikes in energy prices, are set to follow later this year.

Published in Dawn, The Business and Finance Weekly, March 11th, 2019

https://www.dawn.com/news/1468766/mini-budget-still-a-work-in-progress

CHINA TIGHTENS RULES ON WEALTH MANAGEMENT, BOOSTING PROSPECTS FOR FOREIGN BANKS

Sumeet Chatterjee March 11, 2019

China's efforts to tighten oversight of its $20 trillion-plus wealth management industry are spurring foreign banks to speed up plans to enter the local market or expand there, six people involved in the discussions said.

China's wealth-management industry is the fastest-growing in the world but has historically been linked to the sale of high-risk, illiquid products and lax regulatory oversight.

Recently, however, officials have begun forcing domestic banks to separate their wealth-management businesses, a move sources said was aimed at improving governance as part of Beijing's broader push to reduce debt and limit the sale of risky products.

This comes as Japan's Nomura is awaiting a licence to launch a wealth business in China, while JPMorgan and Bank of Singapore, a unit of Asian lender Oversea-Chinese Banking Corp are among others considering entries, the people said.

At stake is access to a market where personal assets for investment rose from $11tr in 2012 to $22tr by 2017, according to consultancy Oliver Wyman. It expects that figure to reach $37tr in the next five years. Of that, only five per cent, or $1.1tr, was invested offshore in 2017, according to Oliver Wyman.

At stake is access to a market where personal assets for investment rose from $11tr in 2012 to $22tr by 2017. The figure is expected to reach $37tr in the next five years

“China has long been considered the Wild West by the foreign private banks,” said an executive at a leading wealth manager in China, declining to be named as he was not authorised to speak to the media. “With the market moving towards more regulated environment, onshore business is going to be the most important pie.”

The private banking units of top Chinese commercial banks, including China Merchants Bank, Industrial and Commercial Bank of China and Bank of China, dominate the local market, according to Asian Private Banker.

China's five major banks have so far gotten the regulatory nod to set up wealth management units, the China Banking and Insurance Regulatory Commission (CBIRC) said last month.

The units must maintain separate books and accounts and “perform the duties of entrusted wealth management honestly, diligently, and responsibly,” the regulator wrote in its December guidelines.

The rules are aimed at strengthening local wealth managers' risk-management practices, including those related to client background checks and the sale of investment products, which often imply a guaranteed return, industry sources said.

Francois Monnet, Credit Suisse private banking head in North Asia, said onshore investors' "normalising" expectations of returns had created a more level playing field for foreign banks.

Credit Suisse in 2016 hired a senior banker in China to prepare a road map for an onshore private banking business.

"We are at an early stage of strategic readiness in terms of developing what will make sense to increase that presence, and to be ready to deploy that aggressively," Monnet said.

Credit Suisse will compete with Goldman Sachs and UBS on advising wealthy clients in China. China is a "strategic priority" for UBS and billionaires are being created at a faster pace there than anyplace else in the world, said UBS Wealth Management's China business head Marina Lui.

Bank of Singapore plans to set up an office to promote its brand in China as a first step, Samuel Tsien, chief executive of parent company OCBC, said at an earnings briefing last month, adding that it was not looking to operate a "full-blown" private banking business.

JPMorgan has started discussing how to set up an onshore private banking business in China, two people with knowledge of the matter said. A JPMorgan spokeswoman declined to comment.

Nomura, which is said to be in line for regulatory approval this year for the securities joint venture that will allow it to offer wealth management services, also declined to comment.

In the mass affluent market — clients with investable assets of between $100,000 and $1 million — in China, foreign banks are gearing up to boost growth as a shadow banking crackdown brings such investors into the mainstream.

Citigroup expects its China wealth-management client base to grow faster in 2019 than last year, at more than 30pc, its country CEO Christine Lam said in January.

HSBC aims to grow its Asia revenues by at least $1 billion by 2020 from retail and private banking wealth, asset management and insurance, with the China business set to be a big contributor, the bank said in a statement. —Reuters

Published in Dawn, The Business and Finance Weekly, March 11th, 2019

https://www.dawn.com/news/1468747/china-tightens-rules-on-wealth-management-boosting-prospects-for-foreign-banks

30 PROJECTS BEING PROPOSED FOR QATARI INVESTMENT: DAWOOD

By APP Published: March 11, 2019

ISLAMABAD: Adviser to the Prime Minister on Commerce, Industry and Investment Abdul Razak Dawood said on Sunday that around 30 projects were being proposed to the Qatar government and investors, besides discussions to further explore the potential of trade and investment between private sectors of both the countries.

Addressing a joint Pakistan-Qatar Trade and Investment Conference organised by the Board of Investment Pakistan, in Doha, in collaboration with Qatar Finance Center and Embassy of Pakistan

Doha, he appreciated the joint efforts of Pakistani and Qatari authorities for organising the joint investment and business conference.

The Pakistani delegation, comprising leading businessmen and investors from various sectors, is being led by, Abdul Razak Dawood, and Board of Investment (BoI) Chairman Haroon Sharif, said a message received here.

The event was jointly chaired by Adviser to the Prime Minister Abdul Razak Dawood and Qatar's Minister of Commerce and Industry, Ali bin Ahmed Al Kuwari, and attended by important businessmen and investors from Qatar, including Tourism and Hospitality, Fintech, Finance and Agriculture & Food businesses.

In his opening remarks, Qatar's Minister of Commerce welcomed Pakistani delegation and hoped for fruitful sessions resulting in long and sustainable economic relationships between the two countries.

BOI Chairman Haroon Sharif gave a short presentation on the investment opportunities in Pakistan, with special focus on improving the business circumstances in the country through reforms and special incentives.

He reiterated that the Government of Pakistan was providing equal opportunities to investors from all over the world. He added that CPEC investments had provided impetus to the economy and many other companies, like ExxonMobil, Kargil, DOW, Kia, Hyundai and Volkswagen, were now investing in the country.

This was followed by panel discussions on Investment Opportunities in Pakistan and Investment Opportunities in Qatar for Pakistani Conglomerates.

The discussions on investment opportunities will continue over sector specific business-to-business meetings that will continue on the sidelines of the visit.

On the sidelines, Abdul Razzak Dawood and Haroon Sharif also met Qatari Minister of Commerce, Ali Bin Ahmed Al Kuwari, as well as Sheikh Faisal Bin Thani Al Thani, from Qatar Investment Authority (QIA).

During the meetings, Razak Dawood explained the priorities of the government and the reform drives to improve the overall business and investment climate in Pakistan.

The BOI chairman briefed on various projects and investment opportunities in the country. A Memorandum of Understanding was signed between Qatar Financial Center and Pakistan Stock Exchange as well.

https://tribune.com.pk/story/1926839/2-30-projects-proposed-qatari-investment-dawood/

NEWS COVERAGE PERIOD FROM MARCH 4th TO MARCH 10th 2019

PASSAGE OF SECOND AMENDMENT BILL

RECORDER REPORT | MAR 8TH, 2019 | EDITORIAL

The finance supplementary second amendment bill 2019 was passed by the National Assembly that, as Finance Minister Asad Umer rightly claimed, was "not a revenue mobilization bill but an incentive package for industry, trade and business." Disturbingly, there is a wide divergence between government supporters and independent economists with respect to the cost of the package with the government calculating the cost of the bill/package at 6.8 billion rupees and independent economists supported by Business Recorder quantifying it at over 140 billion rupees. The impact, therefore, on the budget deficit which, in turn, would have serious implications on the rate of inflation that Bilawal Bhutto Zardari rightly pointed out was already too high at 8 percent eroding the quality of life of the poor – an income group which the PTI administration constantly emphasises is its focus – would at the rate of revenue generation and expenditure account projected in the two supplementary finance bills raise the deficit to over 7 percent by the end of the fiscal year.

Umer then went on to compare the rate of inflation during the first six months of the past three administrations: 10 percent during the PPP-led coalition government, 10.9 percent during the PML-N government and 3.6 percent during the incumbent government. This claim has at least four major flaws from the perspective of economic theory.

First and foremost, this newspaper challenged data presented by the Pakistan Bureau of Statistics claiming that during the first six months of Pakistan Muslim League-Nawaz government, prices of daily use commodities registered a 6.5 percent increase, whereas in the first six months of the PTI government only 1.4 percent increase was witnessed. This claim has never been backed by supporting data and repeated requests by Business Recorder requesting how this was calculated have been ignored by the PBS – an attitude reminiscent of the Ishaq Dar years of massive data manipulation. In other words, the incidence of inflation cited by Umer can be challenged on similar grounds.

Second, the finance minister ignored the cause of inflation during the first six months of the three successive administrations. The PPP-led coalition government installed end March 2008 inherited an unsustainable budget deficit of over 7.2 percent compelling it to begin economic stabilisation policies that required a cut in expenditure and a raise in revenue on an emergent basis. It presented the budget in June and acknowledged that economic stabilisation policies were critical to turn the economy around and opted to go on an International Monetary Fund (IMF) programme for similar reasons as are relevant and being debated today. However, one point of departure in 2008 was the fact that inflation was largely imported at the time as international oil prices had reached a high of 140 dollars to a barrel in 2007 and the Musharraf government opted for the disastrous policy of massively subsidising domestic oil prices for political reasons.

The PML-N government inherited a deficit of over 8 percent, mostly domestic debt as the Zardari-led government refused to implement the power sector and tax reforms agreed with the IMF thereby choking off all budgetary support from multilaterals and bilaterals by 2010. The PML-N reopened the avenue of budgetary assistance by going on yet another IMF programme and presented the budget for 2008-09. In addition, Ishaq Dar cleared the energy sector circular debt during the last days of the fiscal year 2007-08 and began an economic stabilisation programme focused on reducing the budget deficit. The PML-N frittered away the gains from the fiscal space created by a massive decline in the international oil price (which had a positive impact on domestic inflation as well as by artificially controlling the price of gas) through a significant increase in non-oil imports made attractive because of an overvalued rupee (while exports were made unattractive).

Thus a low rate of inflation was inherited by the PTI government and finance minister would do well to recall that it came to power in the third week of August and six months down the line it has yet to undertake economic stabilisation measures that would reduce the deficit and thereby reduce pressure on prices. And has yet to present an informed accounting (with revenue balancing expenditure) required of a budget.

Thirdly, the inflation rate today is 8 percent, and that is the current rate of inflation that is relevant, and thus quoting a rate for the first six months given that his government assumed power on 20 August and did not present the first amendment bill till the third week of September (current figures show the bill was unrealistic in terms of revenue generation as in previous administrations while current expenditure exceeded the budgeted amount) shows foot dragging in spite of the rising urgency to undertake economic stabilisation measures.

And finally, Umer has rightly claimed that the previous administration borrowed heavily domestically and from abroad but failed to mention that the incumbent government: (i) has also borrowed heavily from friendly countries, 6 billion dollars from Saudi Arabia and the UAE and 2.5 billion dollars being negotiated with China are loans repayable in a year's time, and the oil deferred facility is up to 6 billion dollars also payable by the end of the year though applicable for three years; (ii) and domestic borrowing during the PTI government is in excess of 3 trillion rupees, higher than in previous years. Both these policies are highly inflationary as they raise debt servicing and repayment as and when due component of the budget and without a commensurate decline in expenditure deficit will continue to rise. True that borrowing by the PTI administration was necessary to stave off the spectre of default but that has, in no way, put the country on the path towards macroeconomic stabilisation.

MINI-BUDGET PASSED AMID OPPOSITION'S PROTEST, BOYCOTT

Syed Irfan Raza March 07, 2019

ISLAMABAD: Amid the opposition's protest and boycott, the National Assembly on Wednesday passed a much-awaited supplementary budget-2019 that imposed enhanced duties on mobile phones and luxurious cars but exempted filers of tax returns from withholding tax on bank transactions and allowed non-filers to purchase cars.

The supplementary budget, which is also called 'mini-budget', is aimed at carrying out tax reforms and providing relief to health, industrial, low-cost housing and agricultural sectors and small and medium enterprises.

The issue of Pakistan-India tension also came under discussion during which the treasury benches invited the opposition members to give their input on the country's foreign policy.

The opposition split on two separate issues — no relief for Haj pilgrims in the 'mini-budget' and remarks of Minister for Water Resources Faisal Vawda — but it jointly staged a walkout and the budget was passed in the presence of only treasury benchers.

Foreign minister asks Bilawal, Shahbaz and other parliamentary leaders to give their input on country's foreign policy

It is for the first time in the history of parliament that Maghrib prayer was offered inside the house by members of the Muttahida Majlis-i-Amal (MMA) and Pakistan Muslim League-Nawaz (PML-N). The opposition members gathered in front the speaker's dais, raised slogans, tore up copies of the supplementary budget and threw them at Speaker Asad Qaisar.

The proceedings of the National Assembly, which mostly remained disrupted for the past two days due to the opposition's demand for adopting a resolution against Faisal Vawda for what it called passing "blasphemous remarks", started after a delay of 37 minutes on Wednesday.

Speaking on the floor of the house, Finance Minister Asad Umar said the government had announced the supplementary budget to provide relief to the masses, and not to impose more taxes on them. He said the last PML-N government had also presented a mini-budget in the last fiscal year of its five-year term, but it was aimed at imposing more taxes.

The minister said the last two governments — of the Pakistan Peoples Party and PML-N — had gone to the International Monetary Fund (IMF) with their begging bowls during the first six months of their tenures, but the present Pakistan Tehreek-i-Insaf (PTI) government would go to the IMF on its own terms and would not accept those conditions which would be harmful for the people.

Mr Umar said he had welcomed Leader of the Opposition Shahbaz Sharif's proposal for a "Charter of Economy" under which both the treasury and opposition would forge a policy as to how to rid the country of the economic crisis. "I hailed the offer, but unfortunately the opposition only tries to make political point scoring and gives no fruitful suggestion," he added.

The minister claimed that the economic measures taken by the PTI government were far better than those of the PPP and PML-N governments. "The people will soon bear fruit of our policies and will see peace and prosperity," he added.

PPP chairman Bilawal Bhutto-Zardari delivered a lengthy speech in English and criticised the government's foreign and economic policies. He paid tribute to the country's security forces for giving a befitting response to the recent Indian aggression. "I pay tribute to brave soldiers who sacrifice so much to keep us safe."

He said it was PPP founder and former prime minister Zulfikar Ali Bhutto's foresight that developed Pakistan's nuclear capability and Benazir Bhutto had provided missile technology to Pakistan and further strengthened the country's defence.

He said Indian Prime Minister Narendra Modi's tyrannical government had broken all records of inhumanity and the world stood idly while young Kashmiris were blinded by pellet guns, used as human shields and their women were being raped. He called for the plebiscite to take place and for Kashmiris to "deploy the democratic right and choose their destiny".

The PPP chairman said Pakistan had made the most utmost and sincerest efforts for de-escalation and appreciated the cooperation shown by the opposition members.

He criticised the government for releasing the captured Indian pilot very soon. "We have handed over India pilot without India's demand," he added. He also criticised the government's economic policies and said people had been pressed under unprecedented inflation. He said the budget debate should have continued for two or three days so that all parties could have given their input to it, adding that the mini-budget was being passed in haste.

Foreign Minister Shah Mehmood Qureshi invited Mr Bhutto-Zardari, Shahbaz Sharif and other parliamentary leaders to give their input on the country's foreign policy.

"I would like to thank PPP chairman Bilawal Bhutto-Zardari and Leader of the Opposition Shahbaz Sharif for showing solidarity with the people of Pakistan in this state of alertness.

"Bilawal offered that in these testing times, he is willing to take a bipartisan approach on foreign policy. I take this offer and I invite Bilawal and Shahbaz Sharif and the leader of the MMA to the Foreign Office. We are willing to seek their input on foreign policy, because this is a time when the nation stands together; to send a message to the East that Pakistan is united to defend itself," he added.

"Two Indian planes were shot down by the Pakistan Air Force on Feb 27," Mr Qureshi said. He identified the pilots who shot down the Indian jets as Squadron Leader Hassan Siddiqui and Wing Commander Nauman Ali Khan and said he wanted to pay tribute to them.

Ahsan Iqbal of the PML-N said the government had slowed down the economy and put the nation under more foreign debts. He said the PTI had presented two budgets in six months which showed that it was not prepared to rid the country of the crisis. "Before elections PTI chairman Imran Khan claimed that he has think tanks with him and will solve all problems of the country when come to the power," he said.

The PML-N leader said India and Bangladesh were progressing, while "we are going backward". Mr Iqbal also expressed apprehensions that due to an increase in value of dollar against the rupee the defence budget of the country had reduced from $9 billion to $7b. On the other hand, he added, Indian was enhancing its defence budget.

Later, the opposition staged a walkout and the house passed the mini-budget.

Published in Dawn, March 7th, 2019

https://www.dawn.com/news/1468100/mini-budget-passed-amid-oppositions-protest-boycott

FATE OF SEZS

By Editorial Published: March 5, 2019

The government has decided to finance the cost of provision of gas and electricity to all the Special Economic Zones (SEZs) out of the Public Sector Development Pro¬gramme (PSDP) and withdraw provincial mark-up support and federal freight subsidy to SEZs under the China-Pakistan Economic Corridor (CPEC). The Board of Investment (BoI) has been directed to submit the case to the cabinet for the purpose. The BoI was also directed to move a case for amendments to the SEZs Act of 2012 to further empower the provincial governments to complete the processing within 45 days mainly focusing on confirmation of availability of gas and electricity. Apparently, the government is planning to bring all economic zones already in operation in the country on a par with those coming up under CPEC so as to eliminate any gap in the economic viability between units that are already operating in the existing zones and those in CPEC zones. It is going to be a highly complex and complicated exercise. In the ultimate analysis the exercise might create more problems than solve any.

Meanwhile, nothing much has happened so far on CPEC-related SEZs. The one region that is all set for its first SEZ, Gwadar, does not have either gas or electricity in enough quantity to cater for such an undertaking. Punjab also does not have enough gas. We have enough power at the moment but because of the decaying transmission lines it is becoming almost impossible to take full advantage of the improved power situation. Dams are overflowing due to extra rains this season. It is this context one feels the decision to have the power division to "prepare a comprehensive plan, for provision of uninterrupted electricity to existing all industrial zones" as well as to devise a plan for provision of gas to all existing industrial zones in consultation with the provincial governments and present it within a month to the ECC are likely to remain only a direction and nothing more.

Published in The Express Tribune, March 5th, 2019.

https://tribune.com.pk/story/1922966/6-fate-of-sezs/

GOVT TO FINANCE PROVISION OF GAS, ELECTRICITY TO ALL SEZS

Khaleeq Kiani Updated March 04, 2019

ISLAMABAD: The government has decided to finance the cost of provision of gas and electricity to all the Special Economic Zones (SEZs) out of the Public Sector Development Programme (PSDP) and withdraw provincial mark-up support and federal freight subsidy to SEZs under the China-Pakistan Economic Corridor (CPEC).

The Economic Coordination Committee (ECC) of the Cabinet "directed the Board of Investment (BoI) to submit the case to the cabinet for withdrawal of the two additional incentive packages for SEZs under the CPEC programme — mark-up support by the provincial governments and freight subsidy by the federal government", according to minutes of a recent meeting of the ECC.

The committee also decided that the "cost of provision of utilities — gas and electricity — to SEZs will be met through the PSDP" and directed the power division to "prepare a comprehensive plan, in consultation with provincial governments for provision of uninterrupted electricity to existing all industrial zones" and present it to the ECC within a month.

The ECC directed the petroleum ministry to devise a plan for provision of gas to all existing industrial zones in consultation with the provincial governments and BoI and present it within a month. The BoI was directed to move a case for amendments to the SEZs Act of 2012 to further empower the provincial governments to process application of SEZs and complete the processing of SEZs' proposals within 45 days mainly focusing on confirmation of availability of gas and electricity.

The BoI had raised a series of questions over the existing governance dealing with SEZs, resulting in slow or sub-optimal progress, or failures based on similar experiences in China, India and Vietnam. It was reported that the key issues facing the SEZs in Pakistan were no regulatory and enforcement body, misuse of SEZs, absence of any law to bind relocation of local industry inside SEZs and non-functional layers of institutions (SEZ authorities and SEZs committees) and role duplication of approvals committee and board of approvals.

The meeting was told that China, India and Vietnam had given tax exemptions to the investors for different periods on their export of products from SEZs. Pakistan had given income tax exemption for the developer for five years and then tax exemption for the enterprise for 10 years if in production by June 30, 2020, and five years for production thereafter. It was stated that pioneer industries scheme in SEZs also enjoyed corporate income holidays for five years and duty- and tax-free import of capital goods. Similarly, the Auto Policy, 2016-21, also provided tax incentives for auto manufacturers in SEZs.

On top of that, additional incentive package for prioritised SEZs package under the CPEC programme for establishment or relocation of industry from abroad prepared in consultation with all the provinces, Gilgit-Baltistan, Azad Jammu and Kashmir and Fata was approved by the Cabinet on in May 2017.

The provinces were already providing plots on installments and mark-up support and the federal government was giving freight subsidy. The CPEC incentive package also offered one-window operation by SEZAs and bulk purchase of utilities by the developer, particularly electricity and rent out sheds for industrial use.

The BoI demanded that mark-up support by the provinces and freight subsidy by the centre should be withdrawn to ensure a level-playing field to all investors irrespective of SEZs under the CPEC programme or otherwise.

The ECC observed that the provision of electricity and gas was the responsibility of the federal government and without these utilities no SEZ could be developed. Therefore, it decided to ensure provision of gas and electricity for attracting prospective investors to establish industry in the SEZs.

The committee directed the provincial governments to speed up the work on establishment of SEZs and provision of requisite infrastructure for establishment of industries.

The meeting noted that Balochistan was the most backward province and required special attention for establishment of SEZs to improve its economy and also generate employment for the local people. It noted that only Bostan industrial zone had been included in the SEZs while Hub and Gwadar industrial zones which were very important for establishment of industries, should also be included in the SEZs in order to have incentives. It was informed that a free trade zone was already being established in Gwadar under the CPEC programme.

The ECC directed that Khyber Pakhtunkhwa, which possessed a number of beautiful areas, should be facilitated to play a vital role in development of tourism to attract foreign tourists. It asked the BoI to prepare a framework for development of tourist destinations (SEZs) in Khyber Pakhtunkhwa in consultation with its government.

The committee directed that the requirement of minimum land needed by an investor or industry should also be reviewed as there was now a trend for vertical development.

The BoI was asked to revamp its processes to reduce the role of the federal government in the approval of SEZs in line with the devolved nature of the subject. The meeting noted with concern that not more than 10 per cent electricity and gas was available at all the 10 SEZs currently considered in progress, including three prioritised under the CPEC and seven new in the pipeline.

Published in Dawn, March 4th, 2019

https://www.dawn.com/news/1467523/govt-to-finance-provision-of-gas-electricity-to-all-sezs

April 2019

NEWS COVERAGE PERIOD FROM APRIL 1st TO APRIL 7th 2019

ASAD TO HOLD CRUCIAL TALKS ON IMF PACKAGE IN US THIS WEEK

Anwar Iqbal Updated April 07, 2019

WASHINGTON: Pakistan is likely to hold crucial discussions on an IMF bailout package this week when Finance Minister Asad Umar arrives in Washington to attend the spring meetings of the World Bank group, which includes the International Monetary Fund.

Mr Umar said at a news briefing in Islamabad on Friday that he hoped his discussions in Washington would be fruitful and Pakistan would be able to sign the bailout package by the end of this month.

He is expected in Washington on Tuesday, a day after the spring meetings (April 8-14) formally begin. An IMF mission will visit Islamabad later this month to formally conclude the package.

Indian lobby in Washington has launched campaign to block the package

The Indian lobby in the US capital, however, has already launched a campaign to block the expected IMF assistance for Pakistan. On Friday, three congressmen — Ted S. Yoho, Ami Bera and George Holding — sent a letter to US secretaries of State and Treasury, asking them to prevent the IMF from concluding a deal with Pakistan.

The congressmen claimed that Pakistan would use the IMF package to repay China for the loans incurred under the China-Pakistan Economic Corridor (CPEC) programme. Two of these lawmakers — Mr Bera and Mr Holding — are co-chairs of the Indian caucus in Congress.

In October, Pakistan formally requested the IMF for an economic assistance package and backed it up with a series of meetings with senior IMF officials.

Pakistan's persistent economic woes — mammoth deficits, shrinking foreign currency reserves, low exports, diminishing tax revenues, a weak currency, external debt payments, and soaring sovereign debt — have forced the country to seek its umpteenth IMF bailout package in three decades.

So far, measures to ease the impact of this economic crisis — currency devaluations, loans from Saudi Arabia, UAE and China and the issuance of Pakistan bonds — have failed to achieve the required result of not seeking an IMF bailout package.

In February, IMF Managing Director Christine Lagarde met Prime Minister Imran Khan in Dubai and said they had a "constructive" discussion on an IMF-supported programme for Pakistan. "I reiterated that the IMF stands ready to support Pakistan," she said, but also emphasised the need for "decisive policies and a strong package of economic reforms".

Later, a senior Pakistani official told journalists that the conditions associated with a loan could "include some harsh measures and the government will have to be very prepared to explain why Pakistan has been forced to return to the IMF".

On March 27, the finance minister met the new IMF mission chief for Pakistan, Ernesto Ramirez Rigo, in Islamabad and discussed fiscal, monetary, and structural reforms with him.

Mr Umar assured Mr Ramirez that "the government would continue to address the macroeconomic imbalances and would take necessary corrective measures in this regard", according to an official statement issued after the meeting.

This week, the Asian Development Bank (ADB) projected further deceleration of Pakistan's GDP growth to 3.9 per cent and rising inflation pressures on average at 7.5 per cent for the ongoing financial year.

The ADB's Asian Development Outlook (ADO) 2019 also noted that Pakistan was discussing a macroeconomic stabilisation programme with the IMF to meet its large financing needs.

Published in Dawn, April 7th, 2019

https://www.dawn.com/news/1474435/asad-to-hold-crucial-talks-on-imf-package-in-us-this-week

MATURITY OF INTERNATIONAL BOND: PAKISTAN TO PAY BACK $1.129 BN NEXT WEEK

Mehtab Haider April 7, 2019

ISLAMABAD: Pakistan will have to pay back over $1.129 billion next week on maturity of five year international bond at a time when the country's net international reserves had already fallen into negative, The News has learnt.

Islamabad will have to make heavy repayments of over $3 billion in last quarter (April-June) period of the current fiscal 2018-19 with $1 billion in each month and the largest lump sum due amount of over $1 billion on account of maturity of international bond would become due next week.

"We will have to pay over $3 billion in last quarter of the current fiscal as principle and mark up on foreign loans and bonds," said a top official while showing official record of repayments for remaining period of the ongoing fiscal here on Saturday.

Pakistan had launched $2 billion bond on April 9, 2014 during the tenure of the PML-N out of which $1 billion was generated on five-year note at a yield of 7.25 percent and another $1 billion for a period of 10 years at the rate of 8.25 percent. Now the maturity of five years bond of $1 billion would become due next week on April 9, 2019.

However, in the aftermath of receiving generous support from friendly countries to the tune of $9.1 billion including $3 billion from Saudi Arabia, $2 billion from UAE and $4.1 billion from China during the first nine months of the current fiscal year, the foreign reserves held by State Bank of Pakistan (SBP) stood at $10.4 billion only. After excluding all kinds of liabilities and swaps, the foreign reserves held by the SBP had fallen into negative.

On other hand, the dollar inflows through traditional international lenders is also shrinking as the government could only manage $2.94 billion from all multilateral, bilateral creditors and commercial lenders in shape of loans and grants during the first eight months (July-Feb) period of the current fiscal year 2018-19 against $7.608 billion in the same period of the last fiscal under the PML-N led regime.

So far in the ongoing fiscal year 2018-19, Islamabad did not generate any penny through issuance of international bonds while the government raised only $499.44 million in shape of commercial borrowings so reliance on this avenue got reduced by the incumbent regime.

The government could not launch any international bond because Pakistan was not under the IMF programme and there was no story on the economic front that could be narrated to apprise international investors and second reason was reduced appetite in international market for raising funding for emerging markets.

“Yes a bond payment of $1 billion is due in first half of April. Adequate new financing has already been arranged for April to smoothly ensure this payment. Thus the payment will not cause any unusual pressure on FX reserves,” said Dr Khaqan Najeeb Advisor and spokesperson Ministry of Finance.

The government continues to follow a multipronged strategy to ensure continued stability in the country’s balance of payment (BOP) position. The strategy includes attracting more remittances and foreign direct investment, sale of assets and bilateral and multilateral flows, said Dr Khaqan Najeeb. The government has also launched Pakistan Banao certificate, a first ever retail offering to Pakistanis abroad. The government is also working on diversifying its investor base through issuance of a Panda bond. In addition to arranging adequate new commercial and medium term financing, bringing down the current account deficit is a key component of the strategy of BOP management, said Dr Khaqan Najeeb.

https://www.thenews.com.pk/print/454433-maturity-of-international-bond

‘NO REASON FOR FURTHER DEVALUATIONS’

Reuters April 06, 2019

KARACHI: Finance Minister Asad Umar on Friday ruled out a further devaluation of the rupee, which has lost about 25 per cent of its value over the past year, urging people to invest in the stock market and not waste money buying dollars.

Since coming to power in August, much of the government’s focus has been in staving off a balance of payments crisis. It is in talks with the International Monetary Fund (IMF) over a 13th bailout since the 1980s which is expected in the next few weeks.

The consumer price index rose in March to its highest since November, 2013. Energy costs in particular have risen sharply, hit by a series of devaluations.

“Today, the State Bank of Pakistan has given a categorical statement that rupee is in equilibrium. Central bank cannot speak clearer than this,” Mr Umar told a business gathering at the Pakistan Stock Exchange in Karachi through a video link.

“There is no reason for big devaluations.” He added that there were no demands for what the exchange rate should be in the talks with the IMF.

“In the IMF talks, let me clarify that it is not even a demand by them what should be the dollar exchange rate,” Mr Umar told reporters later in Islamabad. “Yes, there is a discussion about what should be the exchange rate management.”

Traditionally, Pakistan has kept its exchange rate over-valued, incurring losses to the economy, the minister said. The rupee should be aligned with its fundamentals and its benchmark should be the real effective exchange rate, he added.

“One should not say the rupee would comfortably become stable or inflexible in terms of movement. It will remain flexible, but one should not expect big devaluation,” Fawad Khan, Head of Research at BMA Capital Management Limited, told Reuters.

The minister’s remarks would help bring stability, Khan said.

“Overall, the statement has been taken positively by the equity market,” he told Reuters.

The question of whether the finance minister should have given this statement or not was another issue, Khan said, because the management of the exchange rate is the joint responsibility of the ministry of finance and the central bank.

Umar said the IMF bailout would likely be finalised in meetings with the lender and the World Bank next week.

“My estimate is that in those meetings as we have come very close it is almost done, in principle,” he said. “God willing, it will be close there, and after that we can sign an IMF agreement by inviting their staff mission.”

Published in Dawn, April 6th, 2019

https://www.dawn.com/news/1474258/no-reason-for-further-devaluations

‘NO-DEAL BREXIT MIGHT MEAN RECESSION IN BRITAIN, EU’

Reuters Updated April 06, 2019

DINARD: British Foreign Secretary Jeremy Hunt on Friday said neither Britain nor other European Union member states wanted a no-deal Brexit and that economies in the bloc were not growing fast enough to stave off a recession in such an event.

“A no-deal outcome is bad for the UK. It’s also very bad for the European Union,” Hunt said at an event on the sidelines of a G7 foreign ministers meeting in the French coastal town of Dinard.

“None of our economies are growing fast enough to guarantee that a no-deal scenario wouldn’t push us into a recession. So it’s a bad outcome all round.”

Meanwhile, British Prime Minister Theresa May on Friday again sought to delay Brexit until June 30 to avoid a chaotic withdrawal from the European Union in one week, although a key leader of the bloc suggested an even longer pause in the difficult divorce proceedings.

The question over timing is vital because Britain is set to leave the EU without a withdrawal deal in place on April 12 unless an agreement is reached at a Brussels summit set to take place two days earlier.

In a letter to European Council President Donald Tusk, May asked for an extension until the end of June and agreed to make contingency plans to take part in European Parliament elections on May 23-26 if necessary.

An earlier British request for a delay until June 30 was rejected last month, amid rising irritation from EU leaders about the political chaos in London.

Published in Dawn, April 6th, 2019

https://www.dawn.com/news/1474254/no-deal-brexit-might-mean-recession-in-britain-eu

GOVT'S DEBT SURGES TO RS27.6TR BY FEB-END

By Shahbaz Rana Published: April 6, 2019

ISLAMABAD: The federal government's debt has soared to Rs27.6 trillion with a net addition of Rs3.4 trillion in just eight months at a pace of nearly 14% due to low tax revenue, high expenditure and currency depreciation.

From July through February 2018-19, the government on an average added Rs14 billion a day to its debt, which included almost six and a half months of Pakistan Tehreek-e-Insaf (PTI) government, according to the State Bank of Pakistan's (SBP) statistics.

There was a net addition of Rs3.4 trillion from July to February, which was higher by 13.9% when compared with June 2018 statistics.

The accumulation of debt is the direct result of the gap between expenditures and revenues, which is widening due to the inelasticity in debt servicing and defence needs and the Federal Board of Revenue's (FBR) failure to enhance revenue collection.

In first nine months of the current fiscal year, the FBR suffered a shortfall of Rs318 billion in revenue collection.

The FBR's tax collection grew at a pace of 2.4% in the nine months, which was even lower than the nominal gross domestic product (GDP) growth of nearly 12%.

Government estimates show that nearly 69% of the total budget will go to debt servicing and defence purposes, which is higher than net revenues of the federal government. Due to this trend, the International Monetary Fund has proposed to target primary budget balance, which means that current expenditures, excluding debt servicing, should not be more than the revenues.

The overall increase in the central government debt seems not to be in line with the budget deficit requirements due to currency depreciation. An increase in interest rate by the State Bank of Pakistan (SBP) has also added at least Rs500 billion to the cost of debt servicing.

"The cost of debt servicing in the current fiscal year will be over Rs2 trillion after the recent hike in interest rate," said Finance Minister Asad Umar on Tuesday during an interaction with journalists.

The minister said there were no chances of a sharp reduction in debt as a percentage of gross domestic product (GDP) and it would gradually come down. Over the next five years, the debt would still remain above the statutory limit of 60% of GDP, he said.

The central bank raised the key interest rate by another 50 basis points to 10.75% last week despite a decline in core inflation for the first time in 13 months. This puts a question mark over the SBP's strategy.

The external debt of the central government increased 18.42% to Rs9.23 trillion in first eight months of the current fiscal year. There was a net increase of Rs1.44 trillion in the external debt, largely due to currency depreciation.

In June 2018, the value of a dollar was equal to Rs121.54, which reached Rs139.055 by the end of February, according to the central bank. Since then, the rupee has further shed its value and was traded at Rs141.20 in the inter-bank market on Friday.

Umar said on Friday that the IMF had not placed any demand for rupee depreciation rather it had asked Pakistan to introduce a new exchange rate regime. He dispelled market speculation that the rupee would further shed its value.

The Rs9.23-trillion external debt does not include loans of $9.2 billion obtained from China, Saudi Arabia and the United Arab Emirates. Those loans are the responsibility of the central bank.

The ballooning public debt remains a concern due to the previous government's inability to attract non-debt creating inflows and enhance tax revenues. The PTI government is also struggling to enhance exports despite around 34% depreciation of the rupee since December 2017.

The most worrisome aspect was the continued growth in the short-term domestic debt, which exposed the government to refinancing and interest rate risks. The federal government's total domestic debt increased to Rs18.34 trillion, an addition of Rs1.92 trillion or 11.7% in eight months of the current fiscal year.

The share of short-term public debt slightly decreased to 57.4% or Rs10.53 trillion by the end of February. In June last year, the short-term domestic debt stood at 54.1% or Rs8.9 trillion. The short-term debt grew Rs1.7 trillion or 18.6% in eight months.

In the first eight months of the current fiscal year, the federal government's debt acquired through Market Treasury Bills (MTBs) from commercial banks massively decreased after it shifted financing to the central bank. The government's total borrowing through MTBs decreased Rs1.7 trillion to Rs3.6 trillion. The MTBs issued to borrow from the central bank rose to Rs6.9 trillion, a net addition of Rs3.3 trillion or 92.9% from July through February.

The retirement of the central bank debt may become one of the sticky points between Pakistan and the IMF.

The long-term debt, which was earlier shrinking, also went up 3.7% to Rs7.8 trillion. The debt obtained through prize bonds increased 11% to Rs945 billion.

Published in The Express Tribune, April 6th, 2019.

https://tribune.com.pk/story/1944528/2-govts-debt-surges-rs27-6tr-feb-end/

'STATE CAPTURE BY THE ELITE'

By M Ziauddin Published: April 6, 2019

What is wrong with our political economy? How to set it right? A 537-page book Growth and Inequality in Pakistan — Agenda for Reforms by Dr Hafiz A Pasha launched earlier this week answers these two questions in an easy-to-understand language sans too many economic jargons. And if you are too busy to go through the voluminous hardcover then there is a 31-page paperback summary which surprisingly is as comprehensive as the hardcover. But then, in case you just want to understand the mother of all problems and their solutions all that you need to do is read the 8-page-long chapter 34 of the hardcover (State Capture by the Elite) further summarised below:

“The process by which ‘state capture’ takes place is by the promulgation of rules, procedures and laws which confer special privileges to these ‘Elite’.

“The feudal class — 13,438 large land owners, representing only 0.2 percent of the total population of farmers who own over 11 percent of farm area with average landholding of 435 acres — enjoys numerous privileges including a very low income tax, extremely low water charges, input subsidies, high procurement and support prices and low electricity charges on tube wells. The solutions are obvious, including the levy of the AIT at the same rate as non-agricultural income and pricing of output at world prices and inputs at their cost or a subsidy in the case of fertilizer. This faces formidable opposition because of the strong representation of the feudal class in the Assemblies”.

“The military has diversified its role to areas which do not have a link with the defense of the country. Today, the Army is the owner of the biggest conglomerate of housing societies for the upper income groups and of companies producing a variety of goods and services.”

“Multinational companies in Pakistan generally operate behind high tariff walls, set up to attract them. The best example is that of foreign companies assembling and selling automobiles. In addition, there is no vigilance over transfer pricing, especially by pharmaceutical companies. The Chinese companies that have entered Pakistan recently enjoy virtually tax free treatment from all taxes, including income tax exemption of 23 years. The basic principle that ought to be followed is that the difference in treatment of foreign and local companies should not be too large.”

“Urban real estate developers and owners also enjoy the benefits of very low taxation including hugely under assessed values of rents and capital value for determination of tax liabilities. Influential property developers have either had vast tracts of land allotted illegally or new development of housing schemes at the urban periphery has been kept outside the tax net because of the lack of extension of metropolitan boundaries.

“MNAs/MPAs have been able to legislate generous increases in emoluments for themselves. For example, the annual cost of the National Assembly has more than doubled since 2012-13. A very unusual and unacceptable practice is the allocation of development funds to MNAs/MPAs that then provides scope for big leakage of funds.”

“Senior bureaucrats skillfully perpetuate and enhance their salaries, pensions and other privileges virtually on an annual basis. Benefits which have been monetized are subject to very low tax rates or exempt. Recently, a huge tax break has been given to salaried tax payers. Senior officers are also given plots in Islamabad at nominal prices”.

“The list goes on and on of privileges enjoyed by the elite due to state capture. A conservative estimate of the additional income or increase in wealth that accrues annually to these groups is almost Rs2 trillion. This implies that the tax and other revenue foregone is over Rs500 billion. The people have to wait for the time, which may never come, when this type of mostly legalized plunder of the State will come to an end."

Published in The Express Tribune, April 6th, 2019.

https://tribune.com.pk/story/1944463/6-state-capture-elite/

PAKISTAN'S GDP GROWTH TO FALL BEHIND NEPAL, MALDIVES THIS YEAR: UN

Amin Ahmed Updated April 05, 2019

ISLAMABAD: The annual Economic and Social Survey of Asia and the Pacific 2019 titled 'Ambitions beyond Growth', released by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) on Thursday, forecast Pakistan's GDP to remain lowest in the region at 4.2 per cent in 2019 and 4pc in 2020 compared to Bangladesh's 7.3pc, India 7.5pc, Maldives and Nepal 6.5pc each in 2019.

The survey revealed that overall economic conditions in the region are stable with the projected 5-5.1 per cent GDP growth in 2019 and 2020 respectively. However, export-oriented sectors face headwinds from weaker demand in Europe and possibly in US, and looming uncertainty over ongoing US-China trade war.

Pakistan's economy is experiencing severe balance of payment difficulties amid large fiscal and current account deficits and mounting pressures on the currency, the report adds.

Inflation in the developing Asia-Pacific region is forecast to increase moderately in 2019 to 4.2pc before dropping to 3.8pc in 2020. However, potentially higher tariffs against the backdrop of trade tensions and rising uncertainties, currency depreciation and unfavourable weather could push up consumer and food prices.

According to the survey, the region's medium-to-long term prospects depend on structural transformation and broad-based productivity growth. The report cautions against countries shifting from an agriculture-based economy to one in which services play a dominant role, bypassing manufacturing sector.

New frontier technologies may reduce the scope for industrialisation in "late entrant" developing countries, while high-value-added services require skilled workers. This calls for investment in people and enabling infrastructure, the survey suggests.

Stating that the next phase of structural transformation in the region must be environment-friendly, the survey illustrates that investments to speed up transition to more resource-efficient systems of production and consumption would not only reduce carbon emissions by a tenth, but deliver high economic returns and over time can reduce net financial costs to zero.

The 2019 survey points out that achieving Sustainable Development Goals by 2030 would require an annual additional investment of $1.5 trillion for Asia-Pacific developing countries — equivalent to 5pc of their combined GDP in 2018.

Despite rapid economic growth, the survey notes, too many people are left behind, without a fair chance in life, while environmental degradation has reached alarming levels, threatening the sustainability of past development gains. Hence, keeping the old paradigm of prioritising GDP growth at all costs is neither feasible nor desirable, the report argues.

Published in Dawn, April 5th, 2019

https://www.dawn.com/news/1474039/pakistans-gdp-growth-to-fall-behind-nepal-maldives-this-year-un

SBP OFFICIAL RULES OUT FURTHER DEPRECIATION OF RUPEE

By Salman Siddiqui Published: April 5, 2019

KARACHI.: The rupee will not depreciate against the US dollar any more, with the government making six major foreign payments last week, a State Bank of Pakistan (SBP) official said on Thursday.

“The government has no intentions of letting the rupee lose more value,” SBP (Banking Policy and Regulations Group) Executive Director Syed Irfan Ali was quoted as saying in a statement.

The statement was released by the Pakistan Forex Association after the central bank official met a delegation of currency dealers.

“The rupee may go down at times when the demand for the dollars increases,” the official said.

However, that would be a temporary phenomenon as the rupee would later recover against the dollar,” he added.

The six major payments include the one for imported crude oil that makes about one-fourth of the total import bill of an average $4.4 billion a month, forex association president Malik Bostan told The Express Tribune.

The government has allowed the local currency to depreciate by 1.8%, or Rs2.55, to Rs141.39 against the dollar in the inter-bank market in four weeks since March 8.

Cumulatively, the rupee has dropped 33.7% in a free-fall against the US dollar since December 2017.

Accordingly, the rupee fell to Rs143 against the greenback in the open market.

The SBP official said the country was on the path of recovery, as the current account deficit is going to narrow down to $12 billion in comparison with $19 billion in FY18. “This will help in improving the balance of payment and ease pressure on the rupee in coming days,” he added.

Bostan said the forex association had voluntarily decided to stop selling US dollar and other foreign currencies to hoarders and speculators to bring stability to the rupee in the open market.

Currency dealers will sell dollars only to individuals who want to spend them on healthcare, education and foreign tours.

The buyers will have to submit documentary proof like fee vouchers of foreign educational institutes and hospital admission forms and visa if they are travelling abroad.

The forex association president advised people to invest in property, stocks and other instruments instead of buying dollars or other foreign currencies.

He said the members of the association planned to meet soon in Lahore to implement the decision.

“The open market would continue to follow the inter-bank market, as the central bank has advised currency dealers to limit the spread between dollar prices in the two markets,” he said. “We are selling dollars at a price one per cent higher than that in the inter-bank market.”

Bostan said the demand for dollar shot up in the open market after Dr Ashfaque Hasan Khan, a member of the government’s economic team, said the rupee would fall to Rs150 against the dollar by June this year.

https://tribune.com.pk/story/1943917/1-sbp-official-rules-depreciation-rupee/

PAKISTAN’S ECONOMIC OUTLOOK GLOOMY, WARNS ADB

Amin Ahmed Updated April 04, 2019

ISLAMABAD: Pakistan will continue to face macroeconomic challenges despite tight fiscal and monetary policies to rein in twin deficits leading to deceleration of the GDP to 3.9 per cent in the ongoing fiscal year, says the Asian Development Bank (ADB) in a report released on Wednesday.

In its assessment of Pakistan’s economy in the ‘Asian Development Outlook’ for 2019, the Manila-based bank warns that “until macroeconomic imbalances are alleviated, the outlook is for slower growth, higher inflation, pressure on currency and heavy external financing is needed to maintain even a minimal cushion of foreign exchange reserves.”

Moreover, lower revenue collection and higher current expenditure pushed the budget deficit from 2.3pc of the GDP in the first half of 2018-19 to 2.7pc a year later. Pointing out the supply-side slowdown, the bank warns the agriculture sector is likely to underperform the 3.8pc growth target for the ongoing fiscal year as well amid water shortages.

Large-scale manufacturing reversed 6.6pc growth in the first half of fiscal year 2018 to decline by 1.5pc in the same period of FY19 as domestic demand contracted and rising world prices crimped demand for raw materials.

Furthermore, a slowdown in agriculture and industry, as domestic demand shrinks, will keep services growth subdued as well.

Stabilisation measures and rising inflation are likely to contain growth in private consumption and investment, while public sector development spending has already slackened. With exchange rate flexibility and declining imports, net exports are expected to contribute to growth.

In first eight months of the current fiscal year, government borrowed more from the central bank and less from commercial banks, freeing up liquidity for commercial banks to boost credit to the private sector by 18.9pc. This sharply increased net domestic assets and nearly doubled broad money growth to 2.8pc.

The current account deficit is expected to narrow in the ongoing current fiscal year but will remain high at the equivalent of 5pc of GDP mainly due to widening trade deficit. It will narrow further to 3pc in fiscal year 2019-20 as pressures on external accounts ease.

Export growth plunged from double digits in the first seven months of the previous fiscal year to 1.6pc in the ongoing fiscal year but is likely to strengthen in the coming months and further in FY 2019-20 as lagged impact of currency depreciation and incentive package for export-oriented industries announced in January kicks in.

Imports fell by 0.8pc in the first seven months of the current fiscal year, with imports other than oil down 5.7pc due to slower domestic economic activity, currency depreciation and an increase in import duties for nonessential items.

Remittances are expected to revive — having already risen by 10pc in the first seven months of current fiscal year — as Pakistan rupee depreciates further, economic activity in the Middle-eastern oil exporting countries — major destination of Pakistani migrants — holds broadly steady and government takes measures to facilitate remittances through official channels.

However, inflows that do not incur debt such as foreign direct investment, are expected to be lower in current fiscal year as several CPEC energy projects are near completion.

Financing a high current account deficit in fiscal year 2018-19 will require substantial borrowing and foreign exchange reserves — down to $8.1 billion in February — will likely remain stressed at the end of current fiscal year.

The outlook report highlights that Pakistan lags behind the South Asian regional average on most index indicators; business competitiveness suffers under a challenging macroeconomic environment followed by adverse

terms of trade, significantly eroding production and exports.

The report adds that country's exports lack sophistication and diversification condemning them to declining shares in global trade accentuated by the high cost of doing business limiting firms' ability to compete.

Moreover, access to affordable capital is constrained by a shallow and underdeveloped capital market; manufacturing firms face high corporate tax rates, taxes on dividends and retained earnings, cascading taxes levied on inter-corporate dividends and a super tax levied on retained reserves.

The effective corporate tax rate at 49pc diminishes competitive ability of the country's exports in the international markets. High custom duties on machinery increase investment costs. Similarly, high tariffs and unreliable electric power add to production costs.

Pakistan's cumbersome customs and clearance procedures and poor quality of logistics and infrastructure remain a constraint for the just-in-time supply chain management.

Published in Dawn, April 4th, 2019

https://www.dawn.com/news/1473843/pakistans-economic-outlook-gloomy-warns-adb

ADB PROJECTS SLOWER GROWTH, HIGHER INFLATION

TAHIR AMIN | APR 4TH, 2019 | ISLAMABAD

Inflation will rise to 7.5 percent and the GDP growth rate will further decelerate to 3.9 percent in FY 2019, with macroeconomic challenges continuing despite steps to tighten fiscal and monetary policies to rein in high and unsustainable twin deficits. This was stated in the Asian Development Bank"s latest report titled "Asian Development Outlook 2019, Strengthening Disaster Resilience" arguing that growth decelerated in fiscal year 2018 despite revived agriculture. The expansionary fiscal policy markedly widened the budget and current account deficits and drained foreign exchange.

"Until macroeconomic imbalances are alleviated, the outlook is for slower growth, higher inflation, pressure on the currency, and heavy external financing needed to maintain even a minimal cushion of foreign exchange reserves. Recurrent crises in the balance of payments require that firms become more export competitive," the report stated.

Pakistan"s outlook is for a sharp drop in growth as, following a pronounced widening of its balance of payments deficit in 2018, it likely embarks on austerity measures supported by the International Monetary Fund (IMF).

To meet its large financing needs, the government is discussing a macroeconomic stabilization program with the IMF in addition to arranging financial assistance and oil credit facilities from bilateral sources.

Continued fiscal consolidation in fiscal year 2020 will keep growth subdued at 3.6 percent. The supply side is already showing signs of slowdown. Agriculture is expected to under-perform the 3.8 percent growth target for fiscal year 2019 after water shortages struck as wet season crops were being sown.

Large-scale manufacturing reversed 6.6 percent growth in the first half of fiscal year 2018 to decline by 1.5 percent in the same period of fiscal year 2019 as domestic demand contracted and rising world prices crimped demand for raw materials.

The report further argues that contraction hit all key categories, including a 0.2 percent decline in textiles. A slowdown in agriculture and industry as domestic demand shrinks will keep growth in services subdued. A government structural reform package announced in January 2019 is expected to support agriculture, facilitate new business openings, and continue to expand capacity in some industries to the forecast horizon.

Stabilization policies and rising inflation are likely to contain growth in private consumption and investment, while public sector development spending has already slackened. With exchange rate flexibility and declining imports, net exports are expected to contribute to growth.

Average inflation accelerated sharply from 3.8 percent in the first 8 months of fiscal year 2018 to 6.5 percent in the same period of fiscal year 2019, led by a surge in nonfood inflation to 9.1 percent that reflected currency depreciation and a significant increase in gas tariffs for consumers and industry in the first half of the year. Food inflation remains relatively moderate at 2.6 percent thanks to sufficient stocks of food staples. In response to intensifying inflationary pressures, the central bank gradually raised, in four rounds from July 2018 to January 2019, its policy rate by 375 basis points to 10.25 percent.

Despite tighter monetary policy and lower international oil prices, inflation is expected to rise sharply to average 7.5 percent in fiscal year 2019, driven up by continued heavy government borrowing from the central bank, hikes to domestic gas and electricity tariffs, further increases in regulatory duties on luxury imports, and the lagged impact of currency depreciation by more than 10.7 percent since July 2018. Inflation will remain elevated at 7 percent in fiscal year 2020.

A supplementary consolidated government budget for fiscal year 2019, adopted in September 2018, envisages a decline in the budget deficit to 5.1 percent of GDP in fiscal year 2019, mainly by cutting the development expenditure excluding CPEC projects, but including measures to enhance revenue and extend relief to the poor. Growth in tax collection weakened from a robust 16.4 percent in the first half of fiscal year fiscal year 2018 to only 2.7 percent a year later.

The Federal Board of Revenue targets tax collection equal to only 11.6 percent of GDP in fiscal year 2019 taking into account reduced sales taxes on major petroleum products, drag on the collection of withholding tax from contracts, contraction in general sales tax revenue as imports slow, and the overall slowdown in the economy.

Including non-tax revenue, total revenue declined by nearly 2.4 percent in the first half of fiscal year 2019. Budget expenditure increased by 5.5 percent in the first half of fiscal year 2019 over the same period a year earlier as current spending rose for interest payments and defense. Lower revenue collection and higher current expenditure pushed the budget deficit from the equivalent of 2.3 percent of GDP in the first half of fiscal year 2018 to 2.7 percent a year later.

This situation will make it a challenge for the government to achieve the reduction in the budget deficit it targets for fiscal year 2019. A second supplementary budget, adopted on 6 March 2019 without information on the projected deficit, focuses on an economic reform package envisaging incentives and measures to encourage investment and exports, enhance the ease of doing business, and strengthen export-oriented activities.

In the first 8 months of fiscal year 2019, the government borrowed more from the central bank and less from commercial banks, freeing up liquidity with which commercial banks boosted credit to the private sector by 18.9 percent over the same period of fiscal year 2018.

This sharply increased net domestic assets and nearly doubled broad money growth to 2.8 percent. The current account deficit is expected to ease in fiscal year 2019 but will remain high at the equivalent of 5 percent of GDP because of the large trade deficit. It will narrow further to 3 percent in fiscal year 2020 with easing macroeconomic pressures on the external accounts.

Export growth plunged from double digits in the first 7 months of fiscal year 2018 to 1.6 percent in the same period of fiscal year 2019. It is expected, however, to strengthen in the remaining months of this fiscal year and further in fiscal year 2020 as the lagged impact of currency depreciation kicks in, along with the incentive package for export-oriented industries announced in January 2019.

Imports fell by 0.8 percent in the first 7 months of fiscal year 2019 from the same period of fiscal year 2018, with imports other than oil 5.7 percent lower because of slower domestic economic activity, currency depreciation, and an increase in import duties for nonessential items.

Remittances are expected to revive-having already risen by 10 percent in the first 7 months of fiscal year 2019 over the same period of fiscal year 2018-as the Pakistan rupee depreciates further, economic activity in the Middle-eastern oil exporting countries (major destination of Pakistani migrants) holds broadly steady, and the government takes measures to facilitate remittances through official channels.

The government”s diaspora bonds-issued in January 2019 with terms of 3 and 5 years and an attractive return of over 6 percent-aim to tap resources from overseas Pakistanis. Inflows that do not incur debt, such as foreign direct investment, are expected to be lower in fiscal year 2019 as several CPEC energy projects are near completion.

Financing a high current account deficit in fiscal year 2019 will require substantial borrowing, as in the first 7 months of the year, and use much of the bilateral lending support announced in the early months of 2019 to finance the deficit in the balance of payments. Foreign exchange reserves, depleted to $8.1 billion in February 2019, will likely remain stressed at the end of fiscal year 2019.

The report further states that Pakistan ranks 107 out of 140 economies on the Global Competitiveness Index 2018. It is classified as inhabiting the first stage of development among 35 factor-driven economies- that is, economies heavily reliant on unskilled labor and natural resources.

The country”s persistently low score and ranking on the index is reflected in its companies” struggles to compete in international markets and in weak export opportunities, which spark recurring crises in the balance of payment.

Pakistan lags behind the South Asia regional average on most index indicators. Business competitiveness in Pakistan suffers under a challenging macroeconomic environment and adverse terms of trade, significantly eroding production and exports.

Pakistan”s exports, such as they are, remain largely primary products whose lack of sophistication and diversification condemn them to declining shares in world markets. Agricultural commodities and textiles and other manufactures with little value added, comprise over 80% of exports. The high cost of doing business is a key factor limiting firms” ability to compete. Access to affordable capital is constrained by a shallow and underdeveloped capital market.

Manufacturing firms face high corporate tax rates, taxes on dividends and retained earnings, cascading taxes levied on inter corporate dividends, and a super tax levied on retained reserves. The effective corporate tax rate of up to 49% is significantly higher than taxes on international competitors. High custom duties on machinery imports raise the cost of investment, and high tariffs on raw materials and intermediate inputs erode the price competitiveness of both exporters and domestic industries facing stiff competition from imports. High tariffs and undependable electric power add to production costs.

Pakistan”s cumbersome customs and clearance procedures and poor quality of logistics and infrastructure remain a constraint for the ability for just-in-time supply chain management. Investing in infrastructure and improving trade facilitation could boost participation in world markets, but the absence of industry-wide facilities to test and certify compliance would still leave many exporters disadvantaged.

The report further states that macroeconomic stability is needed to create an environment that inspires business confidence and is conducive to investment and trade. Facing twin deficits in fiscal and current accounts, the government has long been bedeviled by difficult policy choices that pit improved tax revenues against enhanced competitiveness.

Moreover, with anti-export bias in tax and exchange rate policies, and high government borrowing that crowds out private investment, firm competitiveness erodes, even though recent currency depreciation have supported exports, the report states.

https://fp.brecorder.com/2019/04/20190404460871/

ANOTHER AMNESTY SCHEME FOR NON-FILERS PLANNED

The Newspaper's Staff Reporter Updated April 03, 2019

ISLAMABAD: The government is planning to introduce another amnesty scheme to provide non-filers of tax returns an opportunity to whiten their undeclared assets at home and abroad and get into the tax net, besides introducing further budgetary measures in the run-up to entering into an IMF programme.

Finance Minister Asad Umar told reporters on Tuesday that details of the amnesty scheme had not yet been finalised but it would be introduced before the coming budget on the strong demand of the business community.

He also announced that he was going to open sale and purchase of properties to non-filers with effect from July 1. He defended the removal of such a condition on sale and purchase of vehicles that he had announced in January this year, saying this led to job creation. He said nothing barred the tax machinery from issuing tax notices to the purchasers of vehicles and properties, bringing them into the tax net and recovering taxes.

Moreover, Mr Umar said the government was planning to increase property evaluations for tax purposes to real market rates once and for all and reduce tax rates. For this, the change will start from Punjab, Khyber Pakhtunkhwa and the federal capital and then could be extended to Sindh and Balochistan.

The minister said interest payments were anticipated at around Rs2 trillion for the current year against the budget estimates of Rs1.62tr, while defence expenditures would also go up due to the recent tension with India but estimates at present were not available. In response to a question, he said any increase in next year's normal defence budget would be based on Rs1.1tr of current year and the armed forces development fund would increase on the basis of current year's Rs576 billion.

In what appeared to be another move to satisfy the International Monetary Fund to keep fiscal deficit within the budgetary limits and predictable, the finance minister said the government would move out of the fixing of prices of utilities and petroleum products.

The Fund had been asking the government to let regulators determine and notify utility price adjustments on their own.

Mr Umar said the regulators were independent and should determine electricity and gas tariff and notify them. Likewise, the government will fix taxes on petroleum products as part of the budget once a year and then it will be for the regulator to pass on the impact of international oil price fluctuations.

He said the business community and some other people were of the view that the campaign against tax evaders had created a lot of fear and harassment that the government was serious in its efforts and if the purpose of the government was to collect more taxes, they should be given an opportunity to come into the net.

“There can be a one-time opportunity for asset declaration that we will announce before the (coming) budget,” he said. He did not go into broad contours of the new scheme, saying that “the discussions have just begun; they came up with a proposal which we accepted as a good idea”. He said the scheme would be complaint with the requirements of the Financial Action Task Force (FATF).

Asked if the scheme meant generating revenues to reduce fiscal deficit before formally entering into the IMF programme, Mr Umar said the Fund would have no objections to the amnesty scheme as many such schemes had also been launched in the past. He said the scheme would carry both the stick and the carrot and also invited media persons to offer suggestions.

Asked if the revenue target was being revised over the massive shortfall of around Rs290bn in nine months, the minister said the government was not considering reducing the revenue target set for the current year but planning actions that would overcome the shortfall.

He said the government would also share details of the medium-term budgetary framework with the opposition at the National Assembly’s Standing Committee on Finance and seek their input as agreed at a recent meeting of the committee. The framework would also be announced through the media the same day, he added.

Mr Umar said he was in favour of wealth tax on assets, but parried questions if the idea was not against Prime Minister Imran Khan’s philosophy of encouraging wealth creation to encourage more investments.

The finance minister said the policy choice for Pakistan’s economic betterment was the opening of North-South and East-West trade that would also benefit India. He said Pakistan’s vision for the region was peace and internal trade. Restrictions on Iran should also end as peace returns to Afghanistan to open up the entire region up to Central Asian States and beyond.

For this to achieve, the finance minister said India should also understand that Kashmir was the core issue and there was a need for the composite dialogue to begin at the earliest that would be in the interest of both countries.

Responding to a question about the preparation of an agriculture emergency plan by Jahangir Khan Tarin, the finance minister said the Supreme Court had barred the former from holding any public office but did not say not to let him breathe. He said there was no restriction on the prime minister to utilise expertise of anyone and all knew that Mr Tarin was a progressive agriculturist who had proved his mettle.

Responding to another question, Mr Umar said the electricity tariff was expected to be increased on the basis of quarterly adjustments to be proposed by the National Electric Power Regulatory Authority, but added that he was not yet clear about the gas price increase.

Published in Dawn, April 3rd, 2019

https://www.dawn.com/news/1473566/another-amnesty-scheme-for-non-filers-planned

INFLATION HITS 9.4PC, HIGHEST IN FIVE YEARS

Mubarak Zeb Khan Updated April 02, 2019

ISLAMABAD: Consumer prices influenced by faster rupee depreciation and rise in energy prices last month increased to their highest level in five years, the Pakistan Bureau of Statistics reported on Monday.

Inflation measured through consumer price index (CPI) surged to 9.4pc in March 2019, the period when global oil prices started rising, undermining earlier gains.

Over the past three months, prices of fresh vegetables, fruits and meat have posted persistent increase in major urban centres.

The average inflation during the July-March period rose by 6.79pc on a yearly basis.

While the government had projected 6pc annual inflation for the current financial year, the inflation had crossed the figure in February.

The average inflation was 3.92pc in financial year 2017-18 and 4.16pc the year before.

Tightening of the monetary policy by the State Bank of Pakistan (SBP) has come on the back of the rising inflation amid depreciating rupee and high global crude prices.

On Friday, the SBP increased policy rates by 50 basis points to 10.75pc, which were already at their six-year high, on the plea that the economy was under considerable strain. The central bank raised the interest rate by 4.50pc since January 2018.

The most dominating push to inflation came from non-food-non-energy (core inflation) component that typically represents the underlying demand pressures on the economy. The core inflation, measured by excluding volatile food and energy prices, was recorded at 8.5pc year-on-year. It has been steadily rising for a couple of months despite tightening of the monetary policy.

The gradual build-up of domestic demand is evident from the upswing in the core inflation. Of the 89 commodity groups of CPI (Consumer Price Index), it covers the price movement of 43 items.

In March, food inflation increased by 8.4pc on year-on-year basis and 2.9pc on month-on-month basis. Perishable product prices went up by 6.1pc while that of non-perishable products increased by highest ever 22pc on month-on-month basis.

The food items whose prices increased the most in March included onions(39.28pc), fresh vegetables (24.43pc), tomatoes (18.83pc), chicken (15.88pc), pulse Moong (12.68pc), fresh fruits (12.52pc), Gur (2.88pc), sugar (2.74pc), beans (1.23pc), fish (1.18pc), spices (0.91pc), pulse gram (0.60pc), vegetable ghee (0.58pc), rice (0.41pc), pulse Masoor (0.31pc), bakery & confectionery (0.31pc), wheat flour (0.20pc), cooking oil (0.18pc), tea(0.17pc), fresh milk (0.17pc) and wheat(0.16pc).

The food items whose prices dropped last month include eggs (6.32pc), potatoes (5pc), betel leaves and nuts (2.09pc), gram whole (0.70pc) and wheat product (0.41pc).

Furthermore, the impact of fuel prices was also felt on most food items, as retailers passed on the impact of higher transportation cost to consumers. This impact was more pronounced in case of milk, vegetables and meat.

Non-food inflation went up by 10.1pc in March on a yearly basis and 0.5pc on a monthly basis, indicating that the direct impact of fuel prices on inflation was also strong.

Textbooks topped the list of non-food products whose prices increased last month. The non-food products whose prices increased in March include textbooks (3.95pc), cotton clothes (2.30pc), medical equipment (2.24pc), motor fuel (1.54pc), kerosene oil (1.51pc), plastic products (1.32pc), stationery (1.18pc), drugs and medicines (1.16pc), construction wage rates (1.16pc), education (1.00pc), transport services (0.97pc), personal equipment (0.96pc), construction input items (0.79pc) and motor vehicle (0.67pc).

The PBS collects retail prices and computes CPI for a basket of 487 items collected from 40 cities and 76 markets.

The wholesale price index in the period from July 2018 to March 2019 reached to the highest level of 11.44pc as compared to 2.7pc over the corresponding period of last year.

The massive increase of 11.44pc in the wholesale price index shows that prices of non-perishable products will go up at the retail level.

Published in Dawn, April 2nd, 2019

https://www.dawn.com/news/1473285/inflation-hits-94pc-highest-in-five-years

PAKISTAN MOVING TOWARDS DEBT TRAP, CAUTIONS NISAR

Amjad Iqbal April 01, 2019

TAXILA: Former interior minister and disgruntled Pakistan Muslim League-N leader Chaudhry Nisar Ali Khan said on Sunday that the country was moving towards a “debt trap”.

Talking to journalists, he said the future of Pakistan would be bleak if its economy was run through loans, adding the country needed years to get rid of these loans and to achieve these goals there was dire need of political stability in the country responsibility for which rested with the government.

In reply to a question, Mr Khan said that the Financial Action Task Force was apparently a political institution adding that some international powers were hatching conspiracies to blacklist Pakistan for their own interests and that had nothing to do with terrorism or terror financing.

Former interior minister asks govt to ensure political stability

In reply to a question about recent steps taken by the current government regarding crackdown against some religious groups and taking control of some seminaries, he said the government’s actions were dubious as on the one hand it claimed there was no non-state actors involved in the Pulwama attack or other activities and on the other hand it had launched a crackdown against some religious groups and was taking control of some seminaries.

He urged political leaders to restrain from delivering such statements which weakened Pakistan’s stance on international forums just for some political gains.

In reply to a question about leaving the PML-N or joining another party, he said he would make a decision in this regard at an “appropriate time”.

The PML-N leader said that he was in contact with the PTI but said that he would announce his future political strategy at an appropriate time in consultation with his supporters.

"I stood with a party for 35 long years and then moved away from its leadership after developing some differences over certain issues. The people of my constituency have reposed their confidence in me but the current situation is a bit complex," he said.

He said the country would witness in the next six months a massive price hike because of increase in the prices of POL and gas.

Published in Dawn, April 1st, 2019

https://www.dawn.com/news/1473172/pakistan-moving-towards-debt-trap-cautions-nisar

MONETARY POLICY

Editorial Updated April 01, 2019

THE State Bank of Pakistan raised the key policy discount rateby 50 basis points on Friday, citing persistent inflationary pressures on the back of a high fiscal deficit, as well as continuing weaknesses on the external front despite a narrowing of the current account deficit and billions of dollars of bilateral inflows to shore up the reserves.

The rate hike is a continuation of a pattern that began in late 2017 when these pressures were building up, and is an unambiguous signal that despite the government's triumphalist rhetoric of having plugged the external financing gap and stabilised the economy, much work remains to be done.

The rate hike will undoubtedly serve as a drag on the economy, which is already reeling under the weight of a severe contraction in the GDP growth rate, as well as adversely hit the fiscal framework by raising the cost of debt servicing for the government.

Since growth and fiscal deficit are at the heart of the government's difficulties at the moment, it is worth thinking about why the State Bank would take a step that would negatively impact both priorities at the same time.

The answer is quite simple: the pressures weighing on the economy, far from abating, are only growing. With the current account deficit coming in at $8.8bn in the eight-month period from July to February, it means foreign exchange reserves are eroding at a rate of just above $1bn per month on average.

So with the $4bn in assistance from Saudi Arabia and the UAE, the government bought itself four months of time, which is now squandered. With the $2.2bn in Chinese assistance, the government has borrowed another two months, just enough time to get to an IMF programme.

Meanwhile, the fiscal deficit has grown faster as revenue shortfalls multiply each month and expenditures — particularly those that are security related — grow at the fastest pace in many years. And the current account deficit has narrowed, while exports have "remained flat" in dollar terms, as per the central bank.

Businesses are now choking on the fumes of the aggravated slowdown in the economy that these vulnerabilities have brought about. They are borrowing more but investing less.

As the slowdown ripples through the economy, nobody is left untouched by the spectre of inflation and unemployment. If the economy had made some sort of a turnaround, such a rate hike would not have been necessary, nor would the tone of the State Bank's monetary policy statement been as gloomy as it is.

Serious maturity is needed at this time, and a completely unsentimental view of the economy must be taken. Slogans and rhetoric will not carry the country through; the tough choices that are looming ahead will require deft politics to manage. It is time to buck up.

Published in Dawn, April 1st, 2019

https://www.dawn.com/news/1473196/monetary-policy

GOVERNMENT TO UNVEIL SPECIAL PACKAGE FOR TRADE AND INDUSTRY: QAISER

RECORDER REPORT | APR 1ST, 2019 | PESHAWAR

Speaker, National Assembly Asad Qaiser has said that a special package is being introduced for development of trade & industry, agriculture, youth and women in the upcoming national budget. He was addressing the inaugural ceremony of the construction of Shah Mansoor-Jehangira Road and Hund Park Road in district Swabi on Sunday. He said that the prices of petroleum products are fixed on the basis of oil rates in international market and in this connection he will talk to the Prime Minister.

He said that several mega projects would be announced in the upcoming national budget while a new ministry is also being established for the youth and women affairs. He said that the initiation of such steps and promotion of businesses will help arrest unemployment and put the country on the track of progress and development.

The NA Speaker said that through the passage of the Finance Bill, the government has given relief to businessmen, while a package for giving relief to farmers is coming in the budget. Asad Qaiser said that the newly elected National Assembly has passed six laws so far and another big legislation will be carried out in the upcoming session of the house. The proposed legislation, he said would prove highly beneficial for the nation. He assured the people not to worry as all decisions of their government would be taken in the larger interest of the country and nation.

He said that though the country is facing several challenges including economy, but still all decisions are taken in the larger interest of the nation and country.

The Speaker said that Hund is an historic place wherein Alexander the Great stayed while Mughal emperor constructed a fort. Therefore, he said that Hund Museum of high importance and beside its up-gradation a modern park would also constructed.

He said that Bacha Khan Medical Complex has been up-graded as Category A- hospital while Kunda Hospital would also be up-graded while a Women and Children Hospital would also established in the area.

https://fp.brecorder.com/2019/04/20190401460227/

NEWS COVERAGE PERIOD FROM APRIL 8th TO APRIL 14th 2019

PAKISTAN COMPELLED TO APPROACH IMF: MINISTER

The Newspaper's Staff Reporter April 14, 2019

KARACHI: Railways Minister Sheikh Rashid Ahmed on Saturday said that Pakistan was compelled to go to the Inter-national Monetary Fund for the sake of a better economy in future, despite the fact the IMF's conditions would be immensely stiff to bear with.

"We are trapped in a host of crises right now. Ever-yone knows that the IMF's conditions will be really hard and as a minister, I have been saying that we have no option but to approach the IMF for assistance," he said at a meeting held at the Kar-a-chi Chamber of Commerce and Industry.

Mr Ahmed said economic stability could not be achieved without political stability.

Regarding the Karachi Circular Railway, the minister promised Pakistan Railways would remove all encroachments from its track as soon as the Sindh government signed an agreement and approved the design and feasibility. He added that many commercial encroa-chments had already been removed, and the track had been handed over to the Sindh government. How-ever, it was the Sindh government which had to do its work, he added.

Mr Ahmed said the KCR was an important project that had become part of the China-Pakistan Econo-mic Corridor. He invited the business community to undertake a joint venture for setting up the proposed parking plaza on the Railways land at I.I. Chundrigar Road.

Referring to 1,760km-long ML-1 project from Karachi to Peshawar, the minister said Prime Mini-ster Imran Khan would be signing an agreement on April 27 for a new dual carriageway between the two cities with fencing on both sides.

Published in Dawn, April 14th, 2019

https://www.dawn.com/news/1475997/pakistan-compelled-to-approach-imf-minister

CONTRARY TO IMF CLAIMS, PAKISTAN'S ECONOMY CAN GROW OVER 3.5%

By Salman Siddiqui Published: April 14, 2019

KARACHI: Pakistan's economic growth will not slow down to the International Monetary Fund's (IMF) anticipated level 2.9%, but in fact it is likely to be well above 3.5% during the current fiscal year 2019, PM Economic Advisory Council member told The Express Tribune.

"This is a political statement of IMF," PM Economic Advisory Council's member Dr Ashfaque Hasan Khan said. "The economy will grow between 3.5-4% during the current fiscal year 2019."

Global financial institutions, including IMF, World Bank and the Asian Development Bank (ADB), have forecasted a significant drop in Gross Domestic Product (GDP) growth rate "in coordinated efforts" to pressurise Pakistan to agree on entering the IMF loan programme on stringent conditions.

To recall, the World Bank forecasted 3.4% GDP growth, while ADB assessed it at 3.9% for the current fiscal year to end June 30, 2019.

Khan's assessment for GDP growth matches with the one anticipated by the State Bank of Pakistan (SBP) at 3.5-4% in its latest quarterly report on the state of economy released in end of March 2019.

"I fear the international financial institutions' coordinated efforts may result into downgrading Pakistan credit rating by global rating agencies like S&P," he said. "They are hinting rating agencies…to pressurise Pakistan to accept IMF loan programme on stringent conditions in haste."

Khan, who is also Principal and Dean, School of Social Sciences & Humanities, National University of Sciences & Technology (NUST), also found the IMF suggested Federal Board of Revenue's (FBR)-revenue collection target of Rs5,400 billion for FY20 unrealistic.

IMF is suggesting a 40% growth in FBR revenue collection for FY20 compared to almost zero growth in the collection in the current FY19 to be ended June 30.

"Such a high growth in collection at times when economy is slowing down is impossible," he said.

If FBR manages to collect Rs3,800-3,850 billion revenue against the set target of Rs4,398 billion for FY19 then "it will be a great achievement", he added.

Considering the FBR would achieve the collection of Rs3,850 billion in FY19 it would be similar to the one at Rs3,842 billion collected in the previous fiscal year 2018; meaning the collection would remain flat, he said.

If Pakistan accepts the IMF suggested FBR revenue collection target then "the government would be presenting the mini-budget in every quarter to overcome the shortcoming. This would end up with an economic disaster," he said.

He advised Prime Minister Imran Khan to stop letting the rupee depreciate against the US dollar and other world major currencies. He also urged to stop raising the key benchmark interest rate, revising power and gas tariffs upwards for end consumers.

A further rate-hike and devaluation may result into standstill of economic activities in the country, as a large number of businessmen are complaining to PM Imran on social media about decline in their business activities.

He also advised PM Imran to stop harassing businessmen in the name of accountability. "This is hurting businesses."

It seems Pakistan has kick-started an unending accountability process and it is it is growing with every passing day. Earlier, the process was limited to politicians and now it is also hurting businessman.

"I think PM Khan will not forgive anyone who is found involved in corruption," he said. "So I will suggest him to hold meetings with judiciary and National Accountability Bureau (NAB) to quickly conclude the accountability cases, as this is hurting the country and its economy now," he said.

Dr Ashfaque said inflation should ease down from here onward. The rate of inflation would slightly drop for the ongoing month of April considering the five-year high reported rate of inflation at 9.4% for March 2019 was a flawed number.

The Pakistan Bureau of Statistics (PBS) has wrongly calculated gas price hike data in March's inflation number. "1.6% contribution in 9.4% rate of inflation came from wrong gas prices."

Thirdly, a 2.4% contribution in the inflation number has come from a steep 315% increase in tomato prices during the month. "This was a lean season for tomato production in Pakistan, while we also did not import from India due to political tension on the border."

"In April, the tomato price would recover, gas price would also be fixed and that base effect would come to an end," he commented.

Published in The Express Tribune, April 14th, 2019.

https://tribune.com.pk/story/1950157/2-contrary-imf-claims-economy-can-grow-3-5/

THE DEVELOPMENT BUDGET

April 14, 2019

Government spending on economic development is likely to take another hit next year as the finance ministry has indicated that the development outlay will remain the same for next year. Coming after a year of severe inflation, keeping the Public Sector Development Programme at Rs675 billion for 2019-20 equates to a real reduction in development spending. As the first item on the budget-making process for 2019-20, the news is underwhelming but not unexpected. Development spending has taken the biggest – perhaps the only hit – in these times of austerity. Already, real development spending this year has been far less than that approved in the budget. Only around Rs411 billion has been spent out of the approved Rs675 billion. The treatment of the PSDP has confirmed that the Planning Commission's 12th Five-Year Plan is already dead before its formal launch. There has been talk, though, that the planning ministry is set to contest the proposal by proposing an increase in the PSDP to Rs1 trillion again. This would mean Rs750 billion in government spending and Rs250 billion in public-private partnerships.

The future does not look bright if the size of the PSDP is to be taken into account. Only two years ago, public sector development spending exceeded Rs1 trillion, with the China-Pakistan Economic Corridor on the horizon. Putting the infrastructure for CPEC in place required significant public-sector spending, which continued to push the development budget up. However, with Pakistan barely being able to reap any of the rewards of CPEC, it would appear that the bold new future is in threat of being abandoned. If the government does not increase the PSDP, a number of projects will remain incomplete. As it stands, the government has put in an April 10 deadline to all ministries to submit approved projects. No unapproved projects will be added to the PSDP list. The issues with some of the allocations, such as the one for Diamer-Basha Dam, is that they could not be spent during the current year.

While one must agree on the logic of not including projects which will eat up the limited PSDP, the need for a strong developmental agenda on the part of the state seems essential to the economic direction Pakistan has set for itself in the last decade. Under the current status quo, the Pakistani state can neither fund major road-building nor the building of major dams, both of which are key requirements for economic development and securing resources. The planning ministry is well within its rights to ask for a higher development budget. While the low developmental spending fits in with the overall strategy of economic slowdown under the current government, there are sufficient reasons to need to revisit the existing formula before the next budget.

https://www.thenews.com.pk/print/457493-the-development-budget

"GOVT SEEMS TO HAVE NO CLUE ABOUT THE ECONOMIC CRISES"

Ather Naqvi April 14, 2019

The News on Sunday (TNS): Pakistan Tehreek-e-Insaaf (PTI) came into power in the 2018 general elections promising to turn around the economy. Why are there no signs of that yet?

Dr Kaiser Bengali (KB): It now appears that promises were made without any homework; the government appears to have no clue regarding the main factors behind the crises or how to approach them. However, we hope that the forthcoming 2019-20 budget will provide some indications.

TNS: There's a view that the way the National Accountability Bureau (NAB) is acting in the name of doing accountability has shattered the confidence of the existing and prospective investors in the country. Is that a right assessment?

KB: NAB has not only adversely affected business confidence, it has also compromised government functioning, as civil servants are not willing to sign on to anything. A serious decision backlog is emerging.

TNS: The World Bank (WB) has warned in a recent report that Pakistan's Gross Domestic Product (GDP) growth will decrease to 3.4 percent in fiscal year (FY) 2018-19 and further drop to 2.7 percent in FY20. What does it mean for our economy? The report also suggests that Pakistan should increase its exports. Are we ready to act in that direction?

KB: World Bank types were praising Pakistan's economic performance till two years back, when many independent economists in the country were warning of a decline. WB growth estimates may again turn out to be over-optimistic. Exports cannot be raised just by asking for it or by offering export incentives. Exports are a function of production surpluses generated by agriculture and manufacturing. It is only by expanding the two sectors that exports can expand. The whole macroeconomic framework will need to be changed to render it pro-manufacturing.

TNS: How do we explain the high dollar rate in the open market? And how connected is it to the devaluation of the rupee? Are there ways to control the situation?

KB: It is the demand and supply of dollars that determines its price. Dollar rate will remain under pressure as long as the trade deficit remains as large as it has become post-2003. Till 2003, for every 100 dollars of exports, our imports were about 120-125 dollars. Now, for every 100 dollars of exports, our imports are about 220-225 dollars. Our industrial sector is imported raw material based; there is a need to render it domestic raw material oriented. Consumer imports have mushroomed; it is now difficult to find Pakistani stuff in supermarkets; even cat and dog food is imported. We will need to impose a complete ban on all non-essential consumer imports.

World Bank types were praising Pakistan's economic performance till two years back, when many independent economists in the country were warning of a decline. WB growth estimates may again turn out to be over-optimistic.

TNS: In this situation, how do you think our industrial sector can be revived to put the economy on the right track? Are the industrial sector's grievances justifiable?

KB: Reviving the industrial sector will require reducing the GST rates on goods rate (preferably to 5 percent on single-stage basis) and taking measures to curb profitability in the stock market, property market and imported commodity market.

TNS: What should have been the approach of the PTI government from day one to address the major issues facing the people of the country like poverty and unemployment?

KB: Promoting the industrial sector to boost employment, which would have provided incomes to overcome poverty. Their housing plan is commendable but fiscal resources will have to be generated and that will require cutting heavily on current non-development expenditure.

TNS: Unlike the PML-N government, the PTI government has mentioned agriculture time and again. What problems do you see in the sector and what role can it play in the country's economic performance?

KB: Agriculture and industry are the two legs on which the body of the economy stands, and both have been ignored over the last 40 plus years. Problems range from land tenure to water use efficiency to pricing of inputs. PTI does mention agriculture, but we have yet to see an analysis of the problems and a strategy to deal with them.

TNS: The government seems to have pinned too many hopes on tourism with reference to economic turnaround. Is that realistic?

KB: Foreign tourists require cast iron security and an unqualified perception of security. They also need no-compromise hygiene in indoor and outdoor environment, food, etc. Both are questionable in Pakistan. Domestic tourism can be developed though. However, tourism cannot be expected to be the sector to jump start the economy with a view to cover the dollar and rupee gaps that our budget faces.

http://tns.thenews.com.pk/govt-seems-clue-economic-crises/#.XLR79DAzbcs

AMNESTY SCHEME TO BE LAUNCHED AFTER UMAR'S RETURN FROM US: AZHAR

SOHAIL SARFRAZ | APR 12TH, 2019 | ISLAMABAD

State Minister for Revenue Hammad Azhar has said that the tax amnesty scheme would be launched later this month, most probably through a presidential ordinance. Addressing a press conference here at Press Information Department (PID) on Thursday, Hammad Azhar said a final decision would be taken in this regard on April 15 after the return of Finance Minister Asad Umer from the USA. "If we are unable to get time to sail through the scheme from the Parliament, an ordinance would be promulgated. The scheme would be presented before the federal cabinet for approval."

He said the data on the Dubai offshore properties is being compiled by the Federal Investigation Agency (FIA). As soon as Federal Board of Revenue (FBR) will receive information, FBR will start issuing notices to the owners of undeclared properties in the UAE. Responding to a query on the Benami law, he said FBR has started issuing notices to owners of benami properties under the Benami law on a daily basis.

To another question, he said modalities will be finalized when IMF staff mission will visit Pakistan to finalise the programme. Answering a question, he stated that the government has not committed to the IMF that it would be increasing tax rates. About massive revenue shortfall in FBR collections, he said the FBR collects 40 percent of its total revenue at the import stage and now the imports are moving in negative direction. “Due to this we are not getting growth in revenue. However, there is an increase of 3 percent in revenue collection during current fiscal year if compared with the last fiscal,” he said. A shortfall in revenue collection has been witnessed if compared to the assigned targets.

He said the government is planning to enhance the values of immovable properties again. To a question, he said the government is forecasting a handsome growth in export during April 2019.

The integration of data mechanism is being implemented and results would be seen by the end of the current month. The non-filers’ data has been integrated with the help of information available with the FBR, State Bank of Pakistan (SBP) and FIA to bring non-filers into the tax net. Azhar said the economic indicators are moving in the right direction due to meticulous steps taken by the government. He said the government is correcting the course of economy that was destroyed by the previous government.

Rejecting the statistics given by former Finance Minister Ishaq Dar the other day, the minister of state for revenue said the external debt is increasing at half a rate compared with PML-N government’s first eight months. He said the foreign exchange reserves are increasing at a better pace than before.

Admitting increase in inflation, the minister of state said it was due to depreciation of currency. However, the government is determined to bring it down for the benefit of common man. He reiterated that the next one-and-a-half years will prove to be a difficult period for the country’s economy.

He said: “We – Prime Minister Imran Khan, Finance Minister Asad Umar and myself – have all been saying this. This is because the extent of the damage to the economy was such that time will be required in its recovery.”

“We are told a lot that we must not keep referring to past mistakes and instead only talk about our own [plan]. When we are still suffering the after-effects of old [economic] policies, how can we not talk about the past?” he said.

“The policies we are drafting now are directly related to redressal of the harm done, the effects of which are still being felt. This is why we refer to the past time and again,” he added.

The minister also sought to set the record straight regarding the remarks issued by Minister for Water Resources Faisal Vawda regarding offshore oil drilling activity, which Vawda had claimed would change the fortunes of the country within a month. “A ship is drilling at a distance of 250 kilometres off Karachi’s coast. There is no doubt if gas reserves are discovered there, experts are of the opinion that it [the site] will be included among the world’s top ten reserves.”

“He [Vawda] only expressed hope; his style is such that he expressed it very firmly. The statement must be understood in the context it was given,” Azhar explained. During the press conference, Azhar also outrightly rejected statements given by PML-N leader Hamza Shahbaz in criticism of the economic policies of the incumbent government.

“We have depreciated the currency by 10.8 per cent. The PML-N in the first eight months of their tenure had devalued it by 10.1 per cent and in the last seven months had devalued it by 17 per cent,” he said. “So kindly refrain from concocting stories of depreciation and casting sand into people’s eyes,” the revenue minister said while addressing Hamza Shahbaz.

"Let me also go on to state for the record why we had to depreciate the currency. When your foreign currency reserves in August are depleted to the extent that you can not meet your short-term liabilities, you cannot afford to throw billions of dollars into the market to defend an over-valued currency," said the minister. Azhar went on to say, "Today the value of the rupee stands closer to its real value."

"The false numbers quoted by him [Hamza] today, I believe, were so that he can basically draw attention away from his case, which he made no mention of at all," said Azhar. He termed the Opposition Leader in Punjab Assembly Hamza Shahbaz's hue and cry over current situation of Pakistan's economy as a tactic of shifting attention of the people and media from his money laundering case. "No matter how much you scream and shout, we will not give you an NRO," vowed the revenue minister.

"Looking at the media reports that are emerging, which describe how the money was taken abroad and then brought back, make it abundantly clear that there is no discernible difference between the Omni Group case and the Hamza Shahbaz case," he said. Further digging into the figures 'misquoted' by the PML-N leader, Azhar said that Hamza had spoken of the stock market plummeting but had "failed to mention that in the last year of their tenure, from May 2017-18, the stock market had dropped down from 53,000 points to 44,000 points and provided no reason for why this occurred."

"If rivers of milk were flowing then why such a drop occurred?" the revenue minister questioned. To a query on taxation on tobacco sector, he said, "We will take any decision for increasing tax on cigarettes on the basis of our own calculations and credible data, but we will not increase taxes on tobacco merely on the suggestions of NGOs."

The revenue collection from documented tobacco industry would be the highest ever during 2018-19. During the first supplementary finance bill, the FBR has considerably increased taxes on the documented tobacco industry which would result in highest amount of revenue from the tobacco sector.

https://fp.brecorder.com/2019/04/20190412463550/

IMF SEES SHARP JUMP IN FISCAL DEFICIT, DEBT

Khaleeq Kiani Updated April 11, 2019

ISLAMABAD: The International Monetary Fund (IMF) on Wednesday forecast Pakistan's fiscal deficit continuously elevated at close to 8pc and deteriorating debt-to-GDP ratio to reach 86pc over the next five years.

In its Fiscal Monitor released on the sidelines of spring meetings, also attended by a Pakistani delegation led by Finance Minister Asad Umar, the Fund also bites that performance-based salaries of the Federal Board of Revenue officials significantly contributed to both higher bribes and tax collection.

The IMF estimates the deficit increasing further to 7.2pc in FY19 and then peaking at 8.7pc during FY20, before coming down to 8pc of GDP in FY21, followed by 7.8pc and 7.6pc in FY22 and FY23 and then rising again to 7.7pc by FY24.

The fiscal monitor had put Pakistan's net debt-to-GDP ratio at 67.2pc in FY18 and estimated it going up to 72.7pc during current fiscal and 75.3pc by end of next year (FY20). It said the ratio will keep increasing to 77.7pc in FY21, followed by 79.6pc in FY22 and 81.4pc in FY23 and then hitting peak at 83.2pc in FY24.

Debt-to-GDP ratio is projected at 72.7pc by end of FY19

Gross general government debt-to-GDP ratio was also estimated at 77pc during 2018-19, 79.1pc in FY20, 81pc in FY21 and 82.6pc in FY22. It is then expected to would further rise to 84.1pc in FY23 and touch 85.6pc in FY24.

This is despite any expectations of significant changes in government expenditure, which the Fund has estimated to stay within a narrow band of 22.2pc in FY19 and 22.4pc by FY24. Government revenue, on the other hand, is forecast to decline from 15.5pc of GDP in FY19 and declining gradually to 14.6pc in FY20 and FY21, then staying flat at 14.7pc over the following three years.

The IMF had also estimated Pakistan's primary deficit at 2.1pc in FY18 and then come down to 1.7pc during this year before rising again to 2.2pc in FY20, eventually staying almost flat at 2.1pc and 2pc over the next four years.

The fiscal monitor projected Pakistan's maturing debt during current year at 35.1pc of GDP and total financing needs at 42.3pc of GDP, leaving a fiscal deficit of 7.2pc. In 2019-20, the maturing debt would increase to 37.2pc and total financing needs going up to 46pc, with a fiscal deficit of 8.7pc.

The report noted that many economies saw rising interest burdens, which exceeded 20pc of total revenue in 2018 in Egypt, Pakistan and Sri Lanka. As a result, emerging market economies have become vulnerable to rollover risks if they face large financing needs.

On performance-related incentives, the Fund says, an experiment in Pakistan showed the potential for undesirable consequences. "While performance-based salaries of tax officials led to a significant increase in tax collection (by as much as 50pc), bribe requests increased by 30pc. Some studies suggest that higher wages can be effective if complemented with other institutional features, such as monitoring and sanctions."

Generally speaking, the Fund noted that fiscal policy over the past decade has focused primarily on macroeconomic stabilisation in response to shocks, notably the global financial crisis. Less emphasis has been placed on reforms to foster long-term inclusive growth by adapting to changing demographics, advancing technology, and deepening global integration.

In many countries, public and private debt hover near historical peaks, long-term growth and development prospects are uninspiring, and inequality remains striking. With global growth slowing and uncertainty rising, fiscal policy should prepare for possible downturns — balancing growth and sustainability objectives — while also putting more emphasis on reforms to adapt to a fast-changing global economy.

The reforms will require inclusive and growth-friendly budget re-composition to upgrade tax, social spending, and active labour market policies, as well as investment in infrastructure for better public service delivery. Greater international cooperation was also needed to address multilateral issues, including corporate taxation, climate change, corruption, and, more generally, to achieve the 2030 Sustainable Development Goals.

Published in Dawn, April 11th, 2019

https://www.dawn.com/news/1475308/imf-sees-sharp-jump-in-fiscal-deficit-debt

PAKISTAN’S DEBT PILE TO SWELL TO 84.1% OF GDP BY 2023

By Shahbaz Rana Published: April 11, 2019

ISLAMABAD: The debt pile that Prime Minister Imran Khan would leave behind at the end of his five-year term will be equal to 84.1% of the size of Pakistan’s economy – far higher than the gross public debt at the end of the PML-N government, suggests a new report of the International Monetary Fund (IMF).

The report, released on Wednesday from Washington, puts PM Imran’s claim of reducing the country’s debt to test. In its annual flagship report “Fiscal Monitor – Curbing Corruption”, the IMF has shown the public debt-to-GDP ratio at 84.1% of gross domestic product (GDP) by 2023, higher by 12 percentage points than the level left behind by the PML-N government.

The report also says that Pakistan’s total financing needs have shot up alarmingly to 42.3% of the size of its economy, or Rs16 trillion, due to maturing debt and yawning budget deficit – a trend that will further worsen in the next fiscal year.

The IMF has released Pakistan’s fiscal indicators for the next five years, which portray that the country will sink deeper into debt. The IMF has given these indicators in terms of GDP that The Express Tribune has translated into rupees by using the projected size of the economy in fiscal year 2018-19 ending June 30 and fiscal year 2019-20.

At the end of the PML-N’s term, Pakistan’s gross public debt was equal to 72.1% of GDP, which the IMF said would increase to 77% at the end of current fiscal year. By fiscal year 2019-20, the debt-to-GDP ratio would be 79.1% and it would gradually swell to 84.1% of GDP, stated the report.

Last week, Finance Minister Asad Umar said Pakistan’s gross public debt would remain at 70% of GDP by 2023 as no sharp reduction was possible. But the IMF projections were significantly higher than what Umar planned to do.

Under the Fiscal Responsibility and Debt Limitation Act, Pakistan’s debt should not be more than 60% of GDP.

According to the report, Pakistan’s budget deficit – the gap between expenditures and revenues – will widen to 7.2% of GDP or Rs2.8 trillion in the current fiscal year.

IMF’s projected budget deficit is Rs550 billion, or 1.6% of GDP, higher than what the finance ministry has estimated in its revised budget. This paints quite an alarming picture, suggesting that the PTI government will not only miss its first year’s budget deficit target but would also borrow more than its estimates.

During the current fiscal year, the public debt, equal to 35.1% of GDP, will mature, said the IMF. This will be equal to Rs13.4 trillion. On the basis of budget deficit and maturing debt, the IMF has estimated total financing needs at Rs16 trillion or 42.3% of GDP for this financial year, FY19.

Majority of the financing needs are related to maturing domestic debt that the government meets by getting these loans rolled over.

For next fiscal year 2019-20, the IMF has estimated that Pakistan's total financing needs would surge to 46% of GDP or Rs19.3 trillion. The international lender has estimated budget deficit at 8.7% of GDP or nearly Rs3.7 trillion. The debt maturity has been estimated at Rs15.6 trillion or 37.2% of GDP, according to the report.

The IMF has not shown any improvement in the fiscal indicators till 2023-24. It has shown the budget deficit at 7.6% of GDP by 2023 and 7.7% by 2024. These assumptions are based on the premise that the revenues would remain below 15% of GDP in the next five years – even lower than 15.3%, the level left behind by the PML-N.

The IMF has estimated that expenditures would remain over 22.3% of GDP in the next five years, higher than the level at the end of last fiscal year.

The IMF has also shown the primary deficit for next five years, which is calculated by excluding interest payments. In its programme negotiations, the lender has been pushing Pakistan to show primary balance that can only be achieved by either cutting the development budget or the defence spending.

In its projections, IMF has shown the primary deficit over 2% of GDP for the next five year. But in its economic roadmap, the Ministry of Finance has shown the primary balance in the range of 0.8% of GDP to 2% of GDP. The ministry has shown the primary balance on the back of a steep increase in the revenue, which the IMF is not recognising.

The fiscal monitor's report states that a common element of many anticorruption reforms is increasing civil servants' wages. In theory, this helps by reducing the need for civil servants to request bribes to complement very low wages and deterring corrupt activities by raising the cost of being caught.

However, there is insufficient evidence that raising wages by itself can play a prominent role in fighting corruption. "On performance-related incentives, an experiment in Pakistan also shows the potential for undesirable consequences: while performance-based salaries of tax officials led to a significant increase in tax collection by as much as 50%, bribe requests also increased by 30%,"added the IMF report.

Published in The Express Tribune, April 11th, 2019.

https://tribune.com.pk/story/1947798/2-pakistans-debt-pile-swell-84-1-gdp-2023/

AMNESTY SCHEME MATTER REFERRED TO LAW MINISTRY

NUZHAT NAZAR | APR 10TH, 2019 | ISLAMABAD

The federal cabinet on Tuesday decided to refer the amnesty scheme for legalisation of undisclosed assets and income to the Law Ministry for seeking its legal opinion on whether to launch the scheme through a presidential ordinance or in the form of a money bill.

Federal Minister for Information and Broadcasting Chaudhry Fawad Hussain while addressing a press conference said that Law Minister Farogh Naseem, Finance Minister Asad Umer, Advisor to the Prime Minister on Commerce, Textile Industry, Production and Investment Abdul Razak Dawood, State Minister for Revenue Hammad Azhar and Privatisation Minister Makhdoom Khusro Bakhtyar have worked upon the feasibility of amnesty scheme and now Law Ministry will suggest whether it should be implemented as an ordinance or a money bill.

Chaudhry said that Finance Minister Asad Umar has reached the United States to hold talks with International Monetary Fund (IMF) in connection with bailout package. He said the minister would also discuss asset declaration scheme with the IMF officials.

The federal cabinet has decided to start off Naya Pakistan Housing Authority project with the construction of 135,000 apartments, he said. He said that Prime Minister Imran Khan will launch the project on April 17 in the capital where 25,000 apartments will be built for the federal government employees. The remaining 110,000 apartments will be built in Balochistan, Chaudhry said.

He added that the project includes a housing society for the fishermen in Gwadar. “For the first time, fishermen will have a roof over their heads and they will be given modern accommodation,” the information minister announced.

The Prime Minister had promised to build five million houses in an October 2018 launch ceremony of the Naya Pakistan Housing Programme.

The federal cabinet also decided to take action against people responsible for power and gas theft, Chaudhry told the media persons. He said that Prime Minister Khan had instructed relevant authorities to hold the “big thieves” accountable first so that “an example can be set.”

Electricity theft, worth Rs 40 billion, has been stopped, he said while mentioning that there is a large number of homes which are not even receiving electricity bills.

Chaudhry said a grant of ninety-four million euros from Germany was also approved to be utilised for the provision of clean drinking water to the residents of Faisalabad.

He said it is in a process to name a train station after Baba Guru Nanak. He also told the media that the cabinet has made it mandatory for all government departments to use Pakistan Post for the delivery purposes instead of private delivery postal services.

He said that new board of Evacuee Property Trust Board has been constituted. He said the treatment related to liver disease has been shifted to Bait-ul-Maal which will sponsor the treatment for the poor. He said a number of MoUs have been signed between Financial Intelligence Department of the UAE and Financial Monitory Unit Pakistan, and Pakistan is expecting the UAE to share intelligence about the properties of Pakistanis over there similarly as the Saudi Arabia has shared earlier. He said there are a number of properties bought by Pakistanis over there and the detailed information will be received by next month.

The cabinet also decided to deport Abid Muhammad s/o Bakhsh Muhammad to the UAE and similarly Afroz Alam Lari will be extradited to Saudi Arabia.

He said that the terms and conditions for the chairman 8th Wage Board have been approved.

He said that flagship programme of Information Ministry, Media University, has been approved. He said Pakistan lacks the capacity of media technology and the industry is facing problems due to this. He said the Media University is being set up with merger of existing academies of Pakistan Television, Pakistan Broadcasting Corporation and Information Service. He said all the three institutions will be merged and a central institution will be in Islamabad. He said media technology, digital media, cinematography, and other modern media techniques would be taught at this university.

He said the objective behind establishment of the state-of-the-art university is to give modern technological training to the future media professionals as presently Pakistan is lagging behind in technology.

He said that he may visit China soon to seek professional cooperation for the Media University. He said he had discussed the project with Chinese firms ZTE and Huawei Technologies Co Ltd and would also take the US firms on board. He said the government is planning to build this university on public-private partnership model and no funds from public sector would be spent on it.

He said that MD PTV will be appointed soon, adding 42 applications have been received so far; however, the agenda item has been deferred for a week. The cabinet would seek recommendation from Law Ministry and other ministries in this regard.

He questioned where loans taken during the tenures of Pakistan Muslim League-Nawaz (PML-N) and Pakistan Peoples Party (PPP) were used. “The total loans of Pakistan from 1947-2008 amounted to $37 billion. From these loans, Islamabad, Tarbela, Mangla and naval bases were built. The army was provided with the latest weapons, Gwadar and the motorways were built. From 2008-18 the loans increased to $97 billion which is an increase of $60 billion. The question is where this money went?” the minister ásked.

Chaudhry alleged that two families distributed this amount amongst themselves. “Both ruling families used the Hudaibiya fraud model several times. Money was sent abroad using Hundi and Hawala. Fake accounts and fake people were used. Nawaz Sharif, Shehbaz Sharif and Asif Ali Zardari were central characters while there are dozens with side roles.” He ensured that the corrupt would be held accountable. “If there were kingship in Pakistan, we would have hanged 200 people upside down to extract the money out but we are moving forward according to the law,” he said.

He said the government is determined to eradicate corruption and would facilitate NAB when and where required and asked for.

https://fp.brecorder.com/2019/04/20190410462750/

GROWTH RATE TO FALL IN NEXT FISCAL YEAR, SAYS WB

Khaleeq Kiani April 08, 2019

ISLAMABAD: The World Bank said on Sunday the country’s economic growth rate was expected to decelerate further to 2.7 per cent — the lowest in South Asia — in the next financial year owing to the prevailing tight fiscal and monetary policies.

“Pakistan’s economic growth will decelerate to 3.4pc in fiscal year 2019 and 2.7pc in fiscal year 2020, as fiscal and monetary policies are tightened to address macroeconomic imbalances,” the Washington-based lending agency said in its latest edition of the South Asia Economic Focus report, a biannual update presenting recent economic developments and a near-term economic outlook for the region.

The report says the domestic demand is expected to contract while at the same time export growth will be gradual. On the supply side, services growth, which has been leading growth in the past, is projected to decline to 4.4pc in FY19 compared to 6.4pc in FY18.

The two key economic sectors — agriculture and industry sectors — will also grow significantly lower in FY19 and FY20.

Services sector projected to decline to 4.4pc; significant slowdown forecast for agriculture and industry; low growth attributed to tight fiscal and monetary policies

The bank says the economic growth is expected to recover to 4pc in FY21 (2020-21) as structural reforms take effect and macroeconomic conditions improve. The flow of remittances is likely to support the current account balance next year. A more stable external environment is expected to also support a pickup in economic activity starting from FY21.

Pakistan's trade deficit is projected to remain high during FY19, but to narrow in FY20 and FY21 as the impact of currency depreciation, domestic demand compression, and other regulatory measures to curb imports set in.

"Pakistan's growth must be driven by investment and productivity, which will put an end to the boom and bust cycles that affect the country every few years," says Illango Patchamuthu, World Bank Country Director for Pakistan.

The report says it is possible for Pakistan to transform its regulatory environment and reduce the cost of doing business while the reforms to improve tax administration and widen the tax base are critical on the revenue front. It says the actions outlined in the recently announced Ehsaas programme can protect the poor through social safety nets and safeguarding public spending on health and education over the adjustment period and beyond.

According to the report, macroeconomic imbalances, reflected in large fiscal and current account deficits, are expected to resolve gradually. Remittances flows are likely to support growth and the current account balance next year. A relatively more stable external environment is seen as helping a pickup in economic activity starting from FY2020/21.

According to the report, Afghanistan will be the only country in the eight-member South Asia region to stay behind Pakistan with 2.5pc growth rate this year, compared to Pakistan's 3.4pc expected increase in GDP growth rate. India is forecast to lead the region with a constant 7.5pc growth rate during the current year through 2021, closely followed by Bangladesh with 7.3pc current year, 7.4pc next year and 7.3pc in 2021.

Nepal is expected to maintain its third position at 6pc this year, to be followed by 6.1pc and 6.2pc over the next two years in that order. Bhutan and Maldives are forecast to remain on fourth and fifth positions in the region with growth rates ranging between 5.2pc and 5.7pc by 2021.

Yet, South Asia holds on to its top spot as the world's fastest growing region, with its average growth set to step up to 7pc in 2019, then 7.1pc in 2020 and 2021. But the region needs to increase its exports to sustain its high growth and reach its full economic potential, says the World Bank report.

Across South Asia, imports grew much stronger than exports in the last two years, reversing the region's export dynamics of the early 2000s.

Strong domestic demand, fuelled by a consumption and investment boom, resulted in high import growth of 14.9pc in 2017 and 15.6pc in 2018 – nearly twice as high as the region's export growth. In comparison, exports grew by only 4.6pc in 2017 and 9.7pc in 2018.

"There's no single solution that can unleash South Asia's export potential and policymakers need to implement an ambitious range of reforms that can turn the region into the world's next export powerhouse," says Hans Timmer, World Bank's Chief Economist for the South Asia region. "Efforts should include trade liberalisation, spurring entrepreneurship, and equipping citizens with the skills they need to compete on the global market. It would be good to be creative and relentless in all these efforts".

The report says the region's growth, while still robust, is mainly driven by domestic demand, which in turn swells imports and far outstrips exports, further widening trade gaps and current account deficits, and triggering currency depreciation in some countries.

"South Asia's export performance has dropped in the last few years to languish at far below its potential and while growth still looks robust we are concerned about whether this can hold up over the longer term," says Hartwig Schafer, World Bank Vice President for the region.

"To ensure growth in the long run, the region needs to integrate further into international markets to sustain its upward growth trajectory, create more jobs, and boost prosperity for its people."

The report offers a positive outlook based on recent months as export growth was picking up from its low levels, even outpacing import growth, in the third and fourth quarter of 2018. This recent acceleration of export growth, combined with a slowdown in import growth, is expected to continue in 2019 and beyond, with both rates eventually converging on an average 11pc growth rate.

But despite this recent progress, South Asian countries still export only one-third of their potential and the gap is widening. The report estimates that the region's export gap has widened over time, standing at over 20pc of GDP in 2017, as South Asia has not fully taken advantage of a favourable international trade environment and remains on the margins of global value chains.

Published in Dawn, April 8th, 2019

https://www.dawn.com/news/1474644/growth-rate-to-fall-in-next-fiscal-year-says-wb

NEWS COVERAGE PERIOD FROM APRIL 15th TO APRIL 21st 2019

HAFEEZ, IMF OFFICIALS DISCUSS BAILOUT PACKAGE

The Newspaper's Staff Reporter April 21, 2019

ISLAMABAD: The newly-appointed adviser to the prime minister on finance, Dr Abdul Hafeez Shaikh, has approached senior International Monetary Fund (IMF) officials to discuss with them progress in the ongoing negotiations for a bailout package for Pakistan.

According to an official announcement by the finance ministry, Dr Shaikh had held discussion with IMF mission chief to Pakistan Ernesto Ramirez-Rigo and IMF director Jihad Azour over the phone. "They discussed the progress of negotiations for an IMF-supported programme for Pakistan. Both sides expressed their commitment for moving the discussions forward," it stated.

It was agreed that an IMF mission would visit Pakistan by the end of April, according to the ministry.

Earlier, during his first and brief interaction with some reporters, Dr Shaikh had reportedly stated that they would be taking their negotiations with the IMF forward. He said both parties wanted progress on the matter, and “they have a commitment to us.”

He said he had already spoken to officials of the finance ministry regarding the budget for the next fiscal year. The adviser said he had directed them to start drafting a medium-term strategy paper for the economy, expressing the hope that they would be able to do it by the end of the month.

However, he made it clear that the budget for the next fiscal year could not be presented before May 24.

Dr Shaikh, who had previously served as the finance minister in the last government of the Pakistan Peoples Party and as privatisation minister during the military regime of retired General Pervez Musharraf, had been nominated as the adviser to the finance on Thursday after Finance Minister Asad Umar was asked to quit the ministry in the middle of the talks with the IMF.

Published in Dawn, April 21st, 2019

https://www.dawn.com/news/1477450/hafeez-imf-officials-discuss-bailout-package

GOVT SET TO REFORM TAX STRUCTURE FOR SUSTAINABLE ECONOMIC DEVELOPMENT

APP April 21, 2019

ISLAMABAD: The government is all set to reform both tax policy and tax administration to establish a tax structure that generates sufficient revenues to meet needs and promote sustainable economic development of the country.

“The government intends to reform both tax policy and tax administration to bring about a tax structure that generates sufficient revenue to meet government’s needs, reduces the burden of high taxes that distorts economic incentives, restores fairness and equity in taxation, and promotes international competitiveness,” officials said.

According to an official document, some of these goals would require careful balancing acts as the short run losses in revenues by removing some of the distortions, including advance taxes, holding back tax refunds, lowering the burden on manufacturing sector, reducing import tariffs to make exports competitiveness, would only be offset in the medium-term.

In the interim, the immediate revenue requirements to meet primary balance target trajectory would have to be met, it said, adding that “accelerated efforts would have to be made in bringing those outside the tax net to expand the tax base”.

The government has already created a Specialised Tax Unit for foreign assets in the Federal Board of Revenue (FBR) and has taken measures to broaden the tax base, while it was promoting the use of information technology for data mining to detect under-reporting of tax liability by taxpayers.

“The government has come to an understanding with different countries on sharing data on assets of Pakistani nationals in those countries,” the document revealed, adding that the data from the Organization for Economic Co-operation and Development (OECD) has already been received.

This measure would make it very difficult for Pakistani tax-evaders to hide their assets and bank accounts outside the country.

Tax policy and tax administration functions have been separated, according to the document, which added that the Ministry of Finance, which had assumed the responsibility of formulating tax policy, was in the process of strengthening its capacity to play this role.

"As an important step toward this separation, an Independent Tax Policy Board has already been constituted."

The tax policy would have a medium to long term horizon and would not be changed every year as it created uncertainty for businesses, it added.

From the next fiscal year, the government would initiate a process of formulating a Medium-Term Tax Policy Framework (MTTPF), which would remove government's

reliance on ad-hoc annual tax measures, thereby instilling greater certainty in the markets about tax policy direction.

According to the document, the practice of withholding payments of tax refunds had deprived exporters of funds that could have been used to expand business activity.

The government had already taken measures to expedite clearance of the present backlog of tax refund arrears through issuing of a negotiable financial instrument.

It said the government was committed to streamline the system of tax refunds to reduce the time-lag in payment of these refunds to avoid build-up of refund arrears.

"Greater use of technology will help detect fraudulent claims and speed up refunds claims for honest taxpayers," the document said, adding that using techniques prompt issuing of refunds within strict time line.

https://www.thenews.com.pk/print/460642-govt-set-to-reform-tax-structure-for-sustainable-economic-development

SINGLE VALUE-ADDED TAX REGIME AGREED WITH IMF

Khaleeq Kiani Updated April 20, 2019

ISLAMABAD: The government has given an understanding to the International Monetary Fund (IMF) to move to a single value-added tax (VAT) regime in the cou-ntry as part of an overall medium-term macroeconomic framework envisaging Rs1.25 trillion incremental federal and provincial revenues.

This would mean an additional revenue effort matching about 2.6 per cent of GDP (gross domestic product) over a period of three years. Federal taxes are committed to be increased by 2.3pc (about Rs1.08tr) during the three-year reform process under the IMF programme, starting with 1.1pc of GDP during the fiscal year 2019-20. This will be followed by 0.9pc of GDP additional revenue generation in FY21 and 0.3pc in FY22.

Provincial taxes are committed to be raised by 0.1pc of GDP every year to achieve 1.6pc tax-to-GDP ratio during FY22 from the current financial year's ratio of 1.3pc.

Agriculture income and immovable property taxes to be strengthened under three-year Fund programme

Broadly, the tax measures expected to deliver the targets include "drastic reduction in tax expenditures by removing exemptions and excessive tax credits from incomes tax, sales tax and federal excise duty law and moving to a single sales tax (VAT) regime by doing away with special procedures and reduced rate taxation", according to official papers seen by Dawn.

Officials said these medium-term fiscal projections were based on annualised yield of key measures under the IMF programme. For example, the two sides have broadly agreed to increase the overall federal revenue by 1.1pc of GDP in the first year (2020) of the Fund programme. Out of this, a major chunk of 0.4pc (more than Rs175bn) of GDP will accrue with the shift to a single VAT regime and 0.3pc (Rs130bn) through removal of exemptions and rationalisation of tax credits.

The remaining 0.4pc (Rs175bn) is expected through strengthening of FBR (Federal Board of Revenue) formations, cleansing of databases/integration/data mining, efficient enforcement/process reengineering, taxpayer facilitation/education, etc. That would mean about Rs43.5bn (0.1pc) from each of the four heads above.

The next year's (FY21) additional revenues of 0.9pc of GDP are targeted through further removal of exemptions and rationalisation of tax credits and single VAT regime (0.2pc of GDP or Rs100bn each), followed by 0.1pc (Rs50bn) from integration of goods and services tax, FBR strengthening, use of technology, facilitation, etc.

Based on these details, "the medium-term framework envisaged revenue effort of 1.1pc in FY20, 0.9pc in FY21 and 0.3pc in FY20 that would take FBR's tax-to-GDP ratio to around 14pc" of GDP.

Other policy and reform initiatives will include a reduction in the number of withholding taxes which are negatively affecting the use of banking sector or have an insignificant contribution towards revenue, besides freezing corporate tax rates at 30pc or 29pc and increasing the expanse of federal excise duty. This will also need the strengthening of FBR field formations through investment in IT/physical infrastructure and training by increasing investment from the current 0.68pc of revenue collection to at least 1.25pc in three years time. In some countries, investment in revenue machinery and infrastructure goes as high as 6-7pc of the total revenue collection, an FBR official explains.

The government has conceded to the IMF that the present arrangement of four provincial and one federal authorities looking at goods and services tax has increased the cost of doing business in an exponential manner and large businesses have been complaining about the compliance cost. "In three years time, we will move to a single tax collection agency with single return and single auditing authority to cut down on compliance costs," the government has told the IMF.

This will be balanced through a revision of business processes, administrative structures and efficient dispute resolution mechanism with proactive settlement of disputes through the alternative dispute resolution (ADR) system. These efforts will be coupled with taxpayers' education and facilitation by developing android apps for filing of returns and payment of taxes.

Cleansing of utilities database and data of immovable property ownership will done to help the FBR identify under-reporting and non-reporting of incomes and sales through use of data mining.

The federal government and the IMF generally agreed that the provincial governments' role in resources mobilisation was central considering that the constitutional authority to collect sales tax on services and agriculture income tax was with the provincial governments. The provincial tax collection for FY18 was Rs402bn, which was around 1.2pc of GDP. This includes taxation on the services sector of Rs224bn (0.6pc of GDP) and income tax on agriculture of Rs1.6bn, which is very negligible in relation to GDP.

As such, with efforts the provinces would increase taxation on these two sectors. The third area which provides great potential for provincial tax is urban immovable property tax which remains largely untapped. The provinces projected tax collection for FY19 at Rs523bn (1.3pc of GDP), which is 0.1pc higher than that of FY18.

The medium-term macroeconomic framework suggests an increase in provincial taxation by 0.1pc of GDP each year. The provincial tax-to-GDP ratio, which is projected at 1.3pc for FY19, will reach 1.6pc of GDP in FY22. The Fiscal Coordination Committee already notified will be assigned to monitor the progress.

Published in Dawn, April 20th, 2019

https://www.dawn.com/news/1477276/single-value-added-tax-regime-agreed-with-imf

ASAD UMAR'S EXIT MAY DELAY IMF BAILOUT

By Shahbaz Rana Published: April 20, 2019

ISLAMABAD: The International Monetary Fund (IMF) has decided to consult the new economic czar of Pakistan before sending its mission to Islamabad to negotiate a bailout package, which has left little space for Dr Abdul Hafeez Shaikh to make his first but closely watched move.

If the new adviser to the prime minister on finance takes longer than needed to decide calling the IMF mission, it could delay finalisation of the programme as well as the next budget.

Former finance minister Asad Umar had promised to unveil the budget for fiscal year 2019-20 on May 24.

This time, the IMF's Executive Board would approve Pakistan's loan request only after the approval of the new tax measures by parliament, even if both the sides reach a staff-level agreement.

"As it is the case with all IMF missions, the timing of the staff's visit is decided in consultation with the country's authorities. We will consult with Pakistani authorities on this matter in the upcoming days," IMF Resident Representative for Pakistan Teresa Daban told The Express Tribune.

She had been requested to comment whether the removal of Umar as the finance minister would affect the upcoming IMF mission's visit to Pakistan.

On Monday, the IMF had announced to send a mission to Pakistan "before end of April to continue discussions" from where Umar had left during his five-day trip to Washington.

President Dr Arif Alvi on Friday approved the appointment of Dr Abdul Hafeez Shaikh as adviser to the prime minister on finance, revenue and economic affairs, with the status of federal minister, with immediate effect, according to a notification of the Cabinet Division.

Shaikh arrived in Pakistan on the same day from the United Arab Emirates.

He confirmed to The Express Tribune that he on Friday resigned from the management of Rivendell PE LLC – a private equity and capital venture firm. Shaikh would also divest his shares in the firm to avoid the question of conflict of interest.

The other day, Prime Minister Imran Khan suddenly decided to remove Umar from his position after months-long lobbying by Jahangir Khan Tareen.

The prime minister also appointed Shahzad Syed Qasim as special assistant on power and Nadeem Babar as special assistant on petroleum.

Shaikh has remained in the cabinet of former military dictator General (retd) Pervez Musharraf. He also served as the finance minister from (2010-2013) in the last tenure of the Pakistan Peoples Party.

Sources in the finance ministry said the IMF wanted to make sure that the new economic czar owned the commitments given by Umar.

They said that Shaikh also needed time to reconcile with the ground realities and assess the macroeconomic situation.

Shaikh is expected to build on the IMF programme from where Umar had left in order to save time.

Umar had announced that both the sides documented the agreement and an IMF mission would arrive in Islamabad this month to sort out technical details. The expected size of the IMF loan was estimated at be $7.5 billion to $8 billion by Umar.

Due to the difficult nature of the IMF conditions and its long-term political and economic consequences, it was justifiable for the new adviser to fully assess the implications of the IMF deal before inviting the mission to visit Pakistan.

The conditions that the IMF imposed in return for the bailout appeared stringent that would keep the PTI government on its toes.

The IMF is seeking a steep increase in tax revenues, cut in expenditures to sow a primary balance, flexible exchange rate regime, full disclosure of all types of financial arrangements with China and increase in electricity and gas prices.

All this would require huge political capital and it will be a challenging task for the new finance adviser to fulfil all these conditions and at the same time make sure that inflation does not go up, jobless rate does not increase and economic growth rate remains above 5%.

Umar had managed to get some concession from the IMF on Federal Board of Revenue’s tax-to-GDP ratio and primary balance level, although both these areas were still open for further discussions.

Pakistan’s second last programme with the IMF (2008-2010) ended prematurely on the watch of Shaikh when he could not get Reformed General Sales Tax Bill passed from parliament –a condition of the IMF at that time.

The IMF had not disbursed the remaining $3.2 billion out of a total of $11.4 billion deal.

Due to weak economic management, the IMF in 2011 had recommended in post programme monitoring report that president of Pakistan should sign future pacts to ensure its delivery.

There were also unconfirmed reports that Prime Minister Imran may appoint an economic advisory board to keep a check on the new finance adviser. It will have to been seen whether Shaikh would like to have such an arrangement where a parallel arrangement exists.

Any arrangement where there will be more than one finance minister would further slowdown the process of economic policymaking.

https://tribune.com.pk/story/1954879/2-umars-exit-may-delay-imf-bailout/

‘PAKISTAN MUST SHIFT TO HIGH VALUE-ADDED EXPORTS’

By Shahram Haq Published: April 20, 2019

LAHORE: Economic researchers have said that Pakistan’s balance of payments crisis is a result of less sophisticated, low value-added exports, which have led to a lower economic growth.

They ask whether Pakistan will be able to break out of this cycle of balance of payments crisis if it changed the nature of goods it exported.

A research conducted by the Lahore School of Economics concluded that a shift towards higher value-added exports, characterised by high income and price elasticities, was the only realistic way for Pakistan to realise sustained levels of higher economic growth.

It pointed out that Pakistan was again faced with an unsustainable balance of payments crisis and was on the brink of taking another stabilisation programme. While there is a tendency to blame different policy-makers, the actual problem is the structural issue in the economy which, if left unaddressed, will lead to continuation of the cycle of balance of payments crisis.

More specifically, owing to a narrow export base (concentrated in low value-added textile exports) and a relatively inelastic import base, the value of imports rises to unsustainable levels while exports increase only marginally.

“This leads to a balance of payments crisis which is addressed by the usual troika of policies – devaluation, monetary contraction and fiscal contraction,” the research added.

Exports are mainly concentrated in textile and agricultural sectors. According to the United Nations Commodity Trade Statistics (UN Comtrade), Pakistan is the most effective exporter of rice, fruits, fish, cotton, leather apparel, cotton fabrics, linen, suits and ensembles and collector pieces and antiques. These products are included in low value-added categories and basic manufactured items.

In contrast to that, the main imports of Pakistan comprise petroleum products, power generating machinery, electrical machinery and apparatus, palm oil, iron and steel, plastic material, LNG and raw cotton. Naturally, due to capital and high value-added imports, the import bill surpasses export revenues, resulting in an unsustainable current account deficit, it said.

Given the low value-added exports and capital imports, any attempt to uplift GDP sparks fears of a balance of payments crisis.

"This is because, if GDP growth surpasses a certain level, in order to produce more goods and services to maintain or further increase that rate, the imports of essential products increase exponentially," the research said.

Since the export structure remains the same and export quantities are largely determined by foreign markets, the revenues from exports stay stagnant. As a result, the current account deficit soars and since it is not possible to finance it for an indefinite time period, it eventually leads to the balance of payments crisis.

It was found that average real economic growth in Pakistan from 1980 to 2017 was 4.61% whereas the balance of payments constrained growth rate for the same time period was 4.5%.

"This suggests that Pakistan has been growing at approximately the same level of its balance of payments constrained growth rate, hence, to simultaneously increase the GDP growth rate and avoid the balance of payments crisis, it is imperative to broaden the export base."

The research also simulated the outcome in the current account as a result of devaluation under three scenarios based on estimated export and import demand functions.

It incorporated a conservative estimate for domestic GDP growth, IMF forecasts for international GDP growth and three different exchange rates, ie Rs140, Rs150 and Rs160 against the dollar.

In each of these scenarios, the results showed that while the current account deficit improves, it was due to the reduction in imports and not due to any significant increase in exports.

"Ultimately, the policy of devaluing the rupee does little to boost exports and eventually restricts economic growth at or below 4.5%," it added.

Published in The Express Tribune, April 20th, 2019.

https://tribune.com.pk/story/1954849/2-pakistan-must-shift-high-value-added-exports/

MARKET WATCH: STOCKS RALLY AS INVESTORS WELCOME NEW ECONOMIC TEAM

By Our Correspondent Published: April 19, 2019

KARACHI: The stock market staged a handsome rally on Friday and rose over 900 points in intraday trading as clarity emerged on the political front following a major cabinet reshuffle.

Although bearish activity erupted towards the end of the session, but the bourse managed to sustain most of the gains.

Earlier, trading kicked off on a positive note as renewed buying, buoyed by strong investor sentiments, helped maintain the uptrend in the market. The first session ended with a rise of 620 points.

The second session also opened with a spike, but some of the gains were wiped out later in the day. Automobile, fertiliser and financial stocks got support from strong investor sentiments and most of the stocks in these sectors remained in the positive zone.

At the end of trading, the benchmark KSE 100-share Index recorded an increase of 480.61 points, or 1.31%, to settle at 37,292.47.

Topline Securities CEO Mohammad Sohail, while talking to The Express Tribune, said market players welcomed the new economic team amid hopes of a smooth entry into an International Monetary Fund (IMF) loan programme and serious efforts to overcome economic challenges.

Seasoned stockbrokers Aqeel Karim Dhedhi and Arif Habib, however, pointed out that investors made fresh buying following the State Bank of Pakistan’s statement that government deposits of Rs1.9 trillion were not being transferred from commercial banks to a central bank account.

They also highlighted that stock prices had dropped to around three-year lows, which “encouraged investors to resort to renewed buying”.

The stockbrokers found no connection between the renewed buying at the bourse and removal of Asad Umar from the post of finance minister a day ago.

Overall, trading volumes decreased to 177.4 million shares compared with Thursday’s tally of 216.2 million. The value of shares traded during the day was Rs6.6 billion.

Shares of 334 companies were traded. At the end of the day, 241 stocks closed higher, 78 declined and 15 remained unchanged.

The Bank of Punjab (XD) was the volume leader with 28.7 million shares, gaining Rs0.99 to close at Rs12.61. It was followed by K-Electric with 13.6 million shares, losing Rs0.03 to close at Rs5.03 and Unity Foods with 10.7 million shares, gaining Rs0.50 to close at Rs12.35.

Foreign institutional investors were net buyers of Rs83.9 million worth of shares during the trading session, according to data compiled by the National Clearing Company of Pakistan.

https://tribune.com.pk/story/1954654/2-market-watch-stocks-rally-investors-welcome-new-economic-team/

FOREIGN INVESTMENT PLUNGES 51PC

The Newspaper’s Staff ReporterUpdated April 19, 2019

KARACHI: Net foreign direct investment (FDI) in the country plunged by 51 per cent to $1.273 billion in the first nine months of this fiscal year, from $2.621bn in corresponding period last year, reported the State Bank of Pakistan on Thursday.

Meanwhile, during March, FDI clocked in at $177.5 million, increasing by 5.15pc month-on-month over $168.8m reported in February this year.

The inflows from China showed an even steeper decline as net FDI from the country dipped by a massive 291pc to $05.8m during July-March FY19, as against $1.59bn in same months of 2017-18 — representing a decrease of $1.182bn in absolute terms.

This must be a deep concern for the government which has been claiming improving economic relations with the north-eastern neighbour. Later this month, Prime Minister Imran Khan is expected to visit China on a four-day trip regarding the free trade agreement and other matters, which could potentially help Pakistan open up more for investments.

Another big decline was noted from the United Kingdom as FDI fell to $149.8m during 9MFY19, as against $239m in same period last year. Similarly, inflows from the United States of America declined to $63.8m during the months under review, from $130m in July-March FY18.

Moreover, there was a net foreign portfolio investment outflow worth $400.3m in 9MFY19, as compared to an inflow of $180.5m during the first nine months of 2017-18.

Published in Dawn, April 19th, 2019

https://www.dawn.com/news/1477087/foreign-investment-plunges-51pc

PAKISTAN'S CURRENT ACCOUNT DEFICIT CONTRACTS 29.5% TO $9.6B

By Salman Siddiqui Published: April 19, 2019

KARACHI: Pakistan's current account deficit (CAD) narrowed considerably by 29.5% to $9.6 billion in first nine months (July-March) of the current fiscal year mainly due to much-needed drop in imports and a significant rise in worker remittances.

The current account deficit stood at $13.6 billion in the same period of previous year, the State Bank of Pakistan (SBP) reported on Thursday.

On average, the deficit has dropped to $1.06 billion a month so far in the current fiscal year compared to $1.5 billion a month in the corresponding period of last year.

The central bank said import of goods shrank 5% to $39.3 billion in Jul-Mar FY19 compared to $41.4 billion in the same period of last year.

"Imposition of regulatory duty on the import of hundreds of goods and massive depreciation of the rupee against the US dollar and other major currencies made the imports expensive. Consequently, the aggregate demand for imports decreased," Emerging Economics Managing Director Muzammil Aslam told The Express Tribune.

The central bank has let the rupee depreciate by 16.4% to Rs141.39 to the US dollar in the current fiscal year compared to Rs121.49 on June 29, 2018.

Moreover, a significant reduction in the government's development budget – called the Public Sector Development Programme (PSDP) – and completion of Early Harvest projects under the China-Pakistan Economic Corridor (CPEC) also caused a drop in import of machinery and equipment, he said.

The drop in import of goods also caused a decrease in the import of services by 21.7% to $6.5 billion in Jul-Mar FY19 compared to $8.3 billion in the same period of last year. "Pakistan has paid less for insurance in line with the drop in import of goods. This has helped reduce the import of services," he said.

Remittances from overseas Pakistani workers surged 9% to $16 billion in the first nine months of FY19 compared to $14.8 billion in the same period of last year, the central bank said. "The growth in remittances came after financial institutions and government officials stepped up efforts to give a push to inflows," a banker said recently.

“The State Bank of Pakistan (SBP) and National Bank of Pakistan (NBP) have taken several measures, including the offer of cash reward on receipt of remittances through legal channels. Apart from this, a crackdown has been launched on illegal hawala/hundi operators and action taken against dollar hoarders…these all are positive steps to attract higher remittances,” a state-owned bank official dealing in worker remittances said.

However, the foreign direct investment (FDI) dipped 51.5% to $1.3 billion in first nine months of FY19 compared to $2.6 billion in the same period of previous year.

“The drop in foreign investment comes as the local currency (rupee) remains in an adjustment phase against the US dollar, which does not suit foreign investors,” he said.

Contrary to the notable drop in current account in the first nine months, the current account deficit soared 195% to $822 million in March compared to $278 million in February.

Aslam said likely interest payments against the huge accumulated foreign debt would have pushed the current account deficit sharply higher in March.

“Pakistan was to pay interest at the end of Jan-Mar 2019 quarter. Pakistan’s foreign debt has surged to $90 billion as of now,” he said.

The central bank said the balance of trade in goods and services rose 32.8% to $2.3 billion in March compared to $1.8 billion in February.

Published in The Express Tribune, April 19th, 2019.

https://tribune.com.pk/story/1954073/2-current-account-deficit-contracts-29-5-9-6b/

GOVERNMENT MULLING USING INDIGENOUS COAL, IRON ORE TO RUN PSM

MUSHTAQ GHUMMAN | Apr 18th, 2019 | ISLAMABAD

The federal government is considering using Thar coal and iron ore of Balochistan and Chinniot (Punjab) to run Pakistan Steel Mills (PSM) aimed at making its products internationally competitive, well-informed sources in Ministry of Industries and Production (MoI&P) told Business Recorder.

Prime Minister’s Advisor on Commerce, Textile, Industries and Production and Investment, Abdul Razak Dawood, is scheduled to hold a meeting with the PSM Board members and officials on Thursday (today) aimed at finalizing a summary for the ECC with respect to future strategy.

A detailed study carried out by the Expert Group under the leadership of Khalid Mansoor, CEO, Hubco, to look into technical, financial and organizational aspects of a possible revival of PSM was recently shared with the Economic Coordination Committee (ECC) of the Cabinet.

The sources said, the process followed by the Expert Group to conduct the study included analyzing past consultant reports/ operations and maintenance data, interviewing industry practitioners, engaging with current and retired senior management at PSM, visit to PSM facilities, and looking at relevant international benchmarks.

The findings of the study are follows: (i) PSM should not be privatised or shut down as it is a strategic asset of national interest; (ii) revival of PSM is technically possible through a phased approach targeting first downstream HRC/ CRC milling operations with parallel revamp/ retrofit of upstream equipment to restore 1.1 million tons/ annum capacity followed expansion to 3 million tons/annum; (iii) in order to make PSM profitable and sustainable, the current organisation structure has to be rationalized, i.e., manpower and non-core departments and aligned with international best practices; (iv) the land assets available with PSM could be leveraged to settle the outstanding liabilities of Rs 206 billion and land should be sold exclusively for industrial purposes which will create jobs. However, a detailed review of the applicable regulations needs to be undertaken by the Government of Pakistan; (v) GoP should incentivize development of indigenous iron ore and coal reserves for consumption in PSM by offering a supportive fiscal incentive and regulatory package for mining companies; (vi) GoP should establish a Public Private Partner(s) to raise the necessary capital investment and obtain the requisite technical expertise for successful revival, expansion and subsequent sustainable operations; (vii) a number of international world renowned steel sector companies have expressed their interest in investing and the revival of PSM; and (viii) GoP should appoint Transaction Advisory Consortium (TAC) to design appropriate PPP structure followed by leading a transparent International Competitive Bidding (ICB) process to select the preferred bidder and propose/implement the liability plan.

According to sources, the meeting was informed about the challenges for the revival plan, which are outdated technology (key equipment and instrument and control systems) & non-economic scale, lack of requisite management and technical experts and bloated fixed costs.

It was stated that revival plan of PSM requires induction of technically and financially qualified PPP. Moreover, there is a need to invest in enhancing PMS’s capacity and induct a core team of an experienced international party and hire and train local labour force (involvement of local labour force must be made mandatory).

The proposed revival mechanism of Pakistan Steel Mills was as follows: (i) carve out liabilities from PSM and land assets could be used for liability settlement; (ii) induct TAC and invite bids for PPP from prequalified bidders; (iii) GoP and selected bidders to agree on profit sharing mechanism (GoP equity to be value of land, infrastructure, and salvaged facilities); and (iv) propose appropriate severance to employees not selected to continue service.

During ensuing discussion, the meeting observed that revival of PSM through PPP is a good option. However, there is a need to analyse legal aspect for its viability. Chinese and Russian companies had already shown their interest in PSM acquisition.

It was suggested that industrial park may be set up at the land of PSM for establishment of steel related industries to generate income for PSM. It was pointed out that Government of Sindh has some reservation on the ownership of PSM land, therefore, proposal for sale of land for industrial purpose for clearance of liabilities needs further deliberation. It was further pointed out that the Chinese are running a steel mill of same capacity as PSM with half the workforce. It was also pointed out that the operation of PSM was based on imported coal and iron ore, which made PSM products costly as compared to imported steel products.

It was suggested that Thar coal is now being used successfully for power generation; therefore, this coal may be used in PSM. Moreover, local iron reservoirs in Kalabagh Chinniot and Balochistan can be utilized for PSM. It was suggested that steel products of PSM should be internationally competitive. Regional countries like Iran and Turkey have also same type of steel mills, however, they have substantially increased their steel mills capacity during the last ten years, resultantly, their steel production has increased manifold. It was also suggested that Financial Advisor may be appointed for the proposed revival plan on PPP basis.

Finance Minister, Asad Umar expressed displeasure at the slow place of appointing personnel for enhancing capabilities of Privatisation Commission.

Meanwhile, Razi ud Din, who replaced Engineer Memon Abdul Jabbar, as Chairman PSM Board for just one meeting, has resigned as member PSM Board from March 29, 2019, citing his other national and international engagements.

PSM's stakeholders group, headed by Mumrez Khan, in a letter to the Prime Minister asserted that the proposal to revive PSM on PPP mode proposed by M/S Hubco has been tabled before the ECC without taking PSM's board into confidence.

The Group has submitted the following proposals to the Prime Minister: (i) reconstitution of PSM BoD comprising members understanding the technical and commercial functions of metallurgical industry; (ii) appointment of professional management capable of discussing intelligently with the local and foreign companies who may be eventually appointed for the revival of PSM; (iii) injection of funds required for revival of existing plant and expansion up to 3 million ton per annum production capacity; (iv) import tariff rationalization will enhance FBR revenue by more than Rs 100 billion per annum, and will provide a level playing field to all players in the market, including PSM; and (v) initiation of transparent accountability process for financial recovery from persons at fault.

https://fp.brecorder.com/2019/04/20190418465444/

PAKISTAN HAS BECOME A 'CASINO ECONOMY': BENGALI

ABDULLAH MUGHAL | Apr 18th, 2019 | LAHORE

Renowned economist Dr Kaiser Bengali has said that Pakistan has become a casino economy where development projects are planned only in the interest of contractors but not the public. "Technically, Pakistan's economy is already in default; given that there emerges a net negative balance. This crisis has not arisen as a "short-term cash flow problem". It is rooted in long-term decay of the productive sectors of the economy," said Dr Kaiser at the launching ceremony of his report "economy on a roller coaster-and stuck in the mud" at a local hotel on Wednesday. The report is a 25-year review of the state of economy from 1990 to 2015.

Dr Kaiser Bengali said that his analysis of the last quarter century performance of the economy shows that 25-year average growth rates of key crops and manufacturing sectors have ranged from negative to as low as one percent and has been consistently unstable.

He said the agriculture and manufacturing are the commodity producing base of the economy and has deteriorated to levels where output, exports, revenues and employment opportunities are effectively declining. The GDP growth reported year to year is artificial, as wealth is being created largely through speculation in the stock market, the property market and the commodity market. "The management of the economy, particularly post-2000, has rendered the economy hostage to foreign interests," he commented.

"The elites have enough financial cushion to bear the brunt of the emerging crisis, but the ordinary people will be left facing mass unemployment and inflation-and poverty and hunger. The economic decline also poses serious threats to the security of the country," he wondered.

Bengali also showed data and graphs of Pakistan's economy of 25 years (1990-2015) regarding the overview of the state of the economy, key crops output, sample manufacturing output, external economy indicators and the growth volatility.

He recommended a 12-point programme to promote industrialization and revive the economy including ban on all non-essential consumer imports, reduction in the GST (goods) rate to 5 percent; single stage (no adjustments, no refunds) to promote manufacturing, strengthening capital gains tax measures in capital markets to discourage short-term speculative trading, induction of the principle of "right of first purchase" in land/property transactions and imports, revival of Pakistan Industrial Development Corporation (PIDC)'s role in setting up industries in Public Private Partnership (PPP) mode.

It may be noted that Bengali had served as the first head of Benazir Income Support Programme and designed the programme and has also represented provincial governments of Sindh and Balochistan at the 7th and 9th National Finance Commission (NFC) respectively.

https://fp.brecorder.com/2019/04/20190418465468/

TAX AMNESTY PLAN APPROVAL DEFERRED AMID RESERVATIONS

Syed Irfan Raza Updated April 17, 2019

ISLAMABAD: The federal cabinet on Tuesday deferred the approval of the much-awaited tax amnesty scheme after some of the ministers opposed it, expressed their reservations and sought further clarification.

To deliberate on the issue in detail, Prime Minister Imran Khan convened a special meeting of the cabinet on Wednesday.

Inside sources told Dawn that some cabinet members objected to the 15 per cent tax rate proposed under the scheme and some raised questions about its effectiveness.

Special meeting convened to discuss scheme today • Cabinet approves changes to law for extradition of wanted people • CTD empowered to deal with money laundering cases • Fawad says govt to open more cases against leadership of opposition parties

Federal Minister for Communications Murad Saeed said he wanted to know the difference between the proposed scheme and the similar ones which had been launched by the previous government, according to the sources privy to the details of the cabinet meeting held at PM Office.

Expressing his reservation over the 15pc rate, Minister for Water Resources Faisal Vawda called for its reduction to facilitate taxpayers, the sources said.

They said Information Minister Fawad Chaudhry was of the opinion that there was a need for reforms in the Federal Board of Revenue (FBR) and the Pakistan Customs department before launching an amnesty scheme.

According to the sources, Defence Minister Pervez Khattak also opposed the idea, saying the scheme would give no benefit to the government as well as to the people because all such previous schemes had remained useless.

In a landmark decision, however, the cabinet approved a proposed amendment to the Pakistan Penal Code (PPC) to meet conditions of some countries and the European Union (EU) by waiving the death penalty for extradition of wanted people, including Muttahida Qaumi Movement (MQM) founder Altaf Hussain, former finance minister Ishaq Dar, former premier Nawaz Sharif's sons, Hassan and Hussain, and others.

"The cabinet approved proposed amendment to Section 302 of the PPC to meet reservations of the EU and countries like the United Kingdom which do not extradite wanted people to Pakistan because of the death penalty," said Information Minister Fawad Chaudhry while addressing a press conference after the cabinet meeting.

The minister did not explain whether the proposed amendment would be implemented through an act of parliament or through an ordinance. "We are waiving the condition of capital punishment to catch our big thieves and robbers," he added.

Mr Chaudhry said people such as Altaf Hussain, Ishaq Dar, and Hassan and Hussain Nawaz would be brought to the country for trial.

However, the minister told Dawn after the press conference that the name of retired Gen Musharraf was not under government's consideration for extradition.

Asked about the fate of Mr Musharraf who had been declared absconder in a treason case, Mr Chaudhry said: "What wrong Musharraf has done and the case made against him was totally a political one. Many members of Musharraf's cabinet are still here and none of them has so far been made answerable."

In another major decision, the cabinet empowered the Counter-Terrorism Department (CTD) to deal with money laundering cases as the information minister told the media that more cases against the leadership of major opposition parties were likely to be opened.

Mr Chaudhry said the cabinet empowered the CTD to deal money laundering cases. He said more cases against ex-premier Nawaz Sharif, incumbent leader of the opposition in the National Assembly Shahbaz Sharif, their family members and former president Asif Ali Zardari would be opened soon. "The cases they have been facing were made before the PTI government. Now we are going to open more cases against them on the basis of our own investigations," he added.

The meeting also approved revamp of Pakistan Steel Mills (PSMs) through a public-private partnership, the minister said, claiming that six top steel giants of the world had shown interest in the PSM.

He said a special committee comprising Finance Minister Asad Umar, Information Technology Minister Khalid Maqbool, Revenue Minister Hammad Azhar, Commerce Adviser Razzaq Dawood and PM's special assistant Zulfiqar Abbas Bukhari was formed for renewal of licences of cellular phone companies.

The cabinet decided to offer jobs from grade 1 to 5 through open ballot and removed a quota system. The meeting also gave three-month extension to acting chairman of the Capital Development Authority (CDA) Amir Ahmed Ali.

Besides, the cabinet discussed complaints against the National Testing Service (NTS), Mr Chaudhry said, adding that the Federal Public Service Commission would also be revamped.

The minister said PM Khan would launch the first phase of Apna Ghar Housing Scheme for building of 135,000 housing units on Wednesday.

About the last week attack in Quetta, the information minister said some external hands were involved in terrorism in Balochistan and implementation of the National Action Plan was the only way to eradicate the menace.

Published in Dawn, April 17th, 2019

https://www.dawn.com/news/1476620/tax-amnesty-plan-approval-deferred-amid-reservations

PAKISTAN'S ECONOMY TO WEIGH ON REGION'S GROWTH: IMF OFFICIAL

Anwar Iqbal Updated April 17, 2019

WASHINGTON: Pakistan's economy is projected to slow down significantly and weigh on the region's aggregate growth rate, says Jihad Azour, director of the Middle East and Central Asia department at the International Monetary Fund.

At a recent talk on the economic outlook for the Middle East, North Africa, Afghanistan, and Pakistan (MENAP) region, Azour argued that global economic headwinds were making policy efforts more urgent and challenging for MENAP.

For oil importers in this region, growth is expected to ease to 3.6 per cent this, from 4.2pc in 2018, in part due to weaker global economic environment.

Azour noted that in many oil-importing countries, rising debt levels were becoming a more urgent challenge for macroeconomic stability and high debt was also limiting fiscal space for critical investments in health, education, infrastructure, and social programmes.

These budget pressures underscored the urgency of lifting medium-term growth with structural reforms such as measures to improve business environment and governance, enhance labour market flexibility, and strengthen market competition, the IMF argued.

In MENAP, "slowing global growth and trade, as well as geopolitical tensions and other potential external shocks, will pose economic challenges," the director said, adding "These trends heighten the urgency of implementing reforms that bolster economic resilience and secure inclusive growth."

In a related report, the IMF also sounded alarm on global debt. Noting that global debt had now reached $164 trillion or 225pc of global GDP, the Fund warned that the world's public and private sectors were more in debt now than at the 2008 financial crisis, when global debt/GDP peaked at 213pc.

While advanced economies were responsible for most global debt, in the last 10 years emerging markets have been responsible for most of the increase with China alone having contributed 43pc to the rise in total global debt since 2007.

The report stressed the need to reduce the burden of debt in both private and public sectors to improve the resilience of global economy and urged countries with high debt to increase revenues or curb excessive spending.

"This is especially relevant where current economic growth exceeds long-run potential growth," it added, while also stressing the need for governments to maintain investments in education, health, and infrastructure, either by "re-prioritising spending or broadening the tax base."

Acknowledging that to achieve sustainable growth, these countries will require additional public spending, the report urged them to "pursue smarter and more agile policies to facilitate change."

Published in Dawn, April 17th, 2019

https://www.dawn.com/news/1476640/pakistans-economy-to-weigh-on-regions-growth-imf-official

GOVERNMENT NEEDS TO ADDRESS ECONOMIC VULNERABILITIES: ADB

RECORDER REPORT | Apr 17th, 2019 | ISLAMABAD

The government needs to address the vulnerabilities arising from the wider fiscal and current account deficits, falling foreign exchange reserves, rising debt obligations, and greater external financing needs, says Asian Development Bank (ADB).

The "ADB and Pakistan: Fact Sheet" updated on its website stated that Pakistan must continue to consolidate governance, increase exports, strengthen public enterprises, and improve business and regulatory environments to attract more investment and increase productivity. Driven by domestic demand and improvements in law and order, energy supply, and public infrastructure, Pakistan's economic growth has remained strong in recent years.

Pakistan's current growth prospects will continue to be influenced by projects under CAREC, the China Pakistan Economic Corridor, and other development initiatives. To improve Pakistan's fiscal sustainability and business environment, ADB will continue to help the government manage external debt and balance of payments, while maintaining the momentum of macroeconomic and structural reforms to support economic stability and expansion, the report says.

ADB operations in Pakistan will increase significantly in the next 3 years with continued focus on energy, natural resource management, urban development, transport infrastructure, and institutional reforms, as well as re-engagement in education and health, the report adds.

ADB will continue to support Pakistan's development through investments outlined in the country operations business plan (COBP), 2019-2021. This includes greater use of smart technology and innovative approaches to achieving the sustainable development goals.

Programme lending will include policy support for the energy sector as well as improving trade and competitiveness by supporting the development of an export-import bank, national single window operations, and other initiatives.

The new Country Operations Business Plan shows that Pakistan's sovereign operations will be increased significantly to $7.5 billion through 2021 with continued focus on energy, natural resource management, urban development, transport infrastructure, and institutional reforms, as well as re-engagement in education and health. ADB will also provide innovative knowledge solutions to ensure sustained and inclusive economic development and growth in the country.

Cumulative loan and grant disbursements to Pakistan amount to $22.88 billion. These were financed by regular and ordinary capital resources, the Asian Development Fund, and other special funds.

In 2018, the government of Pakistan launched the National Disaster Risk Management Fund, the first of its kind in the country. ADB provided the initial financing of $200 million to set up the fund, with the governments of Australia and Switzerland contributing grants of $3.4 million and $1.5 million, respectively.

The Bank's ongoing portfolio totals $2.8 billion and covers energy generation, transmission, distribution, energy efficiency, renewable energy development, and analytical tools and advisory assistance.

In 2018, ADB approved a $280 million loan and $4 million grant from its High-Level Technology Fund to develop a more climate-resilient power transmission system in Pakistan, including the country's first battery energy storage system. In transport, ADB's ongoing portfolio is valued at $2.2 billion and spans urban bus rapid transit corridors, border crossing points, greenfield motorways and expressways, and existing national and provincial highways.

In Balochistan, ADB provided $107 million to address water shortages and increase farming incomes through integrated water resources development and improving irrigation infrastructure. This work includes the construction of a 36 million-cubic-meter dam and 276 kilometers (km) of irrigation channels and drainage canals in the Zhob and Mula river basins.

ADB will administer the associated Japan Fund for Poverty Reduction and High-Level Technology Fund technical assistance projects-worth $3 million and $2 million, respectively-as well as a separate $2 million technical assistance project to develop the institutional capacity of the Balochistan government to address climate change risks.

To help reduce poverty and overcome disparities between districts, ADB has approved knowledge and support technical assistance of $2.41 million to develop economic corridors in Pakistan. It has also approved knowledge and support technical assistance of $2.0 million to build the capacity of Pakistan's federal and provincial governments to fulfill the structural transformation, programming, and management of the ADB portfolio in the country. The bank continues to support the Benazir Income Support Program to assist Pakistan's poor and vulnerable women under the government's flagship $430 million social safety net program.

As a catalyst for private investments, ADB provides financial assistance to non-sovereign projects and financial intermediaries. Total commitments from ADB's own funds (in equity and direct loans) in 2018 amounted to $3.14 billion for 32 transactions in economic and social infrastructure, the finance sector, and agribusiness.

ADB also actively mobilizes co-financing from commercial and concessional sources. In 2018, ADB mobilized $3.17 billion of long-term co-financing and $3.99 billion of co-financing in trade finance, microfinance, and supply chain finance programs. Total outstanding balances and commitments of non-sovereign transactions funded by ADB's own resources stood at $12.7 billion as of 31 December 2018.

ADB began co-financing operations in Pakistan in 1974. Since then, cumulative direct value-added official co-financing commitments for Pakistan have amounted to $2.6 billion for 44 investment projects and $94.7 million for 54 technical assistance projects. Cumulative direct value-added commercial co-financing for Pakistan has amounted to $8.8 billion for 20 investment projects.

In 2018, Pakistan received $23.62 million in grant co-financing from the Government of the United Kingdom and High-Level Technology Fund for two investment projects.

In 2018, ADB secured financing of $49 million ($37 million loan and $12 million grant) from the Green Climate Fund – supplementing a proposed loan of $442 million from ADB, the Asian Infrastructure Investment Bank, and Agence Française de Développement – to build a 30 km state-of-the-art bus rapid transit system in Karachi. The project includes fully segregated bicycle lanes, bike-sharing system, and improved pedestrian facilities. It will also help construct a plant to produce biogas from cattle waste to fuel buses with zero greenhouse gas emissions, benefiting about 1.5 million people.

In Khyber Pakhtunkhwa, ADB approved $335 million and partnered with Agence Française de Développement for co-financing of €130 million to develop a bus rapid transit system. ADB and the government of the United Kingdom cofinanced $327 million to construct 61 km of motorway in Punjab and 59 km of expressway from Hassanabdal (Punjab) to Havelian (Khyber Pakhtunkhwa)-a vital segment of the CAREC corridor-and to rehabilitate 197 km of the highway network in Balochistan.

https://fp.brecorder.com/2019/04/20190417465125/

IMF BAILOUT PACKAGE AGREED UPON IN WRITING: ASAD

Khaleeq Kiani April 16, 2019

ISLAMABAD: Pakistan and the International Monetary Fund (IMF) have finalised, documented and signed a bailout package on exchange rate, public finance, fiscal deficit and energy prices and an IMF mission will be visiting Islamabad in the third week of the current month to work out technical tables, said Finance Minister Asad Umar.

"We have reached an agreement and all the major issues have been settled and documented," Mr Umar told a meeting of the National Assembly's Standing Committee on Finance and Revenue on Monday after a weeklong visit to the US.

He also reported that Pakistan had dispatched a compliance report to the Financial Action Task Force (FATF) that would be reviewed by the Paris-based agency before sending its delegation to Islamabad by the third week of May for on-ground inspection.

He said the IMF staff mission would visit Islamabad this month to conclude various technical tables that would then be shared with the NA committee.

Finance minister says size of programme will be between $6bn and $8bn, rejects reports about his removal

During the meeting, leading representatives from various chambers of commerce and industry and the provincial governments opposed the short period being offered for tax amnesty scheme and proposed that these should be well structured and provide sufficient time to the people. The provinces, particularly Punjab, Sindh and Khyber Pakhtunkhwa, said the real estate valuations had blocked their property business, resulting in huge revenue loss even though the Federal Board of Revenue might have improved its revenues.

The finance minister later told journalists that the bailout package with the IMF had been “agreed upon in writing and we have an agreement on all policy matters”. These matters included exchange rate, fiscal deficit, energy, public finance and public sector entities, he added.

He said the exact size of the fund programme had not be concluded, adding that it would be between $6 billion and $8 billion. He said major flows would then come from the World Bank and the Asian Development Bank that had been blocked in the pipeline owing to insufficient import cover and the absence of IMF umbrella.

He said Pakistan’s financing gap was around $15bn while $7-8bn from the World Bank, $6-8bn from IMF and ADB would be available while the process for launch of international bonds had already been started. He said he had engagements with leading fund managers and investors in New York and he was happy to report that Pakistan’s bond price had dropped from 9 to 7pc and overall environment was very encouraging for Pakistan’s paper.

He said it would be premature to talk about bond size but the process for its launch had been triggered and may be materialised by the end of current fiscal year or at the start of the next fiscal year.

Asked about reported IMF demands for complete details of Chinese loans, the finance minister said such reports were unfounded and surprising because the fund had asked questions on the subject in October last year and all the details of the Chinese assistance were provided as the government felt there was nothing to hide.

Responding to another question, he said the IMF conditions would not burden the people, rather the difficult decisions required to correct the economy marred by problematic policies, for example Rs600bn deficit in power and gas sector alone, of the past would have some costs. He said the tax amnesty scheme would be presented to the cabinet for approval and go into effect over the next two-three days.

Asked about the adjustments in energy prices under the IMF programme, he said the government had not taken any decision about energy prices. The previous government, he added, had inducted expensive power capacity that the National Electric Power Regulatory Authority would keep notifying from time to time. He also refuted a question that IMF had made a demand for cut in defence budget.

He told the NA committee that the economic crisis had been overcome over the last eight months with the successful strategy of the government. He said funds provided by friendly countries had helped create a cushion over the period to compress current account deficit. As a result, the conditions are much different now than the government was discussing with the IMF in October-November last year.

He said the crisis was over now, but stabilisation would continue for sometime which could not be expedited or else the country would again be in the balance of payment problem.

Mr Umar rubbished reports about his removal from the federal cabinet.

When asked about media reports in this regard, he quoted a verse of legendary poet Mirza Ghalib, hazaron khvahishen aisi ki har khvahish pe dam nikle (Thousands of desires, each worth dying for…)

Information Minister Fawad Chaudhry also strongly refuted media reports about cabinet reshuffle, saying no portfolio of any minister was being changed and "all such news regarding any such change are concocted". He said the country was passing through a critical juncture and these unfounded reports were against the national interest. He said Prime Minister Imran Khan had the prerogative to change portfolios, but he was satisfied with the performance of cabinet colleagues. He said the finance minister had very constructive talks with the IMF, adding that on the Financial Action Task Force things were moving in the right direction.

The finance minister did not agree to a question that the IMF programme and FATF compliance were interlinked, but said he had reminded FATF President Marshall Billingslea during his US visit that India co-chairing a review group was not neutral and had been publicly speaking against Pakistan's interest. He said the FATF chief promised that politics will not be allowed to play a role in its reviews and Pakistan need not to worry about that.

"No response", said the finance minister when asked if he considered FATF President Billingslea a neutral umpire, adding his position required him to be neutral and fair. Mr Billingslea is also serving as the US Department of the Treasury's Assistant Secretary heading the Office of Terrorism Financing and Financial Crimes. In this role, he is responsible for policy development and international engagement pertaining to anti-money laundering and counter financing terrorism (AML/CFT).

Meanwhile, the IMF in a statement said it had constructive discussions with Pakistani authorities during the IMF/World Bank Spring Meetings in Washington DC towards an IMF-supported programme. "At the request of the authorities, an IMF mission will be going to Pakistan before the end of April to continue the discussions", it said.

Published in Dawn, April 16th, 2019

https://www.dawn.com/news/1476396/imf-bailout-package-agreed-upon-in-writing-asad

NEWS COVERAGE PERIOD FROM APRIL 22nd TO APRIL 28th 2019

K-P GOVT LAUNCHES LOAN SCHEME FOR TRIBAL AREAS

By Our Correspondent Published: April 26, 2019

PESHAWAR: Khyber-Pakhtunkhwa government has started Insaf Qarza Scheme in the seven merged districts, under which people aged 18 to 50 will get Rs50,000 to Rs100,000 for self-employment projects.

K-P Finance Minister Taimur Saleem Jhagra launched the scheme from Bank of Khyber (BoK) Jamrud branch. Secretary Finance Shakeel Qadar, BoK Managing Director Saiful Islam accompanied him on the occasion.

Khyber Pakhtunkhawa has allocated budget for the employment of the youth of the settled, newly merged included male and female of the province and announced that the project has been started today, while the women would have special quota in the scheme.

Jhagra stated that besides BoK, various financial institutions capable of the financing and NGOs would start such schemes throughout the province.

"Under the Insaf Qarza Scheme, professionals and degree holders will get Rs50,000 to Rs100,000 soft loan, while people having technical and vocational qualifications will get up to Rs500,000," he said.

People seeking expansion of the already established businesses could get loan of up to Rs300,000, Jhagra stated.

He said that borrowers will have to return the amount within three years. Regarding the age limit, he said it has been relaxed to up to 50 years to further facilitate entrepreneurs in tribal areas.

Published in The Express Tribune, April 26th, 2019.

https://tribune.com.pk/story/1959474/2-k-p-govt-launches-loan-scheme-tribal-areas/

STATE OF SINDH'S ECONOMY

I.A. Rehman April 25, 2019

THE process of devolution of power to federating units started by the 18th Amendment has generated extremely useful discussions on these units' economic potential and their capacity to properly use the newly acquired authority and financial resources.

Some time ago, Dr Kaiser Bengali offered an account of Balochistan's deprivations and pointed out the possibilities of its economic recovery and progress. Now Dr Ishrat Husain, Prof Aijaz Qureshi and Nadeem Hussain (a young scholar) and Oxford University Press have joined hands to produce a 500-page study on The Economy of Modern Sindh, and discussed "opportunities lost and lessons for the future".

A first look at the contents, from 'Land and People' to 'Public Finance, Taxation and Resource Mobilisation' suggests that the book might be one of those annual reports the Sindh government has been publishing to introduce the readers to basic facts about the province and its own achievements. It is not like one of those unreadable publicity vehicles. It is also distinguishable from the federal Economic Survey because it does not gloss over governments' deficiencies and failure with unconvincing explanations.

In this study, the authors draw upon both official statistics and civil society researches — by Arif Hasan and Hafiz Pasha, for instance — while analysing Sindh's potential and problems. They are not afraid of polemics, nor of the echoes of the Sindhi nationalist arguments in their narrative.

The findings of a study on Sindh assume special significance when confirmed by empirical evidence.

Thus, at the very beginning, the authors take note of the federal-Sindh conflict over licensing for oil and gas exploration, and differences with the Higher Education Commission over the formation of the provincial HEC. While they are prepared to concede that the "effective implementation of provincial autonomy will take some time", they don't hide their disappointment that "the third tier of the government — local governments — has been weakened by the new laws passed by Punjab, Sindh and Balochistan”.

They also emphasise the decline in the rate of growth in per capita income and express due concern over the fact that while “Karachi has the highest per capita income and the highest ranking across various social indicators while some of the districts in rural Sindh are among the poorest in the country … The social gap between the urban males and rural females is wide and interpersonal income, gender and rural-urban inequalities have worsened over time”.

Some of these findings are common knowledge but they assume special significance when confirmed by empirical evidence.

The application of critical tests to trends in various fields of activity can be seen in almost all chapters. For instance, while discussing deeni madressahs in the chapter on education, the study observes that madressahs “today are associated with obscurantism and conservative attitudes in thought and practice”. Some of them are alleged to have become breeding grounds of fanatics and extremists. After noting the increase in the number of madressahs from 189 at the time of Independence to 40,000 in 2008, the study does well to draw attention to the challenge of absorbing 300,000 to 400,000 madressah graduates annually.

In the section on health, the study calls for an integrated, multisectoral strategy, especially the devolution of primary and secondary healthcare to local governments.

Likewise in the chapter on labour, the authors candidly accept the existence of bonded labour in the province and attribute it to the dominance of powerful feudal landlords and the tenant-landlord relationship being in their favour.

This discussion continues in the chapter on agriculture: “The consequential legacy of a rich and powerful class of landlords enjoying large concentration of wealth and income, and a poor, deprived peasant population subservient to and dependant on this class, has created difficulties in terms of economic efficiency, equity, democratic governance and capture of state institutions.” The concentration of land ownership is getting diluted with the passage of time “but the large landowners in the rural areas of Sindh still continue to exercise disproportionate influence both on politics and agrarian economy. They own not only the lands but also the people who work on them”.

In a well-written chapter on poverty, the authors note a decline in overall poverty but emphasise the hardships faced in quite a few districts and are worried about lack of efficiency in using resources for poverty alleviation. They appreciate the use of the Multipurpose Poverty Index that takes into account, besides income differentials, access to education and health and the standard of life, and which finds 43.1 per cent of the Sindh population living below MPI as against the national average of 39pc.

The chapter on energy and mineral resources is remarkable for the amount of information about the generation of electricity and patterns of consumption. Similarly, the chapter on public finance offers a complete history of the division of resources between the federation and the provinces, from the Niemeyer Award under the Government of India Act of 1935 and the Raisman Award of 1951 to the seventh NFC Award of 2009.

In addition, the wealth of information presented in statistical tables and graphs makes the study an extremely valuable reference book.

The study was begun as an effort to update the Economy of Modern Sindh, published by the Institute of Sindhology in 1981, and is primarily meant to serve as a textbook for college and university students. However, it should serve a wider purpose by helping students of politics, commentators on economic affairs and policymakers base their opinions on a correct appreciation of the ground realities.

If Punjab and Khyber Pakhtunkhwa could also prepare similar studies, the collection would form a matchless aide to politicians and citizens alike and facilitate the emergence of an informed citizenry that is one of the basic requisites for democratic governance. This is the kind of knowledge that is equal to power.

Published in Dawn, April 25th, 2019

https://www.dawn.com/news/1478261/state-of-sindhs-economy

IMF BAILOUT PACKAGE AND THE ECONOMY

RECORDER REPORT | APR 25TH, 2019 | EDITORIAL

During the launch of his book "Growth and Inequality in Pakistan" Dr Hafiz Pasha stated that a macroeconomic framework, detailing a projected increase in revenue from specific taxes and a reduction in expenditure to bring the budget deficit to sustainable levels, should have been prepared and shared with the International Monetary Fund (IMF) staff in the very first meeting on negotiating a three-year bailout package. Instead, the first IMF mission in Pakistan (from 7 to 20 November 2018) to discuss the loan modalities presented a framework that its staff had developed which, Dr Pasha added, was "very one-sided" that, no doubt, accounted for talks between the Fund staff and the Khan administration remaining inconclusive. The former Finance Minister then proceeded to challenge the capacity of the Ministry of Finance by pointing out that the Ministry has no senior professional economist specialized in fiscal policy and that the Director General Debt was hired after a gap of several months.

Dr Shahid H. Kardar, former Governor State Bank of Pakistan, concurred and added that the "way the IMF is structuring its upcoming programme, it is going to kill the country's economy; they are not ready to listen and believe in this government." And warned that "with the IMF programme which is for the next three years, the changes cannot be done and if our economy diminishes further how can we increase our tax base" – a clear reference to standard normal IMF conditions focused on raising revenue from existing taxation measures, as reforms would take time, and slashing development expenditure (in the event that the government does not agree to reducing the major components of current expenditure) with obvious negative repercussions on the growth rate.

One element, one would hope, may have changed the IMF's perception of the competence of the current administration. Asad Umar while attending the annual spring meeting of the World Bank/IMF (8 to 14 April 2019) reportedly shared the medium-term framework prepared by Dr Pasha which provided a detailed roadmap on how the government would reduce the budget deficit over the proposed programme duration. This was to be through: (i) raising taxes (including equating sales tax on services by all provinces with the 17 percent tax on goods imposed and collected by the Federal Board of Revenue); however, it is unlikely to be supported by Sindh Assembly which currently levies 13 percent sales tax on services; and (ii) reducing non-development expenditure as opposed to development expenditure to ensure that growth momentum is maintained. If the framework is accepted by the IMF, to-date the feedback from the Fund, if any, has not yet been made public and if

Dr Hafeez Sheikh, the new man in charge of the Finance Ministry, accepts the framework then matters can proceed forward with a minimal impact on the growth rate.

However, it is unlikely that the entire framework will be accepted by the IMF; most notably the inclusion of the projected revenue inflows from the amnesty scheme is unlikely to be accepted. It is not public knowledge as to how much revenue has been projected from the amnesty scheme but such schemes in the past have grossly overestimated their effectiveness, to the tune of billions of dollars. Dr Hafeez Sheikh has directed the FBR to simplify the scheme and as per his public statements appears to be unaware of the linkage between the concerns of the Financial Action Task Force (FATF), and Pakistan is still on the grey list and IMF conditions.

It is also relevant to note that the then Finance Minister Ishaq Dar's heavy reliance on withholding taxes in the sales tax mode, an indirect tax whose incidence on the poor is relatively greater than on the rich, and crediting the amount collected, deliberately and inaccurately, as direct tax further fuelled the unfairness of our tax structure. Dar never achieved greater documentation of the economy but instead legitimized the tax non-filers.

To conclude, there is a need for out-of-the-box thinking. While the IMF package is critical given our heavy requirements for foreign exchange for the next three years, yet there is also a need to present a framework that would minimize the negative features of a standard normal IMF programme through innovative doable tax measures and a slash in current expenditure through voluntary reduction in budgeted amounts. There is intense speculation on whether Dr Sheikh has the capacity to negotiate a bailout package that would minimize its negative impact on the poor however one must give him the benefit of the doubt till the next budget is announced – a wait for no more than a month and a half.

https://fp.brecorder.com/2019/04/20190425467113/

'IMF PROGRAMME WILL KILL PAKISTAN'S ECONOMY'

By Shahram Haq Published: April 24, 2019

LAHORE: The current structure of the federal finance ministry is the weakest since the 1990s, remarked former finance minister Dr Hafiz Pasha.

Speaking at the launch of his book, 'Growth and Inequality in Pakistan', Pasha said the capacity of the Ministry of Finance was shamefully low and it was not able to control the ongoing crisis.

"They don't have the capacity nor do they have a senior professional economist who is specialised in fiscal policy," he said. "The DG debt was hired after a gap of many months and it's not surprising; believe me we are running into a difficult economic state."

Apart from institutional capacity, he outlined consistency and credibility as other major issues for the current government. "Unfortunately, the government has not demonstrated a very good record in this area, which did not give positive signals to private-sector investors," he said, referring to the confusion and varying statements on getting the International Monetary Fund (IMF) loan and more recently on the amnesty scheme.

Pasha was of the view that the ability to manage crisis was not just the job of a technocrat, it needed political consensus, coupled with a broad-based understanding in society. "These are the measures which the government is required to take to steer the country out of crisis."

Talking about the IMF programme, the former finance minister said the new government should have developed a macroeconomic framework first. “In the first meeting with the IMF, we should confront at the highest level that this is what we think, we are a new government, we want to take the country out of crisis and this is what we want to do. Unfortunately, such a framework and plan of action does not appear to have been presented,” he lamented.

“In fact, what we have today is the macroeconomic framework prepared by the IMF and that, to me, is very one-sided and secondary.” Speaking on the occasion, State Bank of Pakistan’s former governor Dr Shahid Kardar said the IMF programme always played a role in destroying Pakistan’s tax system.

“The way the IMF is structuring its upcoming programme, it is going to kill the country’s economy, they are not ready to listen and believe in this government,” Kardar remarked, adding that Pakistan needed time to change its tax system.

“With the IMF programme, which is for the next three years, the changes cannot be done and if our economy diminishes further, how can we increase our tax base.”

“Pakistan really needs to start worrying as to how it will manage its human resources in coming years. Fresh graduates may not get the jobs, which they are dreaming of,” he added.

Addressing the gathering, Punjab Finance Minister Hashim Jawan Bakht said the provincial government was looking for out-of-the-box solutions such as promoting public-private partnership to help improve governance and resource mobilisation. He emphasised that there were some structural changes on the expenditure side of the budget, including the sticky expenditure on pensions, which swelled significantly.

“In the last seven years, around Rs2,048 billion was spent on the Public Sector Development Programme (PSDP) in the entire Punjab, of which Rs1,048 billion was spent on Lahore alone and Rs1,000 billion was spent on the rest of Punjab. This created regional inequalities,” Bakht said.

Published in The Express Tribune, April 24th, 2019.

https://tribune.com.pk/story/1957724/2-imf-programme-will-kill-pakistans-economy/

STATE OF THE ECONOMY

DR HAFIZ A PASHA | APR 23RD, 2019 | ARTICLE

Information on many of the key macroeconomic variables has become available up to March 2019 and in some cases up to February 2019. Therefore, the trends in the national economy during the first three quarters of 2018-19 can now be analyzed.

Growth The sharp slowdown in the economy since June 2018 had become visible earlier. Now there is some additional information to confirm this trend. First, the decline in production of Kharif crops, especially cotton and sugarcane, has begun to affect production of yarn and sugar. The wheat crop in the on-going Rabi season may also be adversely impacted by the untimely rainfall.

Second, the Quantum Index of Manufacturing (QIM) continues to show negative growth, with a fall of 1.7 percent up to February 2019. Nine out of the fifteen industrial groups exhibit a negative trend. Perhaps for the first time, both agriculture and large-scale manufacturing, will experience negative growth in 2018-19. Consequently, GDP growth is unlikely to significantly exceed 3 percent this year.

Investment The rise in interest rates, higher costs of imported machinery due to the large devaluation of the rupee and a prevailing uncertain economic situation have negatively impacted on private investment. A key indicator of this decline is the big fall in import of machinery of 21 percent in the first nine months of the current financial year. The fall is in most types of machinery, including power generation and electricity, textiles and construction machinery.

Public investment has also plummeted. Releases to projects in the Federal PSDP have fallen cumulatively by 23 percent up to April in relation to the level last year. Provincial Governments, especially Punjab, have also cut back sharply their development spending. Overall, the level of fixed capital formation may fall to 13.5 percent of the GDP in 2018-19 as compared to 14.8 percent of the GDP in 2017-18.

Inflation There has already been some public hue and cry on the precipitate jump in the rate of inflation as measured by the Consumer Price Index (CPI). This jump from 3.9 percent in 2017-18 to 9.4 percent in March 2019 is largely the result of the rise in landed prices of imported goods due to the devaluation and to the escalation in gas and electricity prices. The rate of inflation may rise to 12 percent by June 2019.

Employment There is the likelihood that with GDP growth rate of close to 3 percent, the rise in employment will not exceed 800,000. However, the labour force expands annually by almost 2.8 percent. Consequently, the number of unemployed workers is likely to rise by almost one million by the end of 2018-19. This implies that the unemployment rate could rise from under 6 percent to almost 7 percent. Educated, young and female workers will, in particular, have difficulty in findings jobs this year.

We turn now to the two deficits, namely, the budget deficit and the current account deficit respectively.

Public finances The trends in public finances are especially worrying. There has simultaneously been a loss of momentum generally in revenues, both tax and non-tax, and a big jump in current expenditure, especially on debt servicing and defense. The cutback in development spending has not been adequate to restrict the overall growth in expenditure.

According to the data provided by the SBP, the consolidated fiscal deficit has reached Rs 1811 billion by the end of the February 2019. This has been financed to the extent of Rs 1538 billion by domestic borrowing and by external borrowing of Rs 273 billion. The fiscal deficit has already reached 4.7 percent of the GDP in the first eight months. At this rate, it is likely to exceed 7 percent of the GDP by the end of 2018-19. The target for the year was a deficit of 5.1 percent of the GDP. The big spillover by almost 2 percent of the GDP reflects on the quality of fiscal management by the new Government.

Balance of payments The solitary positive development has been the big containment in the size of the current account deficit. During the first nine months there has been a decline of $4 billion in the deficit, equivalent to a reduction of almost 30 percent. This is attributable, first, to a fall in the trade deficit in goods and services of 13 percent and, second, to a rise in home remittances of almost 9 percent.

The fall in the trade deficit is due entirely to the decline in the level of import of goods and services by almost 8 percent. The imports of machinery and transport equipment, in particular, have fallen sharply. Unfortunately, despite the large devaluation and various incentives, exports have shown no growth. The restoration of growth in exports is essential for a sustained reduction in the size of the current account deficit.

The financial account of the balance of payments shows a net inflow of almost $11 billion, as compared to $9.4 billion in the corresponding period of 2017-18. However, the improvement is due to the deposit of $5 billion by Saudi Arabia and the UAE with the SBP. Traditional donors, like the multilateral agencies have reduced sharply their financing and the net inflow from this source has become negative. Reserves at the end of March 2019 stood at $10.5 billion, equivalent to a reserve cover of over two months.

Overall, the year 2018-19 is likely to be a year of stagflation, with rising inflation and a big fall in the growth rate of the economy. The projections for the key macroeconomic variables are as follows:

— GDP Growth Rate: 3% – 3.5%

— Rate of Inflation (average): 8.25% – 8.50%

— Rate of Inflation (end period): 11% – 12%

— Rate of Investment: 15% – 15.5% of GDP

— Unemployment Rate: 7%

— Budget Deficit: 7% -7.25% of GDP

— Current Account Deficit: 12 – 12.5 Billion $

— Foreign Exchange Reserves (30th June 2019): $8.5 – 9.0 billion.

(The writer is Professor Emeritus at BNU and former Federal Minister)

https://fp.brecorder.com/2019/04/20190423466551/

IMF NOT IN FAVOUR OF TAX AMNESTY SCHEME

TAHIR AMIN | APR 22ND, 2019 | ISLAMABAD

International Monetary Fund (IMF) has strongly opposed the proposed tax amnesty scheme under consideration by the Khan administration stating categorically that “such schemes fail to achieve their intended objectives”. Business Recorder sent out written questions to IMF office in Islamabad for an official response on the proposed amnesty scheme to give a last chance to benami account or asset holders.

Teresa Daban Sanchez Resident Representative of IMF wrote: “IMF position against tax amnesties is well known. Cross country experience shows these schemes usually are not successful in mobilizing revenues and are quite damaging to the moral of obliging taxpayers”. IMF in its second review under the Extended Arrangement and Request for Waivers of Nonobservance of Performance Criteria on March 28, 2014, had opposed the amnesty scheme launched by the PML-N government termed an investment package and stated that “staff considers that, while the package might lead to some additional revenues in the short-run, it will likely hinder the system in the long-run. The package opens another loophole in the system in addition to the ones that already exist for remittances and equity stock investment, and raises potential money laundering risks. The immunity from routine audit hinders the self-assessment process, and the amnesty-entailed by waiving penalties and interests-is likely to be detrimental to improving compliance and collections as taxpayers will develop an expectation of future immunities."

The review further stated "Staff has strong reservations regarding the Prime Minister's investment incentive package introduced in December 2013. This tax amnesty runs counter to efforts to strengthen tax administration". Sources in the Finance Ministry revealed that with the exit of Asad Umar from the cabinet, the fate of proposed tax amnesty scheme hangs in the balance as he had failed to convince some cabinet colleagues.

A special meeting of the federal cabinet called by Prime Minister Imran Khan on April 17 failed to approve the proposed amnesty scheme and postponed the matter till next cabinet meeting for further deliberations scheduled for April 23 (Tuesday).

https://fp.brecorder.com/2019/04/20190422466348/

LOW IMPORT TARIFFS HINDER FDI INFLOWS INTO PAKISTAN

By HUSSAIN H ZAIDI Published: April 22, 2019

ISLAMABAD: In a recent report, the United States has criticised India for having the highest import tariffs among major economies of the world.

The report notes that New Delhi has deliberately kept tariffs at high levels under its flagship "Make in India" policy with a view to attracting foreign investment and boosting domestic manufacturing.

The report raises an important point – the goals to attract foreign investment and promote external trade may be mutually incompatible. Export and direct investment abroad are two different modes of entering a foreign market. Each mode has its peculiar prerequisites.

Direct overseas investment requires a much higher degree of commitment and risk on the part of an enterprise than exports. All else equal, an enterprise will prefer foreign direct investment (FDI) to exports if a foreign market has very high import tariffs, which will make it difficult for exports to compete with domestic goods.

The answer to this problem is to establish production facilities in the target country. Such a foreign market entry strategy is also called "jumping the tariff wall."

This wedge between the FDI and foreign trade has important implications for the net FDI receiving economies like Pakistan. In case such countries want to pursue an export-led growth strategy, they need to slash import tariffs, particularly for capital goods and raw material, so that their exports, which make use of imported products, become competitive in foreign markets.

However, lower tariffs will make such countries a less attractive market for the FDI. Moreover, like domestic businesses, foreign investors also demand protection in the form of high import tariffs to avoid competition with imported products. That is the reason that foreign investors generally enter into an agreement with the host government for maintaining high tariffs on the products of their interest as a precondition for injecting capital.

India has been a beneficiary of its high tariff wall in terms of FDI. Over the past 10 years, India has received cumulative FDI inflows of $358 billion, which on average come to $35.8 billion per annum. Average FDI-GDP ratio has been around 2% (the World Bank data). During this period, India has maintained a rather restrictive trade regime. At present, India's average applied tariffs are 13.8%, which are the highest for a major economy.

This export-FDI trade-off is also relevant for Pakistan. Over the past one decade, Pakistan has attracted total FDI of $22.10 billion or $2.21 billion per annum. Average FDI-GDP ratio has been around 1% (the World Bank data).

Ever since Pakistan began to liberalise its economy in the late 1980s, tariffs have been reduced mainly for two reasons: One, as part of an agreement or understanding reached with multilateral donors, such as the International Monetary Fund (IMF), in the name of tariff rationalisation.

This happened, for example, in the 1990s when tariffs were slashed unilaterally on most of the tariff lines. From 225% in 1988-89, the maximum applied tariffs were reduced to 100% by 1992-93. Average applied tariffs were then slashed to 51% by 1995-96. By 2007-08, the average applied tariffs had come down to 13.5%.

At present, Pakistan's average applied tariffs are 12%. Few other developing countries have reduced tariffs so drastically on a unilateral basis. As a result, the manufacturing sector, which on average grew 9.9% during the 1960s and 8.2% during the 1980s, registered a modest growth of 4.8% during the 1990s, even less than the 5.3% growth recorded during the decade of nationalisation in the 1970s.

A wide discrepancy exists between Pakistan's bound (in the WTO) and applied tariffs. Compared with the average applied tariffs of 12%, Pakistan's average bound tariffs are 61%. Product-wise, Pakistan's average bound and applied tariffs are: electrical machinery (bound 64%, applied 15%), non-electrical machinery (bound 61%, applied 10%), chemicals (bound 57%, applied 8%), and leather and footwear (bound 66%, applied 20%).

As per World Trade Organisation (WTO) rules, the applied tariffs can't exceed bound tariffs but they can be equal to the latter. This means Pakistan still has a lot of policy space available to raise import tariffs.

Tariffs have also been cut to meet commitments made under the free trade agreements (FTAs), particularly under the Pak-China FTA. In first phase of the FTA, Pakistan gave China concessions on 5,686 tariff lines, of which tariffs were eliminated from 2,423 tariff lines.

The second phase of Pak-China FTA, which is likely to start soon, will result in further substantial tariff cuts. Seldom tariffs have been brought down as part of a well-thought-out industrial strategy. As a result, the country had to face de-industrialisation without its export sector becoming competitive.

The Pak-China FTA came into force in 2007. Between 2008-09 and 2017-18, manufacturing registered a lacklustre growth of 3.2%. At the same time, Pakistan's imports from China went up from $4.1 billion in 2007 to $14.5 billion in 2018.

Imports of machinery and mechanical appliances, and electronic equipment have risen from $0.695 billion to $3.01 billion and from $1.01 billion to $3.08 billion respectively during the said period. For these two product categories, Chinese imports have been granted duty-free treatment or low tariffs, which have made export of capital equipment a more attractive option for the Chinese than setting up production facilities in Pakistan.

Tariff cuts and slow manufacturing growth have caused the surge in overall import demand without a proportionate increase in exports. Investment prospects have also been adversely affected as the duty reduction has made export a better option for foreign enterprises than investment.

Not only has Pakistan received low FDI inflows, the FDI has been concentrated heavily in non-manufacturing sectors, such as telecommunications, finance and energy. According to the Board of Investment (BOI), between FY10 and FY18 Pakistan received total FDI inflows of $16.85 billion, out of which energy, finance, IT and construction together accounted for $10.62 billion. The share of the star textile sector in the FDI was $1.93 billion (11.5% of the total).

A country's import regime is one of the several factors that affect the FDI inflows. Other factors include market size and growth, FDI regulatory framework, contract enforcement, overall macroeconomic environment and security situation.

Pakistan is one of the largest markets in the world and offers the most liberal FDI regime in the region. However, low import tariffs together with a not-so-conducive macroeconomic and security situation and weak contract enforcement have hindered FDI inflows, particularly in manufacturing.

The moral of the story is that while it may be deemed to rationalise tariffs to boost exports, such a strategy may undercut efforts to attract the FDI. It is not always good to talk about enhancing exports and FDI inflows in the same breath.

The writer is an Islamabad-based columnist

Published in The Express Tribune, April 22nd, 2019.

https://tribune.com.pk/story/1956086/2-low-import-tariffs-hinder-fdi-inflows-pakistan/

MAY, 2019

NEWS COVERAGE PERIOD FROM APRIL 29th TO MAY 5th 2019

SBP TO INCREASE SMES CREDIT SHARE TO 17PC BY 2020

APP May 05, 2019

ISLAMABAD: The State Bank of Pakistan (SBP) is working to increase the share of Small and Medium Enterprise (SME) in private sector credit from current eight per cent to 17pc by 2020, said SBP Forex and Development Group Head Shaukat Zaman while addressing an awareness session on Access to Finance for SMEs organised by Islamabad Chamber of Commerce and Industry in collaboration with SBP at Chamber House.

Zaman said that around 6pc of SMEs were currently availing loans from banks despite the fact that around 40pc of them have banking relationship.

Highlighting demand side issues, he said the low financial literacy, lack of collateral and documentation and complicated loan procedures were some of the challenges faced by SMEs due to which they could not avail more loans from banks for growth and expansion.

He said that high risk perception, high administrative cost, lack of collateral, lack of expertise in banks for SME finance were also some issues due to which banks were reluctant to give loans to SMEs.

However, he said the SBP is working to create an enabling regulatory framework for SMEs under National Financial Inclusion Strategy and under Policy for Promotion of SME Finance, the number of SME borrowers would be enhanced from current 180,704 to 500,000 by 2020.

It was highlighted that despite 10pc discount rate, banks were providing loans to SMEs at only 6pc mark up rate therefore, SME should take full benefit of these financing schemes for expansion and growth.

Speaking at the occasion, Islamabad Chamber of Commerce and Industry President Ahmed Hassan Moughal said that SMEs were contributing 30cp in GDP, 25pc in exports and 78pc in the industrial employment which showed their key role in the economic development of the country.

However, these businesses were facing problems in access to finance as banks prefer to invest in government securities instead of providing easy credit to private sector.

He stressed that SBP should come up with more attractive financing schemes for SME sector so that this vital sector of the economy could grow fast and put the country on the path of sustainable economic development.

Published in Dawn, May 5th, 2019

https://www.dawn.com/news/1480383/sbp-to-increase-smes-credit-share-to-17pc-by-2020

ICAP FOR DOCUMENTING FARM INCOME, IMPOSING DIGITAL TAX

By Shahbaz Rana Published: May 5, 2019

ISLAMABAD: The Institute of Chartered Accountants of Pakistan (ICAP) has proposed that the government should document agriculture income and impose 30% digital income tax on tech giants which are making profits in Pakistan, but are not paying taxes.

ICAP President Jafar Husain and ICAP Committee on Fiscal Laws Chairman Ashfaq Yousuf Tola presented the budget proposals for tax year 2019-20 at a press conference.

“There is a serious need for imposing taxes on agriculture income in a more transparent and documented manner,” said Tola. He added that retailers and the agriculture sector, which contributes nearly 40% to the national output, paid only Rs8 billion in taxes in the last fiscal year.

Taxes on agricultural income may remain with the provinces but under the constitution, there was no bar on the federal government in documenting the agricultural income, he pointed out.

Agricultural assets and income earned from them should be identified as those could be used for under-reporting and mis-declaration, he added. ICAP suggested that digital tax could initially be introduced at a rate of 30% on the advertisement income of non-resident companies having no establishments in Pakistan.

“These companies are not adequately taxed as they are not established within the country,” said Tola. “This will also encourage local software service providers to get registered and earn from local ICAP for documenting farm income, imposing digital taxadvertisements.”

The ICAP also advocated the introduction of environmental taxes.

It proposed that higher taxes should be levied on non-renewable and polluting inputs and outputs such as coal, automobile, chlorine, phosphate detergents, chemical pesticides, chemical fertilisers, lead acid batteries, plastics, etc.

As an incentive, the organisations taking measures to preserve the environment may be termed eligible for tax credit.

ICAP said final taxation should be based on income parity. All presumptive and fixed tax schemes should be abolished and all such sectors should be brought under the uniform tax regime to promote the culture of income-based taxation

For the rationalisation and simplification of taxes, only one type of tax regime should be applicable between the Alternative Corporate Tax and Minimum Tax.

ICAP recommended simplifying the tax regime for the NGOs as certain requirements were creating direct hurdles in the way of welfare activities involving capital expenditure to be incurred over a period exceeding one year.

It said alternatively, the limit of spending in a year on charitable and welfare activities from receipts during that year, currently set at minimum 75%, could be analysed over at least three years to account for expenditures which were inevitably spread over a period exceeding one year.

Tola highlighted that Pakistan’s tax-to-GDP ratio was the main impediment in the way of economic development, which compelled governments to take short-term tax measures. “At present, there is overdependence on indirect taxes,” he pointed out. “There is a dire need for administrative reforms and formulating long-term strategic policies.”

He was of the view that ICAP proposals for the 2019-20 budget were focused on ease of doing business, tax reforms, harmonisation of tax laws and broadening of tax base.

The ICAP proposed that the income tax and sales tax regime should be separated for small and medium enterprises (SMEs) and retailers. It also proposed that the SMEs should be excluded from the list of withholding tax agents.

Owing to a large size of the informal economy, the ICAP recommended the government to reduce the condition of 90% of supplies to the registered persons to 75%.

In order to promote industrialisation in the country, it was suggested that exemption from tax collection on the import of plant and machinery and spare parts by a newly established manufacturing company or for expansion by the existing company be allowed for at least five years.

ICAP proposed that for the larger benefit of investors and taxpayers, the powers of tax officers should be restricted to specific parties and transactions already identified by the tax authorities for investigation, instead of allowing a mere fishing enquiry.

It recommended that rates of withholding tax for non-residents having no permanent establishments in Pakistan should be reduced and they should not be required to file income tax returns.

The separate withholding tax rates for the non-filers, prescribed for non-residents having no permanent establishments, should be omitted. In order to reduce the sales tax refund backlog, ICAP urged the Federal Board of Revenue to allow adjustment in the sales tax refund with income tax liability. It was also advocated that there should not be multiple audits of a taxpayer and there was no need to conduct audit under Section 25, if a detailed investigation of a registered person had already been conducted.

It suggested that commercial connections of gas and electricity provided to non-filers should be cut off.

Published in The Express Tribune, May 5th, 2019.

https://tribune.com.pk/story/1965806/2-icap-documenting-farm-income-imposing-digital-tax/

ST RATE CUT ON POL PRODUCTS: GOVERNMENT TO SUFFER RS 5 BILLION REVENUE LOSS FROM MAY 1-5

WASIM IQBAL & SOHAIL SARFRAZ | MAY 5TH, 2019 | ISLAMABAD

The government would suffer an estimated revenue loss of Rs 5 billion on account of reduction in sales tax rate on petroleum products from May 1-5, 2019. To keep prices constant pending a final decision by the cabinet the Federal Board of Revenue (FBR) reduced sales tax rates on petroleum products from May 1-5, 2019 through a notification issued on April 30: from 17 to 12 percent on petrol, from 17 to 13 percent on high speed diesel oil, from 17 to 8 percent on kerosene and from 17 to 9 percent on light diesel oil.

In monthly review for April, the FBR had maintained GST at 17 percent on all petroleum products. The Economic Coordination Committee (ECC) of the Cabinet reduced sales tax by 5 percent in its meeting held on May 3 after the matter was referred to it by the cabinet with the notification to be issued after Cabinet approval expected on Tuesday.

Ogra had recommended ex-refinery sale price of petroleum products at standard 17 percent GST and petroleum levy on petrol and HSD. Ogra proposed PL at the rate of Rs 10 per litre on petrol, Rs 8 per litre for HSD, Rs 6 per litre for kerosene oil and Rs 3 per litre for LDO.

If the cabinet endorses the ECC decision price of HSD, most widely consumed fuel by public transporters will increase to Rs 122.32 from the current Rs 117.43 per litre. LDO would go up from Rs 80.54 to Rs 86.94 per litre while per litre price of kerosene oil will jump to Rs 96.76 per litre. The FBR late Saturday night increased sales tax rate to 17 percent on all petroleum products except petrol on which 12 percent sales tax would be charged from May 5, according to notification.

https://fp.brecorder.com/2019/05/20190505469964/

WHY DID GOVT SEEK RESIGNATION OF SBP GOVERNOR?

Ansar Abbasi May 5, 2019

ISLAMABAD: Prime Minister Imran Khan had sought resignation from reputed SBP Governor Tariq Bajwa without assigning any reason.

However, credible sources revealed that the Central Bank chief was not only found too tough for the IMF but was also under pressure to provide favourable documentation in a few cases of serious illegalities in financial matters, including that of a PTI leader presently under NAB's custody.

There were few demands of serious illegalities, which Tariq Bajwa refused to deliver. The sources said that Bajwa was told to give in writing something on behalf of State Bank that could save the "favourites" from criminal cases of financial nature. It is not known whether Prime Minister Imran Khan was aware of such illegal demands from the outgoing SBP Governor.

No reason was conveyed while seeking premature removal of Bajwa in violation of the State Bank Act, which guarantees stability of tenure for the Central Bank Regulator. Sources said that Bajwa when asked to quit had immediately resigned to avoid any confrontation between the government and SBP governor at a time when the country's economy is already going through really difficult times.

According to a source, Bajwa was also resisting to certain demands of IMF, which he strongly thought were not in national interest.

A cabinet minister, however, when c ontacted said that the government will soon formally issue a policy statement on these changes. On condition of not being named, the minister doubted that anyone in the Imran Khan government could dare to seek illegal favours from the SBP chief to save any financial criminality of any favourite.

Tariq Bajwa belonging to 1981 batch of DMG was considered pride of Civil Service of Pakistan and for the same reason it was after a very long time that a former civil servant was appointed State Bank governor.

In the civil bureaucracy, he was considered most professional, hardworking, upright civil servant and enjoyed respect across the board for his competence and gilt edged integrity. He served as Finance Secretary, Punjab, from 2011 to 2013, and managed Punjab public sector finance mostly immaculately.

During his tenures as FBR chairman and secretary finance, his role was critical in doubling the tax collection from Rs1,800 billion to almost Rs4,000 billion.

"In the present Pak team that is negotiating bailout package with IMF, Bajwa was considered the most experienced having technical competence, intellectual strength and moral courage to stand up to the juggernaut of IMF," a source said, adding that he was resisting further devaluation of rupee and heavy taxation being demanded by IMF programme negotiators.

It is feared that now with the induction of former world bank employee as Adviser Finance and existing employee of the IMF as Central Bank regulator, the present government is all set to sign the dotted line with IMF.

https://www.thenews.com.pk/print/467051-why-did-govt-seek-resignation-of-sbp-governor

INDEX HITS THREE-YEAR LOW IN WEEK ON IMF JITTERS

Danyal Haris May 5, 2019

Things are shaping up for another hot summer on Pakistan Stock Exchange, and there is a long way to go yet. An IMF team is in Pakistan to sort out nitty gritty of a possible bailout package. It will not going to be an easy ride for Islamabad.

The blue-chip KSE-100 share index is now negative for the year. The market remained red for the whole week, where all sessions closed red and investors remained cautious over ongoing talk with the IMF team. Moreover, not-so-excited corporate result season further push down the index. . Resultantly, benchmark index lost 2.71 percent during the week, closing at a three-year low index level of 36,123 points. Average volumes dropped 14 percent to 105 million shares and value traded fell 13 percent in regular market. Similarly, in future market volume dropped by 66 percent to 44 million compared to previous week of 128 million shares. Negative sector-wise contributions came from oil and gas exploration companies (308 points) amid fall in international oil prices, commercial banks (171 points), fertilizers (148 points), power generation and distribution (89 points) and oil and gas marketing companies (70 points).

On the flip side, sectors that contributed positively include tobacco (27) points and insurance (5 points). Scrip-wise negative contribution came from PPL (125 points), OGDC (90 points), POL (78 points) and HBL (73 points). Whereas, positive scrip-wise contributions came from PSMC (24 points), PMPK (20 points), HMB (12 points) and PAKT (7 points). During the week, foreigners were net buyers of $4.76 million worth of shares. Among local investors, banks were net buyers of $1.71 million while mutual funds were net sellers of $13.4 million. Individuals on the other hand were net buyers of US$2.2 million.

Engineering, oil and gas exploration and refineries were major sectors to underperform the declining index, while tobacco and cable and electrical goods were the best performing sectors during the week. Fauji Foods Limited was the worst performing stock, losing 11 percent after Inner Mongolia Yili Industrial Group Company Limited withdrew its intention of acquiring a 51 percent stake.

Concerns over ongoing talks with the IMF regarding a potential bailout package kept investors on the back foot. The next round of technical talks with the IMF will commence during the month for bailout package and finalization is probable at the end of the month.

“We foresee the market to continue languid until any positive sentiments boost investors’ confidence,” said an analyst at Habib Metro-Finance Limited. “Therefore, staying on the sidelines with ample liquidity for value hunting in blue-chip stocks is a wise strategy.”

Analysts said volumes usually dry out in the month of Ramzan given shorter trading hours. Albeit, with budgetary proposals following in, we believe certain sectors/scrips may come under limelight,” Habib Metro analyst said. “Whereas, staff level agreement of the IMF program is expected to restore confidence of the market. We advise investors to accumulate stocks with a long term view.”

Another analyst at BMA Capital Management said the upcoming week is expected to see investors attuned to news flow on the progression towards the IMF program.

"Fresh macro data points such as trade figures and key sectoral offtakes (fertilizer and autos) might be keenly tracked," he said. "With the FATF meeting scheduled for 15-May'19 and initiation of shorter trading hours owing to advent of Ramadan, we eye muted market activity."

https://www.thenews.com.pk/print/467085-index-hits-three-year-low-in-week-on-imf-jitters

PUBLIC DEBT SURGES RS3.6TR TO A HEFTY RS27.8TR

By Shahbaz Rana Published: May 4, 2019

ISLAMABAD: The government has added Rs3.6 trillion in public debt as of end March, taking total stock to Rs27.8 trillion, which is not in line with Prime Minister Imran Khan's promise to reduce the debt pile by one-third at the end of his term.

The central government's debt grew at a pace of 14.8% from July through March of this fiscal year, reported the State Bank of Pakistan (SBP) on Friday. The double-digit growth in the debt stock would not bode well for the government of Prime Minister Imran.

From July through March 2018-19, the government on an average added Rs13.2 billion a day to its debt, which included almost seven and a half months of Pakistan Tehreek-e-Insaf (PTI) government.

The accumulation of debt is the direct result of the gap between expenditures and revenues, which is widening due to the inelasticity in debt servicing and defence needs and the Federal Board of Revenue's (FBR) failure to enhance revenue collection.

In the first nine months of the current fiscal year, the FBR suffered a shortfall of Rs300 billion in revenue collection, which further widened to Rs345 billion at the end of April. The FBR's tax collection grew at a pace of slightly over 2%, which should also be a concern for PM Imran.

A source in the Prime Minister's Office told The Express Tribune that senior level changes in the FBR were expected soon.

During an interaction with media persons over a month ago, the prime minister had said that he planned to bring down the debt stock to Rs20 trillion from what he claimed Rs30 trillion at the end of June 2018.

The premier on Wednesday again blamed the governments of the Pakistan Peoples Party (PPP) and the Pakistan Muslim League-Nawaz (PML-N) for increasing the public debt to Rs30 trillion.

Imran's claim that the PML-N left the public debt at the level of Rs30 trillion is factually incorrect, as the SBP record showed that the gross public debt by June 2018 was Rs24.2 trillion, said former finance minister Ishaq Dar on Thursday.

Dar also said that the PM gave a false statement by claiming that the gross public debt would be brought down to Rs20 trillion. The figures that PTI government shared with the International Monetary Fund (IMF) showed that the gross public debt would jump by another Rs11 trillion to Rs36 trillion within three years, said Dar.

The international financial institutions and the Ministry of Finance do not see a sharp reduction in the debt level that even as percentage of Gross Domestic Product would remain above 70% of GDP by 2023.

The external debt of the central government increased 23.5% to Rs9.63 trillion in first nine months of the current fiscal year. There was a net increase of Rs1.83 trillion in the external debt, largely due to currency depreciation and fresh external borrowings.

In June 2018, the value of a dollar was equal to Rs121.54, which reached Rs140.7 to a dollar by the end of March, according to the central bank.

The Rs9.63-trillion external debt does not include loans of $9.2 billion obtained from China, Saudi Arabia and the United Arab Emirates. Those loans are the responsibility of the central bank.

The ballooning public debt remains a concern due to the previous government's inability to attract non-debt creating inflows and enhance tax revenues. The PTI government is also struggling to enhance exports despite around 35% depreciation of rupee since December 2017.

The most worrisome aspect was the continued growth in the short-term domestic debt, which exposed the government to refinancing and interest rate risks. The federal government's total domestic debt increased to Rs18.24 trillion, an addition of Rs1.8 trillion or 10.7% in nine months of the current fiscal year.

The share of short-term public debt slightly decreased to 56.2% or Rs10.27 trillion by the end of March. In June last year, the short-term domestic debt stood at 54.1% or Rs8.9 trillion. The short-term debt grew Rs1.4 trillion or 5.5% in nine months.

In the first nine months of the current fiscal year, the federal government's debt acquired through Market Treasury Bills (MTBs) from commercial banks massively decreased after it shifted financing to the central bank. The government's total borrowing through MTBs decreased Rs2.3 trillion to Rs3 trillion. The MTBs issued to borrow from the central bank rose to R7.24 trillion, a net addition of Rs3.64 trillion or 101% from July through March.

The retirement of the central bank debt is an outstanding issue during ongoing talks between Pakistan and the IMF.

The long-term debt, which was earlier shrinking, also went up 5% to Rs7.9 trillion. The debt contracted through National Saving Schemes increased by 8.2% to Rs3 trillion as of end March.

Published in The Express Tribune, May 4th, 2019.

https://tribune.com.pk/story/1965219/2-public-debt-surges-rs3-6tr-hefty-rs27-8tr/

SENATORS SLAM GOVT FOR TAKING $1.88BN LOANS IN FIVE MONTHS

Iftikhar A. Khan May 01, 2019

ISLAMABAD: The Pakistan Tehreek-i-Insaf government came under fire in the Senate for what the opposition called mismanagement of the economy, with senators observing that the policy of reckless borrowing will get the country nowhere.

The criticism came after the government conceded that it had obtained foreign loans amounting to $1.88 billion in just five months.

The information shared with the House shows that mark-up of the loans obtained between September 2018 and January 2019 ranges between 0.5 and 5.7 per cent.

Opposition senator terms economic situation in 'Naya Pakistan' horrendous, with four million more people feared to fall below the poverty line

The worst criticism of the record loans was made during the discussion on an adjournment motion of Senator Sherry Rehman on the whopping current account deficit that finally came on the agenda after eight months.

Alleging that the government was using its influence in ensuring that the adjournment motions on financial matters are not timely taken up, Ms Rehman said the economic situation in 'Naya Pakistan' was astonishing and horrendous. She said the government appeared to be set to announce a third budget within a year.

A deal with the International Monetary Fund (IMF) had been struck on dubious terms as they had not been shared with the elected representatives so far, she said. Another four million people were feared to be included in the list of those living below the poverty line, she added.

The PPP senator reminded the house that Imran Khan before becoming the prime minister had promised to the nation that he would break the begging bowl and would prefer to commit suicide instead of going to the IMF for a bailout package.

She said the budget deficit had reached Rs1.6 trillion in April 2019. She slammed the government for increasing petroleum prices and gas and electricity tariff.

Speaking on the motion, Senator Javed Abbasi of the Pakistan Muslim League-Nawaz was of the opinion that Asad Umar had been removed from the office of finance minister under IMF pressure. He regretted that the person who had replaced him was not answerable to parliament, while people of high stature within the party had been ignored in a bid to form a government of technocrats.

Winding up the discussion on the adjournment motion, Minister for Revenue Hammad Azhar criticised the opposition lawmakers for quoting 'wrong figures' of the economy while taking part in the debate.

Referring to the mover of the motion, Mr Azhar said that her remarks that the current account deficit at present decreased because the PTI government had taken excessive debts were "wrong". "What is the relationship of debts with the current account deficit?" he asked and quickly added that there was no relation between them. He alleged that the opposition wanted to waste the time of parliament.

The revenue minister said the present government's internal borrowing was less than the corresponding year and its external borrowing was half as compared to last year's.

Quoting the statement of Senator Abbasi against the government for going to the IMF for a bailout package, Mr Azhar said: "They knew because the last PML-N government had left the country's economy in crisis."

Blaming the last government for the economic situation, the minister said circular debt, current account deficit and the losses of public sector enterprises considerably increased during the last government. "The country's loans increased from Rs6,000bn to Rs28,000bn during the last 10 years of PPP and PML-N rule," he said. He took a jibe at the PPP for changing four finance ministers during its last tenure and said: "Now they are taunting us for replacing the finance minister." He reminded the opposition parties that the previous PPP and PML-N governments took IMF packages for multiple times during their tenures.

The minister claimed that the PTI government had taken several steps to bring the economy on right track with actual figures. He accused the last PML-N government of having involved in fudging figures of economy. All previous governments had been involved in rupee devaluation. At present, he claimed, current account deficit and trade deficit were decreasing. “Pakistan’s economy will soon be on the high growth trajectory,” he said.

Mr Azhar said the government would brief the finance committee on IMF bailout package once the deal was finalised. He said the successive governments approached the IMF 17 times before it, but parliament had never been taken into confidence.

Published in Dawn, May 1st, 2019

https://www.dawn.com/news/1479458/senators-slam-govt-for-taking-188bn-loans-in-five-months

HAFEEZ SHAIKH’S BUDGET

Khaleeq Kiani April 29, 2019

As the long-suspended negotiations with the International Monetary Fund (IMF) resume today, Pakistan will be committing to a robust, painful and frontloaded adjustment plan to secure a $6-8 billion three-year bailout package for the revival of external flows blocked for almost a year.

The talks were suspended in November last year.

A strong revenue effort matching more than 1.2 per cent of GDP, including a move to the single value added tax (VAT) regime, completion of at least seven divestment transactions, auction of 3G and 4G telecom licences, reduction in subsidies, increase in energy prices and a relative free-float of the exchange rate are some of the key performance indicators firmed up by the authorities for the first year.

Interestingly, the prime minister’s adviser on finance, Dr Abdul Hafeez Shaikh, will be resuming a task he had left unfinished in February 2013 — the introduction of the VAT regime that was then called reformed general sales tax (RGST) — a key reason for the termination of an IMF programme.

Bringing real estate and agriculture sectors under the effective tax net by the provinces was another critical initiative that never materialised. Stopping the bleeding in public-sector entities was one of the top agenda items on his plate then. It will be no different now. He is in his familiar boat.

The finance adviser will be resuming a task he had left unfinished in February 2013: introduction of the value-added tax

The government will be committing to the sale or divestment of seven key entities in the first year of the IMF programme ie 2019-20. The sub-optimal performance of a majority of these entities has been causing financial losses and eating up resources from the budget that can otherwise be spent elsewhere for productive output.

Privatisation will be presented as a key action point of the medium-term economic framework. First-year privatisation transactions include the sale of two RLNG-based power plants (Baloki and Haveli Bahadur Shah) in Punjab, two small banks (SME Bank and First Women Bank), two real estate units

(Services Hotel Lahore and Jinnah Convention Centre Islamabad) and 18pc shares of Mari Petroleum. The two power plants alone are expected to fetch about Rs200 billion.

The privatisation of oil, gas and power companies, industrial units like Pakistan Steel, financial and investment companies, Pakistan Railways and Pakistan International Airlines is not being promised at this stage for want of restructuring or revival through Sarmaya Pakistan Holding Company.

The new fiscal adjustment reform programme will also envisage additional non-tax revenue measures like recovery of arrears and smoothening of the Gas Infrastructure Development Cess (GIDC), speedy adjudication of tax-related cases through the alternative dispute resolution mechanism, auction of 3G and 4G telecom licences and timely realisation of dividends, profits interest receipts etc.

A fund is being proposed for the State Bank of Pakistan (SBP) so that the regulator can have a sort of manoeuvrability with the exchange rate within a month or quarter to address unusual movements. Besides, it will allow the central bank to move towards inflation-targeting monetary policy in line with international best practices.

Energy prices will see further upward adjustments, beginning perhaps before the federal budget for 2019-20. Their quarterly and biannual revision schedules will be fully restored with an additional provision to allow the automatic notification and implementation of gas and electricity rates on the day of tariff determinations by the relevant regulators.

The government’s medium-term framework also envisages additional revenue generation of almost 2.6pc of GDP in three years. Of this, the federal government will raise about Rs1.1 trillion or 2.3pc of GDP. Almost half of this — 1.1pc of GDP or nearly Rs500bn — is being committed for the first year. The government will roll out measures for this purpose in the upcoming budget for 2019-20.

A major contribution of about 0.4pc of GDP or Rs180bn to this target will flow from the shift to the single VAT regime in the first year. The remaining 0.4pc (Rs180bn) is expected through the strengthening of the FBR formations, cleansing of databases, data mining, efficient enforcement/process reengineering and taxpayer facilitation. About 0.3pc of GDP is targeted through the removal of tax exemptions and rationalisation of tax credits.

This will be followed by 0.9pc of GDP additional revenue generation in 2020-21 and then 0.3pc in 2021-22. Provincial taxes are supposed to go up by 0.1pc of GDP every year to achieve 1.6pc tax-to-GDP ratio in 2021-22 from the current year’s 1.3pc.

Broadly, measures expected to deliver the targets include a drastic reduction in tax expenditures through the removal of exemptions and excessive credits from income tax, sales tax and federal excise duty laws and moving to a single sales tax (VAT) regime by doing away with special procedures and reduced rate taxation.

Other policy and reform initiatives will include a reduction in the number of withholding taxes, which are hurting the banking sector while making an insignificant contribution towards revenue. Other measures include freezing the corporate tax rates at 30pc or 29pc and increasing the expanse of federal excise duties. This will also need the strengthening of the FBR’s field formations through investment in IT/physical infrastructure and training by increasing investment from 0.68pc of the revenue collection to at least 1.25pc in three years.

The authorities believe that the present arrangement of four provincial and one federal bodies looking at the goods and services tax have increased the cost of doing business. They will, therefore, ensure a single tax collection agency, a single tax return and a single auditing authority to cut compliance costs.

Considering their critical role in resource mobilisation from sales tax on services and the agriculture sector, the provinces will be required to enhance the tax yield from these two segments besides improving the base of urban immovable property taxpayers.

Published in Dawn, The Business and Finance Weekly, April 29th, 2019

https://www.dawn.com/news/1479113/hafeez-shaikhs-budget

PAKISTAN, IMF OPEN BAILOUT TALKS TODAY

By Irshad Ansari Published: April 29, 2019

ISLAMABAD: Pakistan and International Monetary Fund (IMF) will formally begin talks on a three-year bailout package for economic reforms from Monday (today).

The IMF mission led by the director for the Middle East and Central Asia Ernesto Meris is scheduled to reach Pakistan on Monday (today) with an expected stay until May 7.

The review mission will analyze economic data and engage in policy level discussions with Adviser to PM on Finance Dr Abdul Hafeez Shaikh during which terms and conditions of the programme will also be determined. If successful, the mission will sign a letter of intent with Pakistan.

According to details, the ministry of finance has finalized the summary of data obtained from various institutions including the Federal Board of Revenue (FBR) for talks with IMF.

The Pakistan team led by Finance Secretary Yunus Dhaga will engage with IMF delegation for technical level discussions based on data and statistics for the first nine months of the current fiscal year.

The IMF mission will be briefed over the progress of economic targets to reach a consensus and presented with the recommendations for the federal budget for the next fiscal year 2019-20, while budget strategy paper and mid-term economic framework will also be discussed.

The IMF has been pressing Pakistan to increase its tax-to-GDP ratio to 13.2 percent. Sources say that Pakistan has assured IMF of raising its tax collection to 12.7pc of GDP.

The government is expected to hold an extensive discussion on revenue framework according to which new taxes amounting to Rs729 billion are being considered for the next federal budget.

The framework also proposes tax relief for the exports and manufacturing sector. It is expected that an increase of 1.4pc in taxes of GDP would be made during the next year.

In addition, revenue amounting to 0.3pc of GDP will be made after improvements in tax administration and enforcement.

As per budgetary recommendations, additional collections from Inland Revenue taxes will be Rs634 billion while Rs95 billion in customs duty.

For Inland Revenue, Rs334 billion are expected to be additionally imposed under the bracket of income tax while new taxes amounting to Rs150 billion each is considered under the heads of sales tax and federal excise duty (FED) while Rs95 billion in additional customs duty are also under review.

The IMF mission will also be briefed on the increase in electricity tariff, purchasing power of rupee and change in the terms and conditions for a loan adjustment.

However, the biggest challenge here is to brief the mission about loan arrangements made from China, sources said, adding that the mission will be told about the strategy to deal with the Rs350 billion shortfall in revenue collections during the first nine months of the current fiscal year.

The mission will be briefed about additional revenue after the restoration of mobile taxes by the Supreme Court while probable collections from amnesty scheme and the subsequent documenting of the economy will also be discussed.

The mission will also be informed about the proposal for increasing the withholding period for capital gain tax on securities and immovable property. If implemented in the budget, the proposal will generate additional revenue of Rs20 billion while another recommendation for imposition of presumptive tax on offshore assets is also being reviewed with an expected tax collection of Rs5 billion.

A proposal for increasing the tax rate on custom duty may additionally contribute Rs47 billion in revenue while slabs of customs duty may also be rationalized after which additional Rs24 billion in taxes may be generated.

In addition, the recommendation for withdrawal of waiver in customs duty for LNG is also in the pipeline with a probable 5pc duty which can generate additional revenue of Rs24 billion.

https://tribune.com.pk/story/1961617/2-pakistan-imf-open-bailout-talks-today/

NEWS COVERAGE PERIOD FROM MAY 6th TO MAY 12th 2019

PM ASKS PUNJAB GOVT TO INVOLVE PRIVATE SECTOR IN UPLIFT PROJECTS

Mansoor Malik May 12, 2019

LAHORE: Prime Minister Imran Khan directed the Punjab government on Saturday to involve the private sector in its development projects as resources at the government’s disposal were limited.

Mr Khan was co-chairing a meeting of the Punjab cabinet with Chief Minister Usman Buzdar at the CM’s Secretariat.

During his daylong visit to Lahore, the prime minister met Mr Buzdar and Governor Chaudhry Mohammad Sarwar, and attended an iftar-dinner at the Shaukat Khanum Cancer Hospital.

Says government not planning to privatise hospitals

In the meeting of the provincial cabinet, Finance Minister Hashim Jawan Bakht briefed the prime minister on resource mobilisation and the use of public-private partnership initiatives for completing development projects planned for 2019-20.

Mr Khan said the Punjab government should try different public-private partnership models to ease the financial burden on the government. He also called for launch of projects aimed at increasing crop yields.

He said a one-window authority should be set up for facilitating investors. “The authority’s name has yet to be proposed but a committee was constituted to finalise recommendations,” he said.

Asserting that human resources were the country’s biggest strength, Mr Khan said the government needed to create more and more jobs for skilled and trained youths in the new development projects.

“Every development project should be aimed at serving the masses,” he added.

Acknowledging that meagre sums were allocated to the health and education sectors, the premier said the Rs12 billion going into the metro bus service as subsidy could have been better utilised had the money been diverted to the two social sectors instead.

Earlier, the prime minister met Governor Sarwar, Foreign Minister Shah Mehmood Qureshi, his son Zain Qureshi and others at the Governor House just before iftar.

The governor briefed the premier on a business plan aimed to offer the facilities at Governor House for corporate events. Mr Sarwar said a committee constituted for the purpose had recommended two options — allowing corporate events throughout the week or only on weekends.

The governor said the public could visit the lawns of the Governor House on weekends and another proposal was ready to allow guided tours inside its buildings. An approval was, however, required to go ahead with the plan.

Mr Sarwar said he was arranging iftar-dinners for people from different walks of life on a daily basis without using a single penny from the public resources. He said the iftar-dinners would continue till the 28th day of Ramazan.

Governor Sarwar also briefed Mr Khan on the political situation in the province and other issues including matters relating to legislation.

In a meeting with Chief Minister Buzdar, the prime minister discussed subsidy for the public in Ramazan bazaars in the province. The chief minister said 309 such bazaars have been established across the province, where daily-use items are available for people at subsidised rates.

At an iftar-dinner at the Shaukat Khanum Cancer Hospital, Mr Khan said the government planned to introduce a management system in government hospitals, which was in force in private hospitals, to ensure that poor people got decent healthcare facilities.

Criticising all those who were opposing the new regime of carrot and stick at public hospitals, the prime minister asked whether the critics wanted to deprive poor people of good treatment at government-run institutions.

“Will it not be an injustice to the poor masses, if public sector hospitals’ standards continue to decline and the private sector hospitals continue to mint money,” he wondered.

Asserting that decent facilities for the masses could not be ensured without changing the rotten management system existing in the government hospitals, Mr Khan said it did not mean the government wanted to privatise them. “This is definitely not the objective of the government,” he added.

Published in Dawn, May 12th, 2019

https://www.dawn.com/news/1481729/pm-asks-punjab-govt-to-involve-private-sector-in-uplift-projects

DOCUMENTING THE ECONOMY

Editorial May 12, 2019

THE new chairman of the FBR has laid down his priorities immediately upon arrival and put special emphasis on the documentation of the economy and broadening of the tax base. This is the right place to begin, though he will require a great deal of policy backing from the finance ministry as well as the office of the prime minister in order to make progress on this important objective.

The fact that there is an FBR chairman properly sensitised to the need for broadening the tax base is a step forward since it is the tax bureaucracy that has traditionally been a major obstacle in this area.

If Shabbar Zaidi can manage his end of the proposition, and is suitably supported at the policy level by the government, there could be renewed hope.

What is critical is to ensure that existing taxpayers are not made to bear the brunt of the enhanced revenue target that the government will have to pursue under an IMF programme.

It seems Mr Zaidi is aware of this since his first directive upon taking up his assignment was to prohibit the attachment of the bank accounts of businesses without prior approval from the office of the chairman. This practice had become too rampant of late, and FBR officers were undoubtedly getting overzealous in shaking down those in their clutches as pressure to bridge the revenue shortfalls mounted.

But beyond this, pursuing the undocumented transactions is going to be far more complicated than simply bridging the trust deficit between taxpayer and tax authority. There is no doubt that the new chairman knows this since there are ample public utterances of his own that testify to this. The leakages from the Afghan transit trade, to take one example, are commingled with the supply chain of consumer durables across Pakistan’s wholesale and retail sector. Even if the retailers wanted to declare the true value of their merchandise to the tax authorities, the fact that much of it has been purchased from smugglers would prevent them from doing so. There are other complications too, and at some point a stick will doubtless be required to urge people into compliance.

Automation of filing processes and minimising contact between taxpayer and tax collector are necessary steps, and will pave the way for more robust documentation efforts. But alongside these steps, policy support will be required.

In time, Mr Zaidi will need to speak more frankly with the government that appointed him, and explain to them the importance of acting independently of vested interests when crafting policy. He might also face political headwinds, especially if he begins to make genuine headway towards his goal. These could come from any direction because the rackets that will be impacted are agnostic to political affiliations. Let’s hope he is prepared and serious.

Published in Dawn, May 12th, 2019

https://www.dawn.com/news/1481775/documenting-the-economy

PER CAPITA INCOME SHRINKS 8.2% IN PTI'S FIRST YEAR

By Shahbaz Rana Published: May 12, 2019

ISLAMABAD: The per capita income has shrunk by 8.2% to three year's lowest level of $1,516 during the first year of the government of Prime Minister Imran Khan, which has also failed to address two structural problems of Pakistan's economy – low investment and saving rates.

In terms of size of the national economy, the investment ratio stood at 15.4% in the current fiscal year, which was even lower than last fiscal year's level and also the lowest level in three years. The Pakistan Tehreek-e-Insaf (PTI) government missed the investment-to-Gross Domestic Product annual target of 17.2%.

Both the public and private investment went down in the first year of the PTI government, suggesting that private investors were not showing their trust in the government.

The savings-to-GDP ratio target was also missed that remained at 11.1% of GDP. But the silver lining was that the savings were slightly better than the previous fiscal year due to relatively low current account deficit projected for the current fiscal year. The gap between total investments and savings is financed through foreign savings. The results are based on the working of the National Accounts Committee (NAC) that approved the provisional economic growth rate of 3.3% for the fiscal year 2018-19, ending on June 30. The PTI government has now missed the annual targets of economic growth, national savings, and investment.

Failure to achieve these crucial targets has limited the government's ability to spend on deteriorating infrastructure and social sectors from its own resources. This has inevitably increased the government's reliance on external and domestic sources to meet its requirements, resulting in mushroom growth in public debt in the past five years. The provisional estimates suggest that the per capita income shrank by 8.2% to $1,516. It was lower by $136 when compared with the revised per capita income estimates of $1,652 for the last fiscal year.

The per capita income is worked out by dividing the total national income with the number of people. Last time, in the fiscal year 2015-16, the per capita income had been recorded at $1,529.

The total size of the national economy is now estimated at $291 billion for this fiscal year – down from $315 billion a year ago. The size of the national economy in US dollar terms has also shrunk by nearly 8%. In rupee terms, the per capita income stood at Rs200,693 – up by 14%. The investment-to-GDP ratio stood at just 15.4% against a target of 17.2%, said the sources. The ratio was worse than last year's revised rate of 16.7%, they added. The government's inability to increase investment as a percentage of the total size of the national economy remains its biggest failure on the economic front, suggesting that the PTI government has not yet begun its journey towards addressing structural imbalances.

The private investment that had been recorded at 10.3% of GDP in the last year has also slipped to 9.8%, according to the Pakistan Bureau of Statistics (PBS) working. The government had a target to increase private investment to 10.8%. The public investment also shrank to 4% of GDP – down from 4.8%, due to steep cut in development spending by the federal and provincial governments. Fixed investment remained at only 13.8% of GDP in the fiscal year 2018-19 against the target of 15.6%. It was down by 2% from last year's level.

Savings increased to 11.1% of GDP – far below the target of 13.1%. In the last fiscal year, savings were recorded at 10.4% of GDP.

Due to low savings and investment ratios, Pakistan's current account deficit is now projected to widen to 4.3% of GDP – better than last year's level of 6.3%. These figures of investment and savings would be officially published in the Economic Survey of Pakistan 2018-19, likely to be unveiled on June 10.

Pakistan has one of the lowest investment and saving rates in the region and the world, obstructing progress towards a sustainable inclusive economic growth path.

Published in The Express Tribune, May 12th, 2019.

https://tribune.com.pk/story/1970984/2-per-capita-income-shrinks-8-2-ptis-first-year/

POOR INDUSTRIAL POLICY MARGINALISES MANUFACTURING SECTOR

Mansoor Ahmad May 12, 2019

LAHORE: Absence of a well-defined industrial policy has marginalised the manufacturing sector that continues to concede the domestic market to smugglers or under-invoiced imports. The surviving industries cannot scale up, as they are denied level playing field.

Industrial policy is not only to provide land, infrastructure and communication facility. The policy in fact has to ensure that the investors committing their resources have fair opportunity of marketing their products competitively.

The government has to make certain that no producer under reports production to evade levies. At the same time, it has to safeguard the interests of domestic producers by strictly curbing under-invoicing and smuggling. Investors feel uncomfortable, as long as smuggling and under-invoicing continues.

A glaring example in this regard is the tyre manufacturing sector that commands only 20 percent of the domestic tyre market of 13.5 million four wheelers, pickups, buses, tractors, trucks etc. The most interesting point in this regard is that the share of smuggled tyres in Pakistani market is 45 percent and that of under-invoiced imports is 25 percent.

Even the 20 percent market that local manufacturers command is because the state has mandated that car, bus, truck and tractor manufacturers use locally produced tyres in their vehicles or pay higher duty on imported tyres. This has provided a guaranteed 1.2 million market to the domestic tyre industry. It is worth noting that the state protects the domestic industries through protective duties on imported items. The importers are required to pay not only the import duty, but 17 percent general sales tax on duty paid value.

Domestic producers have only to pay same percentage of GST as charged from the importers.

This on paper looks a reasonable protection, but the protection is nullified if the imports are made at absurdly low value or the goods are smuggled into the country without paying any government levies.

It is because of the menace of under-invoicing and smuggling that despite producing quality tyres, the domestic producers remain hesitant to enhance capacities as they have already been booted out of the market in many tyre sizes because of under-invoicing and smuggling.

Smuggling and under-invoicing may fall under different departments, but the Ministry of Industry and Production should raise voice against these malpractices. Smuggling culture in the country is so deep rooted that even on items where the duty has been abolished the importers dare not import them.

For instance, the import duty on bus and truck tyres from China is zero. Still the import in this category is nil. The smugglers save the 17 percent duty, with which the importers, even after gross under-invoicing, cannot compete.

The situation in the tyre industry is very sad. There are three major tyre manufactures, General Tyre, Service Industries, and Panther.

General is in four wheels mainly, Services and Panther dominate the 28 million motorcycle tyre market.

An interaction with all the three manufacturers revealed that they were very much interested in enhancing their capacities, but could not compete with the smugglers or under-invoiced imported tyres.

To buy local tyres, the original equipment manufacturers have to get approval from their principle office for any local component that they use in assembling of vehicles. Pakistan tyres are being used in these vehicles because the foreign principles have approved their quality. This adequately addresses the quality issue.

General Tyre Company CEO Hussain Kuli Khan said Pakistani consumers were being cheated by some importers, who brought in tyres that were meant for use in extreme cold weather in Europe. He said these tyres were used for three months in extreme cold and then discarded.

These tyres, if used in Pakistan's extreme heat tend to burst. He claimed that imported tyres were involved in all the cases of tyre burst in Pakistan.

The four-wheel tyre market was expanding at a healthy rate of seven percent per year in Pakistan, and two-wheeler tyre market in Pakistan was expanding by 12 percent per annum. Expansion was on hold by all the companies because of malpractices in imports.

The major source of smuggling of bus and truck tyres was the Afghan Transit Trade. The Afghans import many times more quantity of tyres than the demand in Afghanistan. The government should control it through technology.

https://www.thenews.com.pk/print/470062-poor-industrial-policy-marginalises-manufacturing-sector

ECONOMIC PROSPECTS

Mehtab Haider May 12, 2019

Pakistan's economy is faced with three major challenges — coming to agreement with the IMF on fresh bailout package, crucial upcoming review of Financial Action Task Force (FATF) and finalisation of next budget for 2019-20. At the same time, the PTI-led government chose to oust key players of its economic team.

This process of changing the economic team started after Asad Umar's return from Washington after attending annual meeting of IMF/World Bank. He was asked by Prime Minister Imran Khan to change his ministerial portfolio but he opted to step down. Everyone expected that the economic team would be changed after finalisation of IMF talks and announcement of the upcoming budget. But things started unfolding before that.

The timing of showing the door to key members of economic team in the middle of IMF talks shocked everyone, including top policy makers as no one was expecting this abrupt move without considering complexities of the ongoing parleys with the IMF.

The IMF mission is in Islamabad for technical talks. It was surprising for everyone when the former Governor State Bank of Pakistan (SBP), Tariq Bajwa, was summoned by the prime minister on May 3 when he was holding parleys with the IMF team. The premier told him to tender his resignation. The governor of central bank cannot be removed under State Bank of Pakistan Act 1956 with a stroke of pen.

However, Tariq Bajwa told this scribe that he opted to resign because he did not want confrontation of SBP with the government at a time when the economy was in bad shape. So he felt relieved after opting to resign, he said, adding, once he had asked the PM in his first meeting that if the government desired he could resign but he was asked to continue his work.

The PTI quarters had always considered Bajwa a bureaucrat close to former rulers belonging to the PML-N. It is perceived that Tariq Bajwa was not willing to do things the way the government wanted to do in cases related to fake bank accounts. It was also alleged that he had devalued rupee without taking the federal government into confidence. But it proved wrong as he had always consulted with the then finance minister, Asad Umar, before allowing market to make adjustments in the currency market. On discount rate, it is argued that the SBP had almost doubled the policy rate, bringing it up from 5.75 to 10.75 percent in order to suppress demand, even ignoring core inflation.

It is also believed in Islamabad circles that the top changes in the economic team were brought on the wish of the IMF/World Bank. When contacted, IMF Resident Representative in Pakistan, Teresa Daban Sanchez, said, "The resignations and appointments of senior officials are entirely the decisions of Pakistani authorities."

One top official who dealt with the International Financial Institutions (IFIs) said the international lenders talked to the Pakistani authorities instead of any individual.

Presenting the next budget in line with the IMF conditions as well as avoiding burdening of low and middle income groups will be another challenge for the incumbent rulers and policy makers in order to avoid any political upheaval on streets of Pakistan.

Before the unceremonious removal of Chairman FBR Mohammad Jehanzeb Khan, the tax collection machinery had faced a revenue shortfall of Rs355 billion during first ten months (July-April) period and it was projected that this shortfall could go up in the range of Rs450 to Rs485 billion till end June 2019.

As a matter of fact the shortfall was expected from day one of the current fiscal year mainly because the advances were obtained to show inflated revenue collection of the last financial year. The tax incentives were provided in the last budget but the PTI-led regime never made any effort to rectify the blunders despite tabling two supplementary budgets during the course of the ongoing financial year.

It is also a fact that the FBR failed to undertake any exercise for broadening of tax base in an effective manner and if any campaign was launched on the pressure of Prime Minister Imran Khan, it was left halfway. It was just an eye-wash to send notices to high net worth individuals but it was done in haste and without proper homework.

The FBR officials were clueless about defending this massive shortfall in a year when the economy was moving slowly as the Large Scale Manufacturing (LSM) showed negative growth of 2.4 percent. However, there is still potential of increase in revenue collection in a country where the volume of black economy is beyond imagination. But revenue collection cannot improve with demoralised workforce of the FBR.

Now the government has appointed Reza Baqir as new Governor SBP and Shabbar Zaidi as Chairman FBR. There are enormous challenges lying ahead. First of all, Pakistan's economic managers will have to strike a deal with the IMF on favourable conditions.

The IMF, which is considered a last resort for countries facing balance of payment crisis, does not lend money on the wish of recipients. However, finance advisor and renowned economist Dr Hafeez A Pasha has suggested to the government to convince the IMF on staggered adjustment policy over a period of 2 to 3 years. If the IMF wants to slap taxes to fetch Rs700 billion to generate revenues it would further slowdown the economy. The fiscal adjustments, he said, should be done in a gradual manner but it will remain a major challenge for the economy when the budget deficit is expected to escalate in the outgoing financial year. The conversion of primary deficit into surplus will be a major daunting task under the IMF programme.

The second most important target will be related to Net International Reserves (NIR) to jack up foreign reserves held by the SBP on quarterly basis. If the SBP is required to buy dollars from the open market to meet its NIR target, it will increase demand of dollarisation and could cause hike in exchange rate.

Third, the withdrawal of subsidies for energy sector and erasing of circular debt will be another condition if Pakistan and IMF agree on staff level agreement for fresh bailout package of $6.5 billion.

The smooth sailing from FATF's upcoming review is another daunting task lying ahead for the country's economic managers as Pakistan cannot afford to slip into category of blacklist having far reaching negative impact on the economy of Pakistan.

Finally, presenting the next budget in line with the IMF conditions as well as avoiding burdening of low and middle income groups will be another challenge for the incumbent rulers and policy makers in order to avoid any political upheaval on streets of Pakistan.

Now is the time to undertake required structural reforms instead of delaying it by increasing dependence on foreign loans. The approach of status quo will provide us no solution so let's work together to find out-of-box solutions to our decades-old problems.

http://tns.thenews.com.pk/economic-prospects/#.XNk9ahQzbcs

2013-18 PERIOD: INTEREST ON DEBT STANDS AT $6.881 BILLION, NA TOLD

NAVEED BUTT | MAY 11TH, 2019 | ISLAMABAD

The total amount of interest on foreign debt of Pakistan from 2013 to 2018 stood at $6.881 billion while from 2009 to 2012, the amount of interest was $3.782 billion. In a written reply to a question, the finance minister told the National Assembly Friday that the principal amount of foreign debt from 2013 to 2018 was $ 28.1 billion and from 2009 to 2012, it was $7.94 billion.

In another written reply, the minister said that Pakistan Tehreek-e-Insaf (PTI) government received $3 billion loan for balance of payment support and $3.24 billion for deferred payment oil financing from the Kingdom of Saudi Arabia. He said that Pakistan has obtained $2 billion from the United Arab Emirates.

He said that the terms and conditions of the above financial packages are: (i) Saudi Arabia deposit of $3 billion is for one year at a profit rate of 3 percent per annum. $3.24 billion deferred payment oil

Financing facility is for three years at a profit rate of 3.8 percent per annum. The UAE deposit of $2 billion (USD 1 billion for two years and USD 1 billion for one year) is at a profit rate of 3.0 percent per annum. Meanwhile, Foreign Minister Shah Mahmood Qureshi said that Pakistan had released 360 Indian fishermen in the month of April alone as a peace gesture.

Responding to the calling attention notice in the National Assembly, Qureshi said that it is a humanitarian issue adding, “India wants provocation while Pakistan wants de-escalation.” He said, “Pakistan has actively been taking up the issue of release of its prisoners languishing in Indian jails.”

He said India tried to escalate the situation following Pulwama incident, despite the fact that Pakistan had no connection with it and this has been recognised by the world as well. Qureshi said that Pakistan”s strategy has remained to defuse tension with India through goodwill gesture such as the release of Indian pilot as well as 360 Indian fishermen.

Parliamentary Secretary for Foreign Affairs Andleeb Abbas told the House that 585 Pakistani prisoners including 210 fishermen are languishing in Indian jails. She further said that India will release four Pakistani fishermen on Tuesday.

https://fp.brecorder.com/2019/05/20190511472224/

”SIZE OF PARALLEL ECONOMY IS OVER 30 PERCENT”

RECORDER REPORT | MAY 11TH, 2019 | ISLAMABAD

Chairman Federal Board of Revenue (FBR) Shabbar Zaidi said on Friday that size of the parallel economy is over 30 percent, which needs to be brought into the formal regime. Talking to reporters at Ministry of Finance, he said that nobody could exactly estimate the size of the parallel economy. “Some say that the size of the parallel economy is 30 percent or 40 percent; however, in my personal view, the size of the parallel economy is over 30 percent.”

About the amnesty scheme, he said that it would be the decision of the Prime Minister and finance minister about the date for launching of the amnesty scheme. When asked about meetings with the IMF team, he said, “I have explained IMF about the Pakistan”s tax system.”

To a question on withdrawal of Rs 700 billion tax exemptions, he said, “We will do what is better for the people of Pakistan. The government will not take any decision which is not better for the people of the country. The Prime Minister and Parliament will approve budget proposals to be finalised.” To a question, he said the FBR has not given any amnesty to real estate sector to legalise money/assets on payment of one percent tax.

He added that the existing taxpayers would be given due respect and those who are not in the tax system would be brought into the tax system. When asked about the reforms, he said that the word reform has been over used. “It is our intention and compulsion to bring undocumented economy into the formal economy. When the undocumented economy would come into the documented regime, the tax base would automatically be expanded.”

https://fp.brecorder.com/2019/05/20190511472257/

ECONOMY SUFFERS MAJOR SETBACK IN FY19, GROWTH RATE SLOWS TO 3.3PC

Mubarak Zeb Khan Updated May 10, 2019

ISLAMABAD: Pakistan’s economy suffered a major setback with all key sectors failing to perform according to expectations resulting in just 3.3 per cent economic growth rate, significantly short of 6.2pc growth target for the year 2018-19.

“Growth of agricultural, industrial and services sectors is 0.85pc, 1.4pc and 4.7pc respectively,” said an official announcement on Thursday, painting a dismal performance of the overall economy in the first year of Pakistan Tehreek-i-Insaf government. “The provisional growth of GDP for the year 2018-19 has been estimated at 3.3 pc”.

The government has anticipated 3.8pc in agriculture, 7.6pc in industry and 6.5pc in services, thus target of 6.2pc GDP growth. All these targets fell flat.

These figures were framed in the 101st meeting of the National Accounts Committee — chaired by Secretary Planning, Development and Reform Zafar Hasan — to review the Gross Domestic Product (GDP). Provisional estimates for the year 2018-19 for GDP and Gross Fixed Capital Formation (GFCF) have been presented on the basis of the latest data available for six to nine months.

As per the available data, the crop sector faced the consequences of acute water shortages during the first half of the 2018 and thus only wheat depicted positive growth of 0.5pc and cotton, rice and sugarcane witnessed negative growth at -17.5pc, -3.3pc, and -19.4pc, respectively.

Other crops (such as onion, tomatoes and fruits) showed growth of 1.95pc mainly because of increase in production of pulses and oil seeds. Livestock sector registered a growth of 4pc whereas forestry has grown at 6.5pc due to increase in production of timber.

Agriculture sector is targeted to grow by 3.8 percent on the basis of expected contributions of Important Crops (3pc), other crops(3.5pc), cotton ginned (8.9pc), livestock (3.8 pc), fisheries (1.8 pc) and forestry (8.5 pc). All these targets were missed except the one related to livestock.

The overall industrial sector on the other hand showed an increase of 1.4pc. The mining and quarrying sector declined by 1.96pc. The large scale manufacturing (LSM) sector, which is driven primarily by QIM data (from July 2018 to February 2019), showed a contraction of 2.1pc.

Electricity and gas sub-sector has grown by 40.5pc mainly due to better performance of Wapda and distribution companies and IPPs. The construction activity has decreased by 7.6pc.

Industrial sector is targeted to grow by 7.6pc during 2018-19. Manufacturing sector is targeted to grow by 7.8pc with LSM growth rate of 8.1pc, small scale and household manufacturing 8.2pc, construction 10pc and electricity generation and distribution and gas distribution by 7.5pc.

Services sector remained major contributor to economic growth as its value added increased by 4.7pc. Within services sector, wholesale and retail trade sector grew by 3.1pc whereas transport, storage and communication sector has registered a growth of 3.3pc.

Finance and insurance sector shows an overall increase of 5.1pc on account of positive contributions from scheduled banks (5.3pc), non-schedule banks (24.6pc) and insurance activities (12.8pc) despite decline in central banking by 12.5pc. General government services has grown by 7.99pc and other private services, a set of computer related activities, education, health and social work, NGOs etc. has contributed positively at 7.1pc.

Published in Dawn, May 10th, 2019

https://www.dawn.com/news/1481373/economy-suffers-major-setback-in-fy19-growth-rate-slows-to-33pc

MOVE TO WITHDRAW RS700BN TAX EXEMPTIONS, SAYS OFFICIAL

Kalbe Ali Updated May 09, 2019

ISLAMABAD: With Pakistan and the International Monetary Fund (IMF) scheduled to conclude a staff-level agreement on Friday, the two sides agreed on Wednesday that the country would withdraw tax exemptions amounting to Rs700 billion within two years.

During their discussions on Wednesday, the two sides worked out a financing gap of around $11 billion for the next fiscal year, 2019-20.

Under the understanding, the government will start withdrawing exemptions offered in various taxes amounting to around Rs350bn in the budget for 2019-20.

The two sides also agreed that Pakistan would increase costs of electricity and gas for the consumers in the next budget.

It has been agreed that the power sector regulator, the National Electric Power Regulatory Authority (Nepra), would be made autonomous and the government interference to take popular decisions would be minimised.

Electricity, gas tariffs will be increased, IMF assured

An official of the finance ministry confirmed that the financing gap for the next fiscal year had been projected at $10-$11bn.

The official said the demand of the IMF for an increase in policy rate by 100-200 basis points was also agreed upon.

The policy rate is the interest rate announced by the State Bank and is seen as a monetary policy instrument to regulate the availability, cost and use of money and credit.

Various measures aimed to build up foreign exchange reserves too have been agreed upon.

The ministry official added that the IMF team pitched the GDP growth and current account deficit (CAD) on the lower side during the negotiations; however a middle path was agreed upon.

The IMF was earlier stressing that CAD should be in the range of $4-$6bn, said the official. However, it was agreed that the deficit would be $8bn for the next fiscal year under the IMF programme.

The IMF team asked the government to take additional tax measures in the upcoming budget to make massive fiscal adjustments for moving towards surplus primary balance. The budget-making process would start only after the staff-level agreement is finalised.

In the talks, the Pakistani team was led by finance secretary, who dealt with policy matters. Two senior officials of the Federal Board of Revenue dealt with taxation measures.

A major challenge for the government is how to curtail budget deficit which is possible only through curtailing expenditures and enhancing revenues, but the country has a limited space vis-a-vis reducing expenditures.

"The IMF opposes reducing development budget; therefore it too cannot be curtailed beyond a certain point. Hence the only option was to increase revenues," the official added.

The budget deficit in the last fiscal year (2017-18) was 6.6 per cent of the GDP and experts have predicted that it would be more than 7 per cent in the current fiscal (2018-19). Former finance minister Dr Hafeez Pasha recently said that budget deficit by June 30 would be around 7.6 per cent of the GDP.

The IMF team is expected to meet Adviser to the PM on Finance Dr Hafeez Shaikh on Thursday (today). If a notification about Shabbar Zaidi's appointment as FBR chairman is made, he too will attend the meeting.

Published in Dawn, May 9th, 2019

https://www.dawn.com/news/1481174/move-to-withdraw-rs700bn-tax-exemptions-says-official

WE NEED A NATIONAL INDUSTRIAL POLICY

From the Newspaper Updated May 06, 2019

The government is set to roll out a new policy on small and medium enterprises (SMEs). But there is no official word as to when Pakistan will have a national industrial policy.

Given the peculiar nature of our economy and our huge socio-economic challenges, the industrial policy must aim at exploiting agriculture and services sectors fully, providing a basis for the constant creation of jobs and quick absorption of knowledge-based workers.

Besides, it must also be structured to spread its benefits across all federating units and various income groups with a tilt towards the poor and the less-privileged.

Designing a policy with such diverse and competing objectives with tough trade-offs is not easy. It requires political harmony among provinces and between the federation and the federating units. It requires inputs from various institutions of the state, including the security establishment, simply because these institutions will have to adjust their priorities at the implementation stage.

After all, Pakistan's achievements in the defence industry are well established now and, given our peculiar geopolitical environment, the world expects this industry to grow further. So it will be naïve to think that in the future this industry will continue to progress on its own — without having been made part of our national industrial policy and without competing with other industries for financial and human capital.

With democracy still evolving in Pakistan and geopolitics playing an increasingly big role in our economy, we cannot continue to thrive with industrial hubs located mostly in Punjab and Sindh

How soon the government will be able to roll out an industrial policy is not known. But what is more important is that the policy should be framed with a futuristic mindset even if it means a little more delay.

For decades, the agriculture sector has met the needs of our growing population and has often given us some exportable surplus. Mostly we have used that surplus with little value addition and earned meagre foreign exchange that was not enough to finance even our food import bill. That means most of the time the country has remained a net importer of food items and our foreign trade has booked food trade deficits. Whereas policies meant for promoting agriculture can be blamed for it to some extent, the absence of a comprehensive industrial policy has also impeded the development of value-added products — and, by extension, the diversification of export markets. A new industrial policy should take care of it.

But it is easier said than done. In an environment where the constitutional root of the current provincial autonomy — the 18th constitutional amendment — is under threat, and political confrontation between the federation and Sindh keeps growing, fulfilling the obligations of a truly national industrial policy means political parties will have to demonstrate more maturity, sincerity of intention, wisdom and farsightedness.

Our services sector has been growing at a decent rate with the start of this century, but the process of exploitation of this growth as a catalyst for faster growth in the manufacturing sector is yet to take root.

Stronger linkages need to be built between services and manufacturing sectors with the ultimate aim of transforming our economy from quasi-agricultural, quasi-industrial to a services-led, high-manufacturing, knowledge-based economy.

That is where the tapping of a vast pool of our talented youth, proficient in the fields of communication, information and internet technologies, becomes necessary. Without that the thrust required in the form of high-quality research and innovation cannot be realised and the dreams of modernising the manufacturing sector cannot be fulfilled.

That requires a greater allocation of financial resources towards education. But how that can happen at a time when the gap between the income and expenses of the government continues to expand is a big question. Attracting foreign investment in the education sector and establishing stronger links with advanced economies can be a solution. But for that to achieve Pakistan will have to do a lot on image-building and will have to show to the world that it is moving fast towards becoming a more tolerant and inclusive society. Sadly, it is an area that remains neglected and the installation of the PTI government has not made a difference so far.

In agriculture, cotton has continued meeting the bulk of the raw material requirement of our textile industry. But occasional exceptions aside, the cotton output falls short of meeting the country's requirement year after year. Undoubtedly, boosting the cotton output is an agricultural matter. But to ensure larger and better availability of locally produced cotton, there is also a need for investing in the entire cotton sector, including research and development and the modernising of ginning units that are part of the manufacturing sector.

As the world keeps moving towards embracing more and more applications of artificial intelligence (AI), arrangements should be made for educating our existing and future industrial workforce in AI. It is the need of the hour. The sooner we do it the better it is.

The economy is currently structured in a way that our industries thrive as much, if not more, on policy concessions and subsidies as on competitive efficiency. This will have to change if the country wants to graduate from a quasi-agrarian, quasi-industrial economy to an industrial economy. Industrial economies of today use inputs and raw materials from both agricultural and industrial sectors in the most efficient ways for producing finished consumer and industrial products.

Efficiency matters more than anything else. If our industries learn to use inputs and raw materials more efficiently and modernise their production processes, there is no reason why the country cannot come up with internationally competitive brands of finished consumer and industrial goods.

Going forward, the spread of industrial hubs across Pakistan is very important. With democracy still evolving in Pakistan, challenges to our weak democracy growing and geopolitics playing an increasingly big role in our economy, we cannot continue to thrive with industrial hubs located mostly in Punjab and Sindh. In Khyber-Pakhtunkhwa and Balochistan, faster development of industrial hubs under special economic zones envisioned in the CPEC and through indigenously designed projects would pay political dividends, increase inter-provincial harmony and improve the provinces' relations with the federation necessary for economic growth and prosperity.

In the development of new industrial hubs, especially those for SMEs, the private sector should be involved in all possible ways, including part-financing of infrastructure development for this purpose. Many projects of industrial hubs can be executed through public-private partnership. — MA

Published in Dawn, The Business and Finance Weekly, May 6th, 2019

https://www.dawn.com/news/1480460/we-need-a-national-industrial-policy

NEWS COVERAGE PERIOD FROM MAY 13th TO MAY 19th 2019

PKR TOUCHES ALL-TIME LOW

RECORDER REPORT | MAY 17TH, 2019 | KARACHI

Pakistan"s rupee currency fell more than 3.6% against the dollar on Thursday following an agreement with the International Monetary Fund on a $6 billion loan that is expected to come with strict conditions including a "market determined" exchange rate.

The rupee ended the day in the interbank market at 146.52 against the US dollar, compared to the previous day"s close of 141.40, the State Bank of Pakistan said.

"This movement reflects demand and supply conditions in the foreign exchange market. It will help in correcting market imbalances," the State Bank"s chief spokesman said in an emailed statement. The rupee"s official exchange rate is supported by the central bank under a de facto managed float system and many analysts consider the currency to be overvalued.

The currency has lost more than a third of its value against the dollar since the start of last year amid mounting economic challenges for Pakistan, which is facing slowing growth and a squeeze on its balance of payments.

According to data from the State Bank, the central bank"s foreign exchange reserves as of May 3 stood at $8.984 billion, equivalent to less than three months of import payments.

Under a staff level accord with the IMF announced on Sunday, the Fund, which has long pushed Pakistan to stop propping up the currency, said a "market-determined" exchange rate would help the financial sector.

"Basically, the sudden spike of the dollar against the rupee is due to the impact of the IMF deal plus a shortage of dollars in the market," said Saad Hashemy, chief economist and director of research at Topline Securities in Karachi.

With inflation running at more than 8%, a weaker currency is likely to add to pressure on household budgets, particularly on power and gas bills, where the government faces growing pressure to allow regulated prices to rise.

Fawad Khan, head of research at BMA Capital Management, said the decline in the rupee was expected after the staff level agreement, which must still be approved by the IMF board.

"In the second step, we might see an upward revision of utility prices," he said. Prime Minister Imran Khan"s government, which had been reluctant to seek a bailout from the IMF, has reacted with unease to the prospect of a sharp drop in the exchange rate and officials said currency dealers were warned against speculation.

"They were warned that the government will not accept artificial devaluation. They will face the consequences," said one government official, who spoke on condition of anonymity. As the rupee fell, Pakistan"s main stock market indexes also declined, but recouped some losses at the end of the day, with the benchmark KSE 100 index ending down 0.93% and the KMI 30 index closing down 0.9%.

https://fp.brecorder.com/2019/05/20190517475902/

STOCK MARKET SNUBS IMF DEAL, PLUNGES BY 816 POINTS

Dilawar Hussain May 14, 2019

KARACHI: A broad-based equity collapse on Monday saw the KSE-100 Index drift down by 816.15 points (2.35 per cent) marking the highest single-day decline in 108 sessions. The index closed at 33,900.38 points, which represented the closing below 34,000 for the first time since April 2016.

The market got off to a positive start in early trade as excited investors assumed it to be the much-expected relief rally following the International Monetary Fund staff level agreement for a bailout package. Both individual and institutional investors fell over each other to pick stocks available at attractive valuations, which tossed the index to intra-day high by 511 points. It dawned on them later in the day that the IMF's ambitious targets would weigh on economic growth of the country and translate into depressed corporate earnings amidst higher inflation and interest rates hike.

At mid-day all hell broke loose which saw panic-prone investors freak out of equities and run to seek the cover of fixed income securities, gold and dollars. As brokers tried to calm the market, some selective buying was seen in blue chips.

Former chairman of the bourse Arif Habib contended that the IMF conditions for the bailout package were much 'softer' in comparison to the consensus expectations. He believed that the stock decline had more to do with technical than fundamental issues. "The market is in dire need of liquidity which could be provided by government-owned institutions," he said and believed that mutual funds were switching from equities to money market funds.

KSE-100 Index falls to three-year low at 33,900 as investors fret over impact of bailout package on economic growth

Figures released by the National Clearing Company Limited in the evening showed that the mutual funds had spoilt the market mood as they sold off stocks worth $5.53 million. From January-to-date mutual funds have disposed of equities valued at $78m, which several analysts said was the major reason for the market meltdown.

A fund manager with Rs40 billion under management argued that a couple of funds might have resorted to selling to meet redemptions but most funds were 90pc invested in equities. Foreign investors followed the adage: "It's time to buy when there is blood on the street", and accumulated oversold blue chips worth $6.93m on Monday. From Jan-to-date, foreigners have been net buyers of Pakistan stocks valued at $54m.

Brooding investors, who watched the trading screen turn red on Monday, said the IMF bailout package had come to haunt the market since the negotiations first started in early November last year. In the six and a quarter months, the suspense over the amount and the conditions hammered the index by 7,816 points (18.7pc).

Investors were also spooked by the disconcerting events ahead which include the fate of the upcoming amnesty scheme, Morgan Stanley Capital Investment's review which would decide whether to downgrade Pakistan to Frontier Market from Emerging Market, the Financial Action Task Force meeting on May 14 which carries the threat of placing Pakistan on grey or black list, the SBP monetary policy on May 31 which is reckoned to hike interest rates by 100-200bps and the national budget.

The hopes of a pro-industry budget withered away as the market now braces itself for a finance bill that could be loaded with host of new taxation and withdrawal of subsidies. Most expect further increase in electricity and gas tariff, while the market remains shrouded in uncertainty over further devaluation of the rupee.

Stocks from cyclical sectors such as cements, steels and autos closed with heavy losses, while the banking sector remained unscathed as shares of the MCB Bank, Habib Bank Limited, United Bank Limited and Meezan Bank traded in green zone. Analysts reckon that the banks would greatly benefit from interest rate rise.

Shares that contributed most to the index downside were mainly from the cement and oil and gas exploration & production (E&P) sectors. In the cement sector, D.G. Khan, Pioneer, Maple Leaf and Cherat hit their 'lower locks' — meaning maximum permissible 5pc decrease in a day. Among the E&P stocks, Oil and Gas Development Company, Pakistan Oilfields and Pakistan Petroleum were the major laggards.

Traded volumes surged 209pc over the previous session to 121.2m shares. On the last session on Friday, just 39m shares had changed hands which represented seven-year low volumes. Traded value on Monday also increased by 202pc over the previous session to $37.5m.

Published in Dawn, May 14th, 2019

https://www.dawn.com/news/1482170/stock-market-snubs-imf-deal-plunges-by-816-points

DOLLAR RECORDS HEFTY GAINS AGAINST RUPEE IN OPEN MARKET

Shahid Iqbal Updated May 14, 2019

KARACHI: The US dollar gained Rs2 against the rupee in the open market on Monday as there were strong speculations that the local currency will depreciate further after signing of a bailout agreement with the International Monetary Fund (IMF).

The IMF spoke of a "market determined exchange rate" in its statement on the programme, and the financial markets have not taken the words very well.

Speculation has broken out in the forex markets, with small and large investors looking towards the greenabck.

However, market sources on Monday did not report any panic in the market at this point.

According to currency dealers, dollar was trading at Rs143.70 on Monday but ground reports showed the rate to be closer to Rs144.50 in Karachi. Reports from other cities, such as Islamabad, were higher still. The rate was stable in the interbank market though, standing around Rs141.50.

"We are not allowed to cross the Rs141.50 line, though the potential for higher rate of dollar is visible" said a banker in the inter-bank money market.

"Fears of further devaluation as a result of the agreement with the IMF have depressed the currency market and the rupee may lose more against the greenback in the coming days," said Secretary General of Exchange Companies Association of Pakistan Zafar Paracha.

Most of the currency dealers and experts have expressed their disappointment over the undisclosed conditions agreed between the IMF authorities and the government.

Consequently, hoarders remained active while the grey market found space to run illegal business with speculative rates.

Dealers were generally found confused in the post-IMF agreement scenario while they felt that they have been kept in the dark over the future of exchange rate and the overall economy.

“I believe foreign exchange inflows have increased by estimated five per cent due to Ramazan,” said President Forex Association of Pakistan Malik Bostan.

He said that normally inflows during Ramazan increase by 15-20pc but this year’s inflows have not been in line with that trend.

Moreover, demand for the greenback also picks in Ramazan due to seasonal effects as people travel to Saudi Arabia to perform Umrah and other religious rites.

“The dollar may gain more against rupee if the rate in the inter-bank market is changed upward.

Market was expecting a change on Monday but it was good that the inter-bank rates remained unchanged,” said Bostan.

Published in Dawn, May 14th, 2019

https://www.dawn.com/news/1482194/dollar-records-hefty-gains-against-rupee-in-open-market

THE GDP GROWTH RATE

DR HAFIZ A PASHA | MAY 14TH, 2019 | ARTICLE

The National Income Accounts Committee has endorsed the provisional GDP growth rate estimate by the PBS for 2018-19 at 3.3 percent and also the revised estimate of the growth rate of the economy in 2017-18 at 5.5 percent. The latter is somewhat down from the preliminary estimate for the previous year of 5.7 percent.

There has been a plummeting of the growth rate of the GDP in 2018-19 by over two percentage points. In fact, this is the lowest growth rate of the economy since 2009-10 of 2.6 percent. This year witnessed severe monsoon rainfall followed by the worst floods in the history of Pakistan. There was fortunately no such natural disaster in 2018-19 and yet the economy has performed very poorly.

There is a need to answer some questions. First, which are the sectors that have shown low or even negative growth in 2018-19 and what are the reasons for the deterioration in their performance? Second, are the preliminary estimates an appropriate reflection of underlying trends in different sectors?

The four sectors that have actually witnessed a decline in value added are the crop sector, large-scale manufacturing, construction and mining and quarrying. In fact, for the first time since 2009-10 both the crop sector and large-scale manufacturing have simultaneously experienced negative growth. This demonstrates yet again the strong link between these two sectors. They play an important role in driving the economy.

The consequence is that not only is the GDP growth rate very low but the sectoral pattern of growth is also skewed. Overall, the agricultural and industrial sectors have demonstrated very low growth rates of 0.8 percent and 1.4 percent respectively, leading to combined growth of the commodity producing sectors of only 1.1 percent.

The services component of the economy has performed moderately well with a growth rate of 4.7 percent and contribution to the increase in GDP of as much as 86 percent. Finance and insurance, general government and private services have all shown relatively high growth rates above 5 percent.

But the question that arises is how the tertiary sector of the economy can do well when the primary and secondary sectors have performed poorly? This question is taken up later.

The poor performance of the crop sector can be attributed to the jump in the cost of inputs in the absence of a significant rise in output prices. The typical farmer has been squeezed by the big increase in the prices of fertilizers of 28 percent in the case of urea and 11 percent in DAP. This is attributable to the reduction in fertilizer subsidy and the devaluation of the rupee. Also, the prices of LDO and electricity have risen. Poor seed quality and lack of sufficient application of plant protection measures have severely affected, in particular, the cotton crop. Similarly, the harvesting of wheat has been disturbed by untimely rainfall. The PTI Government had announced during the elections that it would declare an agricultural emergency if it assumed power. Instead, the sector remains largely neglected.

The large-scale manufacturing sector has languished, with a negative growth rate for the first time since 2009-10. The fall in output of major crops has clearly impacted adversely on agro-based industries like textiles and sugar. The big disappointment is that despite the hefty devaluation of the rupee and numerous export incentives there has been little improvement in the performance of export-oriented industries, especially in the textile sector. Further, the negative shock to the economy by the big cut in development spending has reduced output in building materials industries, like cement and iron and steel. This also explains the sharp fall in value added in the construction sector of 7.6 percent.

Turning to the reliability of the sectoral estimates of growth, there are sectors where the growth rate has perhaps been overstated and some where it may have been understated. The former sectors are described first below.

Electricity Generation and Distribution and Gas Distribution: There has been much mention about the serious structural problems that the energy sector is facing today. This includes big and rising losses, distribution bottlenecks and the exponential increase in the size of the circular debt. Yet the sector is shown by the PBS as achieving an unprecedented growth in value added of 40.5 percent. This comes as a complete surprise. The PBS will have to explain how such an incredibly high growth rate has been achieved, especially when, according to Nepra, the growth in power generation in the first nine months of 2018-19 is even less than 2 percent.

Wholesale and Retail Trade: This the largest sector in the national economy with a share in the GDP of 18.9 percent. Despite, the extremely low growth in the commodity producing sectors, this sector has shown a growth rate of 3.1 percent. In particular, almost 50 percent of the value added in this sector is due to the trading margin in products of large-scale manufacturing, a sector which has experienced negative growth of 2 percent. Further, trading in imported products ought to have been also adversely affected by the 11 percent decline in the volume of imports in the first nine months of 2018-19.

Transport, Storage and Communication: The growth rate of 3.3 percent in this sector also appears to be somewhat overstated. The principal input into the transport sector is HSD oil, the consumption of which in the first eight months has fallen by as much as 17.6 percent. There has been only a modest increase in consumption of motor spirit of 4.4 percent. Further, the growth rate of the telecommunications sector has tended to slow down following the widespread ownership by now of mobile phones. In fact, the import of mobile phones up to March 2019 is down by 7.4 percent.

Other Private Services: This is also a relatively large sector, with a share in the GDP of 10.6 percent. Apparently, this sector has shown a lot of buoyancy with a high growth rate of 7 percent. But even in good years, the growth of employment in the sector is not more than 3 percent. It is unlikely that a growth rate of 4 percent annually in this sector is being achieved.

There are perhaps two sectors where the growth in 2018-19 may be understated as shown below.

Finance and Insurance: The profitability, especially of the big commercial banks has been rising steadily over the first three quarters of 2018-19. This reflects the sharp increase in interest rates and a big increase in credit to the private sector of 26 percent up to the end of March 2019. It will not be surprising if the sector records a double-digit growth rate in 2018-19 as compared to the 5.1 percent reported by the PBS.

General Government Services: This sector is shown as achieving a growth rate of 8 percent in 2018-19. There are clear indications that current expenditure, excluding debt servicing, is rising rapidly, especially on grants, subsidies and expenditure on defense services. Consequently, the growth in this sector may also exceed 10 percent this year.

Overall, it is likely that the downward adjustment in growth rate of the three sectors – wholesale and retail trade; transport, storage and communications and private services – will be larger than the upward adjustment in the case of finance and insurance and general government services. As such, the growth rate of the GDP may range between 2.6 percent and 3 percent, as compared to the preliminary estimate by the PBS of 3.3 percent for 2018-19.

We await the GDP estimates in the forthcoming Pakistan Economic Survey for 2018-19 at the time of the presentation of the Federal Budget for 2019-20.

(The author is Professor Emeritus at BNU and former Federal Minister)

https://fp.brecorder.com/2019/05/20190514473282/

NEWS COVERAGE PERIOD FROM MAY 20th TO MAY 26th 2019

PUNJAB LAUNCHES GROWTH STRATEGY FOR 2023

Mansoor Malik May 25, 2019

LAHORE: The Punjab government on Friday launched the Punjab Growth Strategy (PGS) 2023, setting ambitious targets of attaining sustainable economic growth of seven per cent of the provincial gross domestic product (GDP) and creating on average 1.2m new jobs annually over the next five years.

The PGS 2023, approved by the Punjab cabinet in its ninth meeting last month, will also vie for reducing the multidimensional poverty in Punjab from 26.2pc in 2017-18 to 19.5pc by 2023.

The growth strategy will also look for increasing the average number of new housing units to 640,000 annually over the next five years – contributing 64pc to the national target of five million new houses.

At the launch ceremony, Punjab Finance Minister Hashim Jawan Bakht said the dynamic and creative PGS had been developed through evidence-based planning. He said the new growth strategy would offer a complete paradigm shift with more focus on health and human development in the budget. He said the agriculture sector would be effectively funded to reap the fruits and public-private partnership would get a boost besides creation of an enabling environment for doing businessmen.

"The key pillars of the strategy are based on a dynamic sub-national growth model powered by the provincial GDP data over last 20 years and 142 national and provincial policy variables," Mr Bakht added.

Chief Minister Usman Buzdar said the PGS 2023 would determine the direction of economic development of the province and contribute to the national economy. The new strategy, he added, would holistically cope with basic problems being faced by the people and ensure the reach of the impact of progress across the province. He said the government would be paying special attention to reforms in education, healthcare, agriculture and other sectors.

Mr Buzdar said the Punjab government was aimed at reducing the idle youth in Punjab from 10.3pc in 2017-18 to 8.8pc by 2023 by creating on average 1.2m new jobs annually – contributing 60pc to the national target of 10m jobs.

The key pillars of the PGS suggest increased focus on 11 out of 18 national sub-sectors of the economy in which Punjab has a comparative advantage in the national context and harness their potential. It aims at creating enabling environment for private sector-led investment and growth in Punjab because the private sector produces more than 90pc of the goods and services in the economy.

Since development of human capital has the most significant impact on growth and performance of all sectors across the province, the PGS asserts investing more in quality formation of human capital and its utilisation.

Considering public-sector investment has a major catalytic impact on growth of the economy, the growth strategy recommends public investment and ADP sectoral priorities so as to maximise the impact on growth. It also recommends advocating and coordinating with the federal government on managing key macro-economic policy variables that have a significant impact on Punjab's economy.

Economist Dr Hafeez Pasha said the Punjab's population was 52pc of country's total population but it was contributing very large 62pc share in the country's agriculture sector and 61pc in employment.

Referring to the key guiding vision, which is also Pakistan Tehreek-i -Insaf agenda, Dr Pasha added the government was committed to human development and creating equal opportunities for every citizen.

Calling the PGS as efficiency-driven strategy, Dr Pasha said the Punjab government would focus on the size of the ADP and its allocation in different sectors besides regional equalisation.

CM's adviser on economic affairs and planning Dr Salman Shah and Planning & Development Board chairman Habibur Rehman Gillani also spoke on the occasion. Special Adviser to PM Dr Firdous Ashiq Awan, provincial ministers, MPAs and civil bureaucracy were also present.

Published in Dawn, May 25th, 2019

https://www.dawn.com/news/1484379/punjab-launches-growth-strategy-for-2023

SRB RESTRAINED FROM COLLECTING GST FROM CHINESE FIRM

TANVEER AHMED | MAY 25TH, 2019 | KARACHI

Sindh High Court (SHC) Friday restrained Sindh Revenue Board (SRB) from collecting sales tax on services from M/s China Ocean Engineering Construction General Bureau (COECG), which is engaged in the contract of Karachi K-2 and K-3 Nuclear Power Plant Intake & Outfall Structures Project.

A division bench of SHC headed by Justice Aqeel Abbasi directed SRB to submit its reply in the next hearing after Pakistan Atomic Energy Commission (PAEC) along with COECG moved SHC against the notices of SRB, which required Chinese company to "charge, collect and pay sales tax on services".

The petition, submitted by Advocate Bakhtawar Bilal Soofi on behalf of PAEC and COECG made the Sindh government, SRB and others respondents.

The petition stated that Sindh and the SRB have no authority under Article 142(a) of the constitution read with Item Nos. 18, 58, 59 (Part-I) and 4 (Part -II) to legislate on and charge collect, levy any tax on the generation, production of nuclear energy and the generation of electricity therefrom.

It submitted before the court that the services of the petitioners are directly in respect of production of electricity from nuclear energy, which falls outside the residual purview of provincial legislature's competence.

It said that K-2/K-3 Nuclear Power Plants that are the property of the federal government, thus provincial government has neither financed them nor established or constructed them and has nothing to do with any aspect of its production or operations.

Petitioners said that the doctrine of intergovernmental immunity as enshrined in Article 165 of the Constitution bars the provincial SRB from charging or levying any tax on the income or property of the federal government including its instrumentalities and any such tax that operates to burden the performance, or discharge, of any sovereign functions of the state including the production of nuclear energy.

The court was informed that a tax on nuclear energy and its production is ultra vires the provincial legislative domain under different clauses of constitution.

PAEC initiated the necessary processes for the construction of 2 x 1100 MWe Nuclear Power Projects at Karachi ("K-2/K-3 Project") and was required to "maintain the design and carry out its activities. That as part of the design of the K-2/K-3 Project, PAEC entered into a separate contract with COECG – a Chinese firm specializing in the construction of under-sea and under-ground tunnels relating to nuclear power plants – in March 2016 for the Design, Civil Works, Procurement, Installation and Construction of Water Intake and Outfall Structure ("Contract") for which there was no comparable expertise in Pakistan.

As per the terms and conditions, arranged between PAEC and COECG, the contract price didn't include sales tax on services as the former, being a federal entity was exempted from such taxation.

The petitioners prayed the court to set aside the Order-in-Original No. 113 of 2019 dated 13/02/2019, Letter No. SRB-Com- I/AC-03/COB/2018-19/2351 dated 12/12/18, SRB letter dated 02/02/2019 and show cause notice dated 05/01/2019 of SRB and declare them to be illegal, unconstitutional, without lawful authority and void ab initio.

The petitioners also pleaded the court to declare that, in relation to the K-2/K-3 Project, they are not liable to pay any sales tax on services to the Province of Sindh and respondents have no authority to impose sales tax on services rendered. The petitioners requested the court to restrain and prevent SRB from taking any coercive measures against the petitioners regarding illegal and unconstitutional recovery of sales tax on services.

https://fp.brecorder.com/2019/05/20190525479893/

UPLIFT BUDGET CUT BY 13% FOR FY 2019-20

By Shahbaz Rana Published: May 24, 2019

ISLAMABAD.: The federal and four provincial governments have proposed nearly Rs1.6 trillion for development spending in next fiscal year, which is lower by Rs227 billion or nearly 13 per cent due to International Monetary Fund-backed fiscal consolidation programme.

The Annual Plan Coordination Committee (APCC) recommended on Thursday Rs1.586-trillion National Development Budget for fiscal year 2019-20 to the National Economic Council. The budgetary allocations for new fiscal year are lowered by Rs227 billion when compared with Rs1.813 trillion original allocations for the outgoing fiscal year.

In an illegal move, Asif Sheikh whose contract was terminated on May 15 after Islamabad High Court declared his appointment illegal, made presentation on the next year's budget to the APCC. The Planning Ministry last week notified to terminate Sheikh's contract and his action of sitting in the APCC meeting tantamount to contempt of IHC judgment.

The Rs1.586 trillion is exclusive of Rs250 billion that the federal government plans to spend outside its budget aimed at partially compensating low budgetary allocations for the development purposes.

The APCC approved a total Rs1.837 trillion for development spending by federal and provincial governments, said Federal Minister for Planning and Development Makhdoom Khusro Bakhtiar, after chairing the APCC meeting.

The minister said that Rs675 billion have been allocated under federal Public Sector Development Programme (PSDP) and Rs250 billion will be spent under public-private partnership mode.

He said that the next year's federal PSDP will be used only to fund projects of national importance and added that the federal PSDP cannot be seen with the lens of province-wise allocations.

"The government has made best PSDP plan while keeping in mind the fiscal challenges being faced by the country," the minister noted.

Nearly Rs350 billion will be arranged from foreign lenders to finance the country's development needs.

The planning minister said that in the next fiscal year 200 new projects will be initiated and the government has allocated 27pc of the federal PSDP for the new schemes. Bakhtiar maintained that the government will fully fund those ongoing schemes where more than 80pc work is already completed.

The indicated amount of Rs675 billion is not sufficient to meet the requirements of the ongoing projects but yet the planning ministry has allocated money for the new initiatives.

The federal government's proposed development budget is Rs675 billion and combined development budget of the four provinces is estimated at Rs912 billion. The NEC has the authority to increase the federal PSDP.

The provincial Annual Development Plans of Rs912 billion for 2019-20 is Rs101 billion or 10pc less than the outgoing fiscal year's original allocations.

The proposed federal PSDP of Rs675 billion is also Rs125 billion or 15.6pc less than the outgoing fiscal year, according to the planning ministry's documents. The federal government's decision to cut the federal PSDP by nearly 16pc and setting aside a big chunk for discretionary spending will have serious implications on the ongoing schemes

However, against the original annual national allocation of Rs1.813 trillion, the actual development spending is expected to remain less than Rs1.2 trillion due to steep cuts in the budgets in the outgoing fiscal year.

For the next fiscal year, the governments are not allocating big chunks for development budgets due to fiscal constraints and the IMF's condition to contain the primary deficit to just 0.6pc of the GDP or nearly Rs260 billion. The primary balance is the sum of difference between total expenditures, excluding interest payments, and the total revenues.

This can only be achieved by either slashing the development budget and defense budget or substantially increasing the revenues.

Out of Rs675 billion federal PSDP, an amount of Rs124 billion will be meant for discretionary spending, which is not in line with Prime Minister Imran Khan's vision to end discretionary spending.

The government has proposed Rs64 billion for security enhancement initiatives and temporary displaced persons, Rs22 billion for erstwhile Federally Administered Tribal Areas and Rs10 billion for PM's Youth programme. An amount of Rs24 billion has also been allocated for parliamentarians schemes.

Out of Rs912 billion indicated by the provinces, Punjab's annual development budget for new fiscal year will be Rs400 billion, one-fifth less than last year's original allocation of Rs500 billion. In its revised estimates Punjab has shown only Rs165 billion actual spending.

Sindh's proposed annual development plan is Rs290.3 billion as against Rs315 billion in the outgoing fiscal year. Sindh too has shown only Rs190 billion spending in the revised estimates.

Khyber Pakhtunkhwa's annual development budget is expected to be Rs142 billion as against outgoing fiscal year's original allocation of Rs108 billion. Its revised development spending estimates were Rs181 billion.

Balochistan's government has proposed Rs80 billion as against original allocation of Rs90 billion for outgoing fiscal year. The Balochistan government showed its revised spending estimates at Rs46 billion.

Overall, all the federal ministries would get Rs371billion, which is only Rs5 billion higher than the outgoing fiscal year.

The transport and communication sectors have been given Rs200 billion budget in the next fiscal year. The water sector will get Rs70 billion in the next fiscal year due to allocations for Diamer-Bhasha dam and Mohmand dam.

The Pakistan Atomic Energy Commission's development budget has been increased to Rs25 billion.

The Ministry of National Health Services budget has been cut to Rs20 billion. The Higher Education Commission and the Education Ministry has been given Rs32 billion.

For special areas like Azad Jammu and Kashmir and Gilgit-Baltistan, an amount of Rs39 billion has been proposed in the new budget. An amount of Rs8 billion has been proposed for the environment sector, Rs12 billion for Ministry of Food and Agriculture and Rs2 billion for Ministry of Industries.

For knowledge economy initiative, Rs13 billion has been proposed. The Earthquake Reconstruction and Rehabilitation Authority has been given Rs5 billion.

https://tribune.com.pk/story/1979198/2-uplift-budget-cut-13-fy-2019-20/

GOVT SETS GROWTH TARGET AT 4% FOR FY20

By Shahbaz Rana Published: May 24, 2019

ISLAMABAD: The government has set the economic growth target for its second year in power at a modest 4% and projected average inflation of 8.5%, reflecting an unimpressive economic outlook due to the International Monetary Fund (IMF) loan programme.

The per capita income in dollar terms is also expected to remain lower in next fiscal year 2019-20 at around $1,500 due to further currency depreciation compared to the outgoing fiscal year.

The low economic growth target coupled with higher inflation will make it difficult for the government of Prime Minister Imran Khan to implement its plan of creating 10 million jobs and building five million housing units.

The government has also set an ambitious current account deficit target at 3% of the total national output or $8.2 billion for the next fiscal year, starting July 1. The next fiscal year will coincide with the Pakistan Tehreek-e-Insaf's (PTI) second year in power.

"The economic growth target for the next fiscal year is 4% and inflation target is 8.5%," said Federal Minister for Planning and Development Makhdoom Khusro Bakhtiar, after a meeting of the Annual Plan Coordination Committee (APCC). The APCC approved on Thursday the macroeconomic framework for fiscal year 2019-20. The plan will now be tabled before the National Economic Council (NEC) – the constitutional body responsible for macroeconomic planning – for its formal endorsement.

PM Imran will chair the NEC meeting while the APCC huddle is headed by the planning minister. The 4% target is slightly higher than the outgoing fiscal year's growth rate of 3.3%. The agriculture sector, which grew 0.8% in the outgoing fiscal year, is projected to grow 3.5% in the next fiscal year.

The government does not expect any major improvement in the industrial sector and it has set 2.3% growth target for the sector which contributes more than half to the total tax revenues. The manufacturing sector is expected to grow 2.6% in the next fiscal year as against negative 0.3% growth this year.

The large-scale manufacturing sector is targeted to grow at a rate of only 1.5% as against negative 2% growth in the outgoing fiscal year.

The services sector is expected to grow at a pace of 4.8%, which is almost similar to the outgoing fiscal year's level on the back of growth in finance and insurance, other private sector and general government services.

Average inflation rate for the next fiscal year is projected at 8.5% due to anticipated heavy taxation and increase in electricity and gas prices under the IMF programme.

The government's macroeconomic targets seem optimistic as compared to IMF projections which have put economic growth at around 3% for the next fiscal year.

The balance of payments framework, approved by the APCC, also appears to be ambitious as it has been built on expectations of reversal of the ongoing depressing trend in exports. In first 10 months of the outgoing fiscal year, exports turned slightly negative and imports contracted nearly 8%. This resulted in a trade deficit of $26.3 billion, which was 12.8% lower than the previous fiscal year.

Macroeconomic targets for the next fiscal year show that exports will grow at a pace of 6% and the export target has been set at nearly $26 billion. However, this is lower than the claim made by the adviser to prime minister on commerce. Imports have been projected to stay slightly above $54 billion, higher by nearly 1% over the revised projections for the outgoing fiscal year. As a result, the government expects to keep the trade deficit restricted at $28.2 billion in the new fiscal year.

Owing to fiscal consolidation, the government does not expect any major improvement in the current low investment. It has set the investment-to-GDP ratio at 15.8%, marginally higher than the outgoing fiscal year's 15.4%. Fixed investment will also not see any major change and the government projects it will be around 14.2% at the end of the next fiscal year. Public investment has been projected to grow slightly to 4.1% of GDP in fiscal year 2019-20.

Private investment may also marginally improve to 10.1% of GDP from this year's level of 9.8%. National savings rate is set at 12.8% for fiscal year 2019-20.

Published in The Express Tribune, May 24th, 2019.

https://tribune.com.pk/story/1979239/2-govt-sets-growth-target-4-fy20/

SBP RESERVES FALL $788M TO STAND AT $8.06B

By Our Correspondent Published: May 24, 2019

KARACHI: The foreign exchange reserves held by the central bank shrank 8.9% on a weekly basis, according to data released by the State Bank of Pakistan (SBP) on Thursday.

Earlier, the reserves had spiralled downwards, falling below the $7-billion mark, which raised concern over Pakistan's ability to meet its financing requirements. However, financial assistance from the UAE and Saudi Arabia helped shore up the foreign exchange reserves.

On May 17, the foreign currency reserves held by the SBP were recorded at $8,057.6 million, down $788 million compared with $8,845.6 million in the previous week. The decline in reserves was due to external debt servicing and other official payments, the statement added. Overall, liquid foreign currency reserves, held by the country, including net reserves held by banks other than the SBP, stood at $15,126.5 million. Net reserves held by banks amounted to $7,068.9 million.

A few weeks ago, the reserves had jumped on account of $2.5 billion in inflows from China.

Over time, the declining reserves have forced the central bank to let the rupee depreciate massively, sparking concern about the country's ability to finance a hefty import bill as well as meet debt obligations in coming months. In April last year, the SBP's reserves increased $593 million due to official inflows. A few months ago, the reserves surged due to official inflows including $622 million from the ADB and $106 million from the World Bank.

Published in The Express Tribune, May 24th, 2019.

https://tribune.com.pk/story/1979240/2-sbp-reserves-fall-788m-stand-8-06b/

GOVT BORROWS RECORD RS3.1TR IN T-BILLS AUCTION

By Salman Siddiqui Published: May 24, 2019

KARACHI: The Pakistan Tehreek-e-Insaf (PTI) government has borrowed a record Rs3.1 trillion from commercial banks to finance the budget deficit as its revenue collection has remained short of the target so far in the current fiscal year.

The government made the hefty borrowing against the target of Rs600 billion through the auction of treasury bills on Wednesday, according to the State Bank of Pakistan (SBP).

The government borrowed the money for a duration of three months by selling three-month treasury bills to commercial banks at an increased rate of return after the central bank hiked the key interest rate by 1.5 percentage points to a 91-month (eight-year) high at 12.25% on Monday.

Topline Securities CEO Muhammad Sohail said it was a record borrowing. "The cut-off yield (rate of profit) was 12.75%, up 1.5 percentage points from the last auction," he said.

"The hefty borrowing will contribute to widening of the budget deficit," Sherman Securities' analyst Chandar Kumar said while talking to The Express Tribune. "The narrowing down of the deficit has become the biggest challenge for economic managers of the government as revenue collection remains short of the target."

The budget deficit has already hit an 11-year high at Rs1.92 trillion, or 5% of the total size of national economy, for nine months ended March 2019 due to a continued double-digit growth in defence and debt spending, and sinking revenues, according to the Ministry of Finance.

Earlier, the government was aggressively borrowing from the central bank to finance the budget deficit. However, the International Monetary Fund (IMF) has asked the government to make such borrowing from commercial banks instead of the central bank.

"Borrowing from the central bank increases inflation as the central bank provides the financing by printing new currency notes," Taurus Securities' analyst Mustafa Mustansir added.

Earlier, the government's massive borrowing from the State Bank reduced the impact of previous monetary tightening, the central bank reported on Monday.

Experts said the latest treasury bill auction indicated that commercial banks were anticipating a further increase in the key interest rate in the near future.

Banks aggressively bought three-month treasury bills worth Rs3.1 trillion. They bought six-month T-bills worth Rs1.4 billion and submitted no bids for 12-month T-bills, according to the central bank.

“The results suggest the market (commercial banks) expects further hikes in the key interest rate in future monetary policy announcements,” Mustansir said. However, it would be too early to say as to how much rate increase would be made and when, but T-bills’ auction showed the trend, he added. Kumar also endorsed the view, saying the commercial banks’ move indicated that they expected a further rate hike.

“Had they not been expecting a further rate hike, they would have placed higher bids for 12-month T-bills rather than aggressively participating in the three-month T-bills auction,” he said.

The commercial banks’ expectation for the rate hike came in contrast to the Fitch Solution’s forecast that no more rate hikes were likely in the remaining seven months of calendar year 2019.

“Given our expectation for stability in inflation, we at Fitch Solutions forecast the SBP to maintain its benchmark interest rate at 12.25% throughout 2019,” it said.

The State Bank of Pakistan announces the monetary policy after every two months.

Published in The Express Tribune, May 24th, 2019.

https://tribune.com.pk/story/1979242/2-govt-borrows-record-rs3-1tr-t-bills-auction/

FDI DROPS 52% AS ECONOMIC UNCERTAINTY BITES

By Salman Siddiqui Published: May 22, 2019

KARACHI: Foreign direct investment (FDI) dropped 52% to $1.37 billion in first 10 months (Jul-Apr) of the current fiscal year due to spread of economic uncertainty.

The FDI had been recorded at $2.84 billion in the same period of previous year, the State Bank of Pakistan (SBP) reported on Tuesday.

“Economic uncertainty prompted foreign firms to put their investment decisions on hold for the time being,” Overseas Investors Chamber of Commerce and Industry (OICCI) Secretary General M Abdul Aleem said while talking to The Express Tribune. A long delay in finalising terms and conditions of an International Monetary Fund (IMF) loan programme worth $6 billion caused a deep economic uncertainty as Pakistan faced a major balance of payments challenge.

However, the government has now finally entered into the IMF loan programme. “This should restore confidence of international investors in Pakistan’s economy,” he said.

Aleem said the much-awaited clarity on the economic front had started emerging after the central bank let the rupee depreciate and increased the key benchmark interest rate in the past three to four days.

The economic uncertainty had also led to a slowdown in investment from the largest foreign investor – China. “Pakistan is expected to witness an increase in China’s investment under the banner of

China-Pakistan Economic Corridor (CPEC) after Prime Minster Imran Khan paid a visit to Beijing recently," he voiced hope.

Foreigners were also expected to initiate new projects in Pakistan in different sectors including LNG import terminals, chemicals, telecoms and automobile, he said.

"Foreign investors have never lost hope in Pakistan, which remains a big promising market," he said, adding "the timing of new investment projects has changed due to delay in clarity on the economic front."

The overall foreign investment, including the FDI and investment in Pakistan's stock and debt markets, turned negative for the first time in the current fiscal year.

Pakistan recorded a net outflow of $22.6 million in the first 10 months under the head of foreign investment compared to a net inflow of $5.16 billion in the same period of last year. The foreign investment turned negative after Pakistan paid $1 billion for the matured Eurobond some time ago.

On the contrary, the country sold Eurobonds worth $2.5 billion in the same period of last year.

Apart from that, foreign investors accelerated the sale of shares at the Pakistan Stock Exchange during the period under review. Foreign portfolio investors divested $408 million in the first 10 months of FY19 compared to divestment of $136 million in the same period of previous year.

China was the largest foreign direct investor in Pakistan as it invested $429 million in the first 10 months of FY19. This was, however, one-fourth of the total investment of $1.72 billion it made in the same period of last year.

The United Kingdom emerged as the second biggest investor as it invested $159.9 million compared to investment of $265 million in the same period of last year.

Hong Kong emerged as the third largest investor with investment of $132.7 million compared to $145.4 million in the corresponding period of last year.

Malta divested a net $116.6 million in the 10 months compared to no investment/divestment in the same period of last year.

The construction sector attracted the largest investment of $386.8 million in the first 10 months of FY19 compared to $562.7 million in the same period of last year.

The financial business sector invited the second largest foreign investment worth $256.6 million compared to $383.4 million last year.

On the contrary, coal power projects recorded a net outflow of $459.8 million compared to inflow of $663.4 million last year.

Telecommunications recorded an outflow of $162.1 million compared to outflow of $11.7 million last year.

Published in The Express Tribune, May 22nd, 2019.

https://tribune.com.pk/story/1977824/2-fdi-drops-52-economic-uncertainty-bites/

BITING INFLATION: SBP HIKES INTEREST RATE

RIZWAN BHATTI | MAY 21ST, 2019 | KARACHI

The key policy rate touched eight-year high of 12.25 percent, up by 150 basis points (bps) on Monday as the State Bank of Pakistan (SBP) stepped up efforts to address the macroeconomic challenges. The Monetary Policy Committee of the State Bank met with Syed Reza Baqar, governor SBP in the chair for deliberations on key policy rate. The committee decided to further tighten the monetary stance as it feels the economy is still facing multiple challenges.

According to monetary policy statement, taking into account the current considerations and the evolving macroeconomic situation, the monetary policy committee noted that further policy measures are required to address underlying inflationary pressures from higher recent month-on-month headline and core inflation outturns, recent exchange rate depreciation; an elevated fiscal deficit and its increased monetization, and potential adjustments in utility tariffs.

In this context, the MPC decided to increase the policy rate by 150 bps to 12.25 percent effective 21st May 2019. With current increase, the key policy rate has reached eight-year high level as previously the policy rate stood at 12 percent in October 2011. During this fiscal year, MPC has increased the policy rate by 5.75 percent as the key policy rate stood at 6.50 percent in June 2018 compared to 12.25 percent in May 2019.

The SBP has also estimated that average headline CPI inflation will be in the range of 6.5-7.5 percent in FY19 and it is anticipated to be considerably higher in FY20. The statement said that there have been three notable developments since the last MPC meeting in March 2019. First, the government of Pakistan has reached a staff-level agreement with the International Monetary Fund for 39-month long Extended Fund Facility of around $ 6.0 billion. The program has been designed to restore macroeconomic stability and support sustainable economic growth, and is expected to unlock considerable additional external financing.

Second, trends in government borrowing reflect a widening fiscal deficit during the first nine months of FY19 when compared to the same period in FY18. In addition, a greater reliance on central bank financing of the deficit has acted to dilute the impact of previous monetary tightening.

Finally, since the last MPC, the exchange rate has depreciated by 5.93 percent to Rs 149.65 per USD, at the close of 20th May 2019, reflecting a combination of underlying macroeconomic factors and market sentiment considerations.

The SBP"s estimates show that economic growth is expected to slow in FY19 but rise modestly in FY20. This slowdown is mostly due to lower growth in agriculture and industry. More than two-thirds of real GDP growth in FY19 is expected to come from services. Going forward, some gradual recovery in economic activity is expected on the back of improved market sentiment in the context of the IMF supported program, a rebound in the agriculture sector and government incentives for export-oriented industries.

According to monetary policy statement, the current account deficit narrowed to US$ 9.6 billion in Jul-Mar FY19 as compared to a deficit of US$ 13.6 billion during the same period last year, a fall of 29 percent. The reduction is mainly driven by import compression and a healthy growth in workers" remittances. This impact was partially offset by higher international oil prices. The non-oil trade deficit declined from US$ 13.7 billion in Jul-Mar FY18 to US$ 11.0 billion in Jul-Mar FY19 reflecting the impact of stabilization policies implemented so far. Recent indicators suggest export volumes have begun to grow although total export receipts have not grown due unfavorable prices.

Despite the improvement in the current account and a noticeable increase in official bilateral inflows, the financing of the current account deficit remained challenging. Consequently, reserves declined to US$ 8.8 billion as of 10th May 2019 from US$ 10.5 billion at end-March 2019. The exchange rate also came under pressure in the last few days. In SBP"s view, the recent movement in the exchange rate reflects the continuing resolution of accumulated imbalances of the past and some role of supply and demand factors.

The SBP will continue to closely monitor the situation and stands ready to take measures, as needed, to address any unwarranted volatility in the foreign exchange market. Furthermore, the current level of reserves is below standard adequacy levels (equal to three months of imports cover). As noted in previous MPC statements, deep structural reforms are required to improve productivity and competitiveness of export-oriented sectors and improve the trade balance.

The overall fiscal deficit is likely to be considerably higher during Jul-Mar FY19 as compared to the same period last year due to a shortfall in revenue collection, higher than budgeted interest payments and security related expenditures. From a monetary policy perspective, a growing portion of the fiscal deficit has been financed through borrowings from SBP.

In absolute terms, the government borrowed Rs 4.8 trillion from SBP during 1st Jul-10th May FY19, which is 2.4 times the borrowing during the same period last year. A major portion of this borrowing from the SBP (Rs 3.7 trillion) reflects a shift away from commercial banks which were reluctant to lend to the government at prevailing rates. The resulting increase in monetization of the deficit has added to inflationary pressures.

Despite the recent tightening of monetary policy, private sector credit rose 9.4 percent during 1st Jul-10th May, FY19. Much of the increase in credit was for working capital needs due to higher input prices. The expansionary impact of higher government borrowing and private sector credit on broad money supply (M2) was partly offset by a contraction in net foreign assets of the banking sector. In aggregate, broad money supply grew by 4.7 percent during 1st Jul – 10th May, FY19.

The consumer price index (CPI) rose 9.4 percent in March 2019 and 8.8 percent in April 2019, on a y-o-y basis. Average headline CPI inflation reached 7.0 percent in Jul-Apr FY19 compared to 3.8 percent in the same period last year. Moreover, the annualized headline month-on-month inflation has risen considerably in the last three months due to the recent hike in domestic fuel prices and rising food prices and input costs. As such, inflationary pressures are likely to continue for some time.

The most recent IBA-SBP consumer confidence survey also shows that most households expect higher inflation during the next six months. Taking into account the recent developments discussed above and outlook for key sectors, average headline CPI inflation is expected to be in the range of 6.5-7.5 percent in FY19 and it is anticipated to be considerably higher in FY20. This inflation outlook is subject to a number of upside risks from an expected rationalization of taxes in the upcoming budget, potential adjustments in electricity and gas tariffs, and volatility in international oil prices. The inflation outlook suggests a fall in real interest rates on a forward-looking basis.

https://fp.brecorder.com/2019/05/20190521477331/

GDP GROWTH TO REMAIN IN 2.4-2.7% RANGE FOR FY19

By Dr Fahd Rehman Published: May 20, 2019

LAHORE: The real economy is sliding day by day. Recent statistics of large-scale manufacturing (LSM) index from July 2018 to March 2019 have shown a negative growth of 3%. The news from the agriculture sector is not encouraging either.

Similarly, the performance of the services sector will remain subdued. Based on these statistics, the real gross domestic product (GDP) growth for FY19 will remain in the range of 2.4% to 2.7%.

Under this background, the government has negotiated another programme with the International Monetary Fund (IMF). The content of the Extended Fund Facility (EFF) is dictated by the IMF. The focus of the programme is on economic stabilisation by achieving fiscal consolidation, bolstering foreign exchange reserves and improving energy efficiencies.

Again the programme is front-loaded with prior actions. There is a lot of talk in the media that the government has agreed to a market determined exchange rate ie free float of the rupee. The rupee float could be very dangerous for Pakistan’s economy.

Considering the low level of foreign exchange reserves, this would trigger a speculative attack on the currency. Both local and foreign speculators may become active under these circumstances. The current slide of the rupee provides evidence in this regard.

Another commitment of the programme would be to reduce the fiscal deficit to 3.5% over a three-year period. Keeping ground realities in view, the fiscal deficit of 6% is indispensable for Pakistan’s economy.

Going further below this number would be painful for the masses and create political difficulties for the government.

The IMF recommended to the government that it should increase tax revenues since the expenditure side can’t be curtailed. It is being hoped that tax reform efforts would give results after three years and now the government has started to move in this direction.

Another recommendation is to increase the tax base, which is not achievable under the current circumstances. When a developing economy shrinks, the tax base is further eroded since businesses either perform poorly or go bankrupt.

Under these conditions, the government has to resort to indirect taxes. It is very likely that taxes on petroleum products will further increase. The international oil prices are slowly going up and the government has to either increase or maintain indirect taxes on petroleum products. To achieve the ambitious revenue target under the agreed EFF, the government has to increase petroleum prices going forward. When the government would revise up the oil prices in coming months, this will have a rippl effect in the economy.

There is a loud talk in the media that the government has agreed to impose Rs600-700 billion worth of new taxes. This also implies that certain exemptions will be withdrawn and tax rates will go up.

The third most important issue agreed between both parties is the supply of electricity and its tariff. The IMF recommended that electricity subsidies should be withdrawn for the wealthiest population. However, the prices will remain fixed for the poorest chunk.

Electricity prices are already very high in Pakistan. Any upward revision will create further problems of recovery since higher electricity prices will lead to theft in Pakistan, which is one of the unintended consequences of these prices. Similarly, the government would increase the gas tariffs.

In short, the IMF programme has prescribed technocratic remedies and has even supported technocrats in the helm of affairs. They have proposed conventional remedies but their implementation entails huge political costs. The masses should anticipate a harsh fiscal adjustment. Going forward, the test for the government is whether it can sustain the political backlash or not.

The writer is the Assistant Professor of Economics at SDSB, Lahore University of Management Sciences (LUMS)

Published in The Express Tribune, May 20th, 2019.

https://tribune.com.pk/story/1976433/2-gdp-growth-remain-2-4-2-7-range-fy19/

JUNE, 2019

NEWS COVERAGE PERIOD FROM MAY 27th TO JUNE 2nd 2019

FBR BAGS ONLY RS13.5BN IN NINE MONTHS DESPITE AGGRESSIVE DRIVE

Mubarak Zeb Khan Updated June 02, 2019

ISLAMABAD: The government’s ongoing campaign against tax defaulters, non-compliant high-net-worth individuals (HNWI) has helped the tax department recover nearly Rs13.5 billion in the first nine months of this fiscal year.

In addition to this, notices have been sent to rich people in order to bring them in the tax net.

The total tax demand created through all these initiatives is around Rs31.2bn and the remaining will be recovered after completion of the legal procedures besides bringing these individuals and entities into the tax net.

The drive has also helped the Federal Bureau of Revenue in receiving 540,000 additional tax returns in TY18 till May 31. The total income tax return has reached 1.92 million for the tax year as against 1.38m in corresponding period last year.

This figure may go up as government has extended the last date for filing of tax returns for TY18 until June 30 as part of the tax amnesty scheme.

As part of the broadening of tax base initiatives, a senior tax official told Dawn that between July-April, 206,318 new taxpayers have been added to tax rolls, who paid more than Rs185m.

Explaining further, the official said that 260,000 SMS notices were issued to non-filers in TY17 and of these, 240,000 were also issued emails and asked to file returns. Among them, 50,682 returns were enforced against 76,568 notices issued to date.

Official data available with Dawn show that FBR has initiated 6,451 cases of HNWI during the period under review. Of these, 2,745 taxpayers were made to file their returns along with a collection of Rs1.432 bn. The total tax demand created was Rs2.215bn from these taxpayers.

“This is an ongoing exercise and more notices will be issued to HNWI”, a senior official said.

Tax officials have also taken several enforcement actions under section 175 of Income Tax Ordinance 2001 as well as sections 38 and 40B of Sales Tax Act 1990, which give them the power to enter and search premises as well as post inspection officers on the premises to monitor sales and inventory position.

Using this authority against tax defaulters, the officials have taken action in 373 cases against credible information. The revenue evasion in these cases was Rs7.218bn and out of this Rs3.371bn was recovered.

The break up showed that maximum evasion was detected in sugar and retail sectors. The tax demand created in the sugar sector was Rs3.386bn and out of which only Rs583m was recovered so far, showing meagre recovery from the powerful mill owners.

Contrary to this, recovery from the retail sector is nearly 100pc against the tax demand created – Rs2.519bn recovered versus the target of Rs2.258bn.

The tax demand created from real estate sector was a meagre Rs591m while recovery almost half at Rs382m.

Other sectors had a demand of Rs722m of which Rs148m have been recovered so far.

The newly appointed FBR Chairman Shabbar Zaidi has recently restricted tax officials to seek his prior approval before entering the premises of taxpayers. He also conditioned the prior approval from his office regarding bank account attachment of taxpayers.

But before his order, the data show that regional tax offices (RTOs) used these powers extensively to recover taxes from defaulters.

The Peshawar RTO initiative shows that it has recovered an amount of Rs423.459m with recovery made in the wake of issuance of 141 warrants of arrest to tax defaulters. The other tools used for recovery include attachment of property in 85 cases, vehicles in 44, and 3,060 in bank accounts.

Next area is the identification of HNWI through their activity and upon whom reasonable suspicion exists of non-compliance or lack of full compliance with their tax obligations. The FBR spotted 6,451 such cases and enforced 2, 745 returns through the drive. It also created a tax demand of up to Rs2.215bn and recovered Rs1.432bn from them.

Similarly, FBR has selected 150 cases of high profile individuals where income does not commensurate with life style and shared details with field formations during the last 10 months. On the basis of available data, 38 cases were selected by the respective commissioners for detailed audit.

In seven cases, field formations had already conducted audit/scrutiny and created tax demand of Rs6.554bn.

Through database analysis of withholding statements, 74,321 active live business cases have been identified with their CNIC details sent by FBR to Nadra for addresses. In this regard, 1,024 notices under section 114 & 116 have been issued in the first batch.

Under the offshore initiatives, the country has signed Organisation of Economic Cooperation and Development Agreement for automatic exchange of information and has received accounts information of about 152,000 Pakistani tax residents. Similarly, it has started receiving information in 525 cases from UK relating to investments/rental income of Pakistanis there.

According to a tax official, tax demand to the tune of Rs13bn has been created in offshore cases of which a recovery of Rs6.5bn has been made. FBR has established six Offshore Taxation Commissionerates to handle offshore information at Karachi, Lahore, Islamabad, Peshawar, Quetta and Multan.

Published in Dawn, June 2nd, 2019

https://www.dawn.com/news/1485997/fbr-bags-only-rs135bn-in-nine-months-despite-aggressive-drive

BUSINESSMEN TO MEET PM IMRAN ON ZERO-RATED FACILITY

By Shahram Haq Published: June 2, 2019

LAHORE: The business community of Punjab has continued to face disappointment over the zero-rated facility as the government has maintained its stance on withdrawing the sales tax exemption for the five major export-oriented sectors in the upcoming budget.

Leading textile lobbies, along with the Lahore Chamber of Commerce and Industry, met with Adviser to PM on Finance Abdul Hafeez Shaikh and informed him of the impact of withdrawing the facility. However, no breakthrough could be achieved in the meeting held at the Punjab Governor House on Saturday.

A leading businessman told The Express Tribune that even though they were not hopeful of convincing Shaikh, they had no option but to continue and try to emphasise their point of view.

“We are expecting a meeting with Prime Minister Imran Khan on Sunday; so hopefully he can understand our problem as he did before,” the businessman revealed.

He stressed the need for continuing the policies for ensuring sustainable growth, adding that like the previous governments, the current one too was changing its policies.

“Withdrawal of the sales tax exemption and a threat to further increase the standard sales tax to 18% can kill fresh investments and drive the country’s exports off course due to a huge price disparity,” he remarked. On the other hand, the LCCI president was of the view that the industry could not be competitive globally unless it was competitive in its own country.

“The industry owns the local market, which unfortunately is flooded with smuggled, under-invoiced or imitation products. The industry is uncompetitive because of a heavy load of taxes, levies, advance and withholding taxes on raw material and energy,” he said.

The officials also emphasised the need for releasing tax refunds of the business community to restore the trust in the tax collector.

“We have learnt the government plans to introduce a scheme for the payment of refunds against the export proceeds (remittances) through the State Bank (Bangladesh model). We are concerned this system has not been tested yet,” stated a businessman.

They said customs duty on intermediary products should be reduced so that the domestic industry was able to import quality material, components and machinery from across the world at the same duty rate at which it imported under different free trade agreements (FTAs).

Published in The Express Tribune, June 2nd, 2019.

https://tribune.com.pk/story/1985124/2-businessmen-meet-pm-imran-zero-rated-facility/

GOVERNMENT BORROWING FROM SBP SURGES TO RS5.348 TRILLION

Erum Zaidi June 2, 2019

KARACHI: Government borrowing from the central bank jumped 2.6 times in 11 months of the current fiscal year, as Islamabad continued to rely on the State Bank of Pakistan (SBP) to finance the budget deficit.

Latest data issued from the SBP showed that the government borrowed Rs5.348 trillion from the central bank during July 1 to May 17, 2019, compared with Rs2.086 trillion in the corresponding period last year.

However, the government retired Rs3.698 trillion debt of commercial banks during the period under review.

A major portion of government borrowing from the SBP seems to have funded the budget deficit, which was on an upward trajectory due to a shortfall in revenue collection, higher than budgeted interest payments and security related expenditures.

The budget deficit climbed five percent of gross domestic product in July-March FY19. A frequent rise in this borrowing also indicated that banks remained unwilling to lend the government at the existing interest rates. The SBP in its latest monetary policy statement said the increase in monetisation of the deficit has added to inflationary pressures. It also said that a greater reliance on central bank financing of the deficit has acted to dilute the impact of previous monetary tightening.

However, the fresh auction of the market treasury bills, held on May 23 followed the SBP’s 150 basis points hike in the policy rate, showed a greater reliance on commercial bank financing by the government.

The government borrowed Rs3.1 trillion from banks via t-bills against a target of Rs600 billion.

A report published by Taurus Securities said interest in the t-bills auction was entirely skewed towards the shortest tenure (3-Months) amounting to acceptances of over Rs3 trillion at a weighted average cut-off yield of 12.57 percent (+157bps higher than the previous issue).

"Banks are expecting a further rise in interest rates. The surge in cut-off yields is the direct outcome of the 150bps recent hike in the policy rate by the SBP," it said.

"Further, the amount borrowed ie Rs3.1 trillion, is the highest in a single t-bills auction since the Rs3.2 trillion borrowed by the government of Pakistan back in July 2018," it added. The higher subscriptions were a result of the government's willingness to borrow from the system rather than the SBP due to debt monetisation concerns, the report noted.

Rolling net maturities of R1.8 trillion between March and May 2019 also compelled the government to avail financing from the commercial banks for budgetary support.

Analysts said the government has to build fiscal discipline by cutting dependence on the central bank to finance deficit during the IMF-supported $6 billion three-year extended fund facility.

Analysts also said the upcoming budget would be aiming for a primary deficit of 0.6 percent of GDP. This provides some indication as to how much of fiscal deficit the government would be aiming for next year and would likely be the key prior action of the IMF programme.

"Assuming debt repayments of around Rs2 trillion, the government will likely target a fiscal deficit of around 5 percent for FY20 (we assume 5.7 percent) compared to around 7.3 percent expected this year," said the Topline report. The SBP increased the policy rate by 150 basis points to 12.25 percent last month in response to higher inflation, elevated fiscal deficit and its increased monetisation.

https://www.thenews.com.pk/print/479281-government-borrowing-from-sbp-surges-to-rs5-348-trillion

MORE PEOPLE TO LOSE JOBS AS INFLATION MAY RISE TO 20PC, WARNS BENGALI

Our Correspondent June 2, 2019

Economist Dr Kaiser Bengali opined on Saturday that the inflation rate in the country would rise to 20 percent in the coming months due to the policies of the government under which it had dealt with the International Monterey Fund.

Bengali was giving a lecture on Pakistan's recent $6billion bailout deal with the IMF at the National Trade Union Federation office. It was jointly organised by the NTUF and the Home- Based Women Workers Federation for the people from working-class backgrounds.

"The government has already gone bankrupt," he said, explaining that it did not have dollars in its foreign exchange reserves nor did it seem to overcome the trade deficit challenge. "Our exports are of $24billion against our imports of $60billion."

He said that more people would lose their jobs and the inflation would go up because the government surrendered before the IMF to seek the bailout package. "The IMF has no sympathy with the public. It, like all the banks, is only interested in getting its money back."

He said that the current government's practices and policies were similar to those of General Pervez Musharraf's government. He said that the then prime minister and finance minister were brought in from aboard, so were the finance minister and the head of the State Bank of Pakistan by this government.

He suggested that when a company which owes to banks go bankrupt, the banks take over that entity. In the case of Pakistan, he added, similar is happening as the IMF has put its representatives in the key positions to recover its money.

Criticising the government, he said that there were around 14 to 15 ministries which were unnecessary. He gave the example of one national harmony ministry and wondered what its significance was. He said that instead of cutting its own expenses, the government was putting burden on the public.

Citing a research, he said that people tended to drink tea instead of having a proper meal because it would cost them more. He said that the elites, on the other hand, had been unaffected by the inflation. “Go to a supermarket in a posh area, you will have to look for local products if there are any on the shelves.”

He said that to overcome the crisis, trade deficit was needed to be reduced. However, he said, the government policies were unfriendly to encourage exports and discourage imports. “One basic rule of imposing duty on something is that that it should be put on raw material rather than a finished product. It is total opposite here.”

Referring to an example of paper, he said that due to a hefty duty imposed on the import of paper on the recommendation of a group of local paper manufacturers, the Urdu textbooks were now coming in from Malaysia, Indonesia and other Southeast Asian countries.

https://www.thenews.com.pk/print/479303-more-people-to-lose-jobs-as-inflation-may-rise-to-20pc-warns-bengali

FBR POSTS RECORD REVENUE SHORTFALL OF RS447BN IN 11 MONTHS

Mubarak Zeb Khan Updated June 01, 2019

ISLAMABAD: The Federal Board of Revenue (FBR) collection during the first 11 months of the fiscal year posted a historic shortfall of nearly Rs447 billion during July-May period, leading to higher than expected budget deficit.

The unexpected decline in collections presents the new finance team of the government with its starkest challenge. All heads — customs, income tax, sales tax and federal excise duty (FED) — missed the revenue collection target.

The fall in FBR revenue will not only lead to higher than projected budget deficit but will also cause steep fall in transfers of shares in federal revenues to the provinces in the current fiscal year.

The provisional figures show that the revenue collection was recorded at Rs3.303 trillion during the 11 months of this fiscal year as against Rs3.751tr projected for the same period.

The government has projected a revenue collection target of Rs4.398tr for the year 2018-19. The figures show that the provisional figures show that the collection will remain behind the projected target with a big margin.

The provisional figures revealed that almost all taxes fell behind the targets.

On monthly basis, the collections reached to Rs327.9bn in May 2019 as against the target of Rs413.5bn projected for the same month, showing a shortfall of Rs85.6bn.

The revenue collection during the month even fell behind the collection during the same month last year.

The poor collection has also exposed FBR to massive reforms and revenue measures to be taken as part of the International Monetary Fund (IMF) bailout package from the next fiscal year. The government is likely to impose additional revenue measures of Rs800bn worth in the budget 2019-20, though this figure could rise given the scale of the shortfall this year.

The focus of the next year budget is to generate maximum revenue to overcome the yawning budget deficit.

The customs collection has reached Rs614.9bn during the July-May period 2018-19 as against the target of Rs637.2bn projected for the same months, reflecting a shortfall of Rs22.3bn.

The customs collection fell behind the target of Rs66.2bn in May by realising revenue of Rs55.9bn, a shortfall of Rs10.3bn.

The customs collection fell mainly because of ban on import of furnace oil, change in the mode of import of used vehicles, non-tariff measures on edibles and compression of non-essential luxury items during the month under review.

According to a customs official, the revenue collection in customs dipped because of about 15pc decline in import values in dollar terms, dutiable imports declined even more, almost by 20pc, eating up entire devaluation impact.

The revenue collection stood at Rs2,689bn from Inland Revenue—income tax, sales tax and federal excise duty in July-May period this year as against Rs3,114.3bn projected target, showing a shortfall of Rs425.3bn during the period under review.

On monthly basis, the shortfall of IRS revenue reached to Rs75.3bn in May as its collection stood at Rs272bn as against the projected target of Rs347.3bn.

Published in Dawn, June 1st, 2019

https://www.dawn.com/news/1485865/fbr-posts-record-revenue-shortfall-of-rs447bn-in-11-months

NEWS COVERAGE PERIOD FROM JUN 3rd TO JUN 9th 2019

GOVT MULLS TAX LEVY ON MIDDLEMEN'S INCOME

By Shahbaz Rana Published: June 8, 2019

ISLAMABAD: The government plans to slap tax on the income earned by middlemen from farm produce to capture their Rs1-trillion untaxed income and it could also increase the tax rate on interest income to 30% in the new budget.

It is also considering withdrawing tax exemption on the dividend income being availed by industrialists under Section 65B and 65D which deal with tax credit on industrial expansions, said sources in the Federal Board of Revenue (FBR). The tax credit may be restricted to only business income, according to the budget proposals.

These proposals are part of the tax plan being finalised for the next fiscal year 2019-20 aimed at achieving the tax collection target of Rs5.550 trillion. The FBR is in the process of giving final shape to around Rs700 billion worth of additional revenue measures besides finding avenues to collect another over Rs250 billion through administrative measures.

Monetary values of these budget proposals will be examined by the International Monetary Fund (IMF).

In a bid to capture the income earned by middlemen, known as arthis, the government is considering imposing tax on their turnover, according to the sources.

At present, the arthis and commission agents are subject to an annual fixed tax ranging from Rs5,000 to Rs10,000 only. The FBR received only Rs121.2 million on this account in July-March of the current fiscal year, according to official statistics.

But FBR Chairman Syed Shabbar Zaidi claims that the untaxed income of middlemen is “the biggest black hole in Pakistan’s economy” that he wants to plug through the new Finance Bill 2019.

In his view, these middlemen are not commission agents but the traders of farm produce, therefore, they should be taxed accordingly. The middlemen did their business transactions through banks and could be easily taxed, he said.

Tax potential in the income earned by the traders of farm produce, the middleman or arthis, is no less than Rs1 trillion, according to a statement from Zaidi which appeared in Business Recorder in January this year.

Zaidi stated that the trading and wholesale business of farm produce was a money-making machine and its tax contribution was zero. In all of the farm produce – wheat, rice, cotton, sugarcane, milk, meat, fruits and vegetables, the farmer earns 10-20% and the rest is earned by the middleman, according to Zaidi.

In January, he stated if the Pakistan Tehreek-e-Insaf (PTI) really meant business, it must go after the arthis.

In his view, these middlemen are no more than a few hundreds in number across Pakistan and the influential ones are big enough that provide financial support to political leaders during elections.

The FBR faces a hurdle in the shape of agriculture income tax exemption and taxing real income of the middlemen could be one potential source to bring the income from farm produce in the federal tax domain. Under the constitution of Pakistan, the income from agriculture is a provincial subject – a lacuna that almost every influential landlord and industrialist exploits to dodge taxes by claiming income from land.

The share of agriculture in the economy is about one-fifth but its share in total revenues is less than 1%, indicating huge tax evasion in the sector.

“All over Pakistan, 9,352 taxpayers have shown agriculture income and 6,668 have not paid provincial agriculture tax,” according to the Federal Tax Ombudsman (FTO).

It added only 2,384 people – only one-fourth of the total declarations – actually paid provincial agriculture income tax during tax years 2016 and 2017.

In order to evade income tax, the landlords claimed tax exemptions from the FBR by declaring agriculture as the source of income. However, 75% of them gave false statements in their annual income tax returns as they did not pay tax in the provinces, according to the FTO's findings.

The middlemen buy farm produce from the farmers and hoard these commodities in order to sell at a later stage at higher prices, influencing demand and supply in the market.

Sources said the FBR was also considering taxing the dividend income which was currently exempted due to certain tax concessions available to the industrialists. Initially, the FBR wanted to abolish Sections 65B and 65D, which allowed income tax exemption on industrial expansion. But it faced resistance and had to retreat.

Now, the FBR plans to restrict these exemptions only to the business income.

According to another budget proposal, the government may increase withholding tax rates on interest income to 30%. At present, the filers pay 10% tax on their interest income and non-filers are subject to up to 17.5% tax.

There are certain types of interest income that are either exempted or are subject to lower tax rates. These schemes are run by Central Directorate of National Savings (CDNS), being administered by the Ministry of Finance. There is a possibility that higher withholding tax on interest income may channel money from banks to the CDNS.

Published in The Express Tribune, June 8th, 2019.

https://tribune.com.pk/story/1987712/2-govt-mulls-tax-levy-middlemens-income/

INFLATION ROSE TO 9.11PC IN MAY

Agencies Updated June 04, 2019

ISLAMABAD: Pakistan's annual consumer inflation picked up to 9.11 per cent in May from 8.82pc the previous month on the back of higher food and petrol prices, the statistics bureau said on Monday, adding to pressure on household budgets.

The reading saw big jumps in the prices of staples like cabbage, onions and potatoes, as well as petrol. It comes as the government is close to finalising a new bailout agreement with the International Monetary Fund following a preliminary agreement last month.

Monthly inflation for May against April was 0.78pc, with the average over the July-May period up 7.19pc from the same period a year earlier.

According to the Pakistan Bureau of Statistics (PBS), the Wholesale Price Index (WPI) increased by 1.43pc and Sensitive Price Index (SPI) by 0.78pc in May. The average inflation rate during the July-May period also rose by 7.19pc, compared to the same period last year.

The PBS collects retail prices and computes the CPI for a basket of 487 items collected from 40 cities and 76 markets. For each item, four quotations are collected from each market on a monthly basis.

The WPI, on a monthly basis, is compiled from 21 markets and 21 cities for a basket of 463 items. The SPI is compiled on a weekly basis for 53 items from 53 markets of 17 cities.

On a year-on-year basis, the items that witnessed increase in prices in May this year included gas (85.31pc), onion (77.52pc), cabbage (74.87pc), watermelon (55.73pc), bus fare (51.16pc), garlic (49.99pc), tomatoes (46.11pc), lemon (43.46pc), bottle gourd (34.83pc), pulse moong (33.65pc), newspaper (33.33pc), mango (28.99pc), CNG (28.23pc) MBA tuition fees (27.73pc), sugar (26.53pc), high speed diesel (23.86pc), petrol (23.63pc), gold Tezabi (20.07pc), lady finger (15.09pc), mutton (12.04pc), pulse gram (11.43pc), apple (11.20pc), bananas (10.82pc), electricity (8.48pc), wheat (7.40pc), dates (7.32pc) and house rent (6.15pc).

The items that witnessed increase in prices in May included betel nuts (35.55pc), gram whole (yellow) (12.76pc), eggs farm (10.52pc) and Aloo Bukhara (4.79pc).

The year-on-year increase in the trimmed core inflation was observed at 7.5pc, whereas it was 5.1pc during May 2018 over May 2017. The increase in the non-food and non-energy core inflation was observed at 7.2pc, whereas it was 7pc during May 2018 over May 2017.

Published in Dawn, June 4th, 2019

https://www.dawn.com/news/1486395/inflation-rose-to-911pc-in-may

ECONOMIST SAYS INFLATION MAY GO UP DUE TO BAD DEAL WITH IMF

The Newspaper's Staff Reporter June 04, 2019

KARACHI: Economist Dr Kaiser Bengali warned on Monday that inflation in the country was feared to go as high as 20 per cent in coming days "because of the wrong policies of the government under which it has dealt with the International Monetary Fund.

"More people will lose their jobs and inflation will further rise because the government has surrendered to the IMF to seek its bailout package," said Dr Bengali while delivering a lecture titled 'Deal with IMF: economical and political slavery trap' organised by the National Trade Union Federation and Home Based Women Workers Federation.

Dr Bengali, who has advised both the federal and provincial governments on economic matters, claimed the federal government had already gone bankrupt and said "it does not have dollars in its foreign exchange reserves nor it seems to have overcome the trade deficit challenge yet".

He said the country's exports stood at $24 billion against the imports of $60bn and "there is no other way out except adopting public-friendly policies to successfully endure the current economic [situation]".

"IMF has no sympathy with the public. It, like all the banks, is only interested in getting its money back," he said.

He added the government's practices and policies were similar to those of retired Gen Pervez Musharraf's regime.

He said the then prime minister and finance minister were brought in from aboard and the same had been done by the present government vis-à-vis the appointment of the finance minister and governor of the State Bank of Pakistan.

Dr Bengali said that when a company, which owed banks heavily went bankrupt, banks took that entity over.

"In the case of Pakistan," he added, "the equation is not different as the IMF has put its representatives on key positions to recover its money".

Criticising the government, he said there were around 14 to 15 ministries which were unnecessary and gave example of one national harmony ministry and wondered what its significance was. "Instead of cutting its own expenses, the government is putting burden on public."

Citing research, he said that people tended to drink tea instead of having a proper meal because it would cost them more. The elite, on the other hand, had been unaffected by inflation, he said.

He said that economic crisis was also caused by the elite class because they preferred imported goods to local ones. "The elites want European lifestyle while living in Pakistan," he said.

He said that trade deficit needed to be reduced to overcome the current economic upheaval. Still, he added, the government's policies were unfriendly in encouraging exports and discouraging imports.

Published in Dawn, June 4th, 2019

https://www.dawn.com/news/1486320/economist-says-inflation-may-go-up-due-to-bad-deal-with-imf

INFLATION LIKELY TO RISE OVER NEXT FEW YEARS

Khaleeq Kiani Updated June 03, 2019

ISLAMABAD: The government is expecting the inflation rate to "remain on the higher trajectory" over the next couple of years owing to second-round effect of currency depreciation, higher energy prices, rising commodity prices in international market and base money creation.

As such, the average inflation is expected to be 8.5 per cent in the next fiscal year (2019-20) that may touch 10pc by fiscal year 2020-21, a senior government official told Dawn.

The coming increase in energy and petroleum prices due in July will also play a role.

The official said these figures were shared with Prime Minister Imran Khan and four provincial chief ministers at a meeting of the National Economic Council (NEC) last week.

The meeting was told that "inflation remained on an upward trajectory during 2018-19. Inflationary pressures initially emanated from non-food side, but after December 2018 food inflation became major driver of inflation". Headline inflation averaged 7pc for July-April this fiscal year compared to 3.7pc of the same period last year. Average sensitive price indicator was also higher in July-April 2018-19 at 4pc against 0.8pc of same period last year. Similarly, wholesale price index stood at 11.7pc in the first 10 months of the current fiscal year compared to 2.8pc of the last year.

Economic growth is expected to slightly recover during next fiscal, National Economic Council told

The NEC was informed that inflation in first 10 months of the current fiscal had increased mainly because of unprecedented supply shocks in the case of essential food items such as tomatoes and green chillies, higher than anticipated increase in international oil prices, an upward revision in domestic gas prices, a further increase in regulatory duties on imports and continuing second-round impact of previous exchange rate depreciation.

The country's highest economic decision making body was told that economic growth was anticipated to slightly recover next year as macroeconomic stabilisation had been achieved through curtailing domestic demand. Fiscal consolidation along with regulatory measures would be aimed to ease the growing pressures on the external front.

The contractionary monetary and fiscal measures have decelerated economic growth since December 2017 and next year will be the second fiscal year of stabilisation and adjustment.

"Inflation is expected to remain on a higher trajectory, though the spikes will be contained through monetary contraction," the NEC was told.

As such, the annual plan for next year envisages macroeconomic stability in view of fiscal consolidation, improving external account and revival in agriculture and industrial growth. Yet, there would be slight economic recovery to a growth rate of 4pc — on a small base of 3.3pc for current year — with targeted 3.5pc growth rate in agriculture, 2.4pc in industry and 4.8pc in services.

The recovery in agriculture is anticipated on the basis of better production of Kharif and Rabi crops owing to better weather condition forecasts and improved input supply. Therefore, there will be growth in major crops by 3.5pc, other crops 3.1pc, cotton ginned 2.5pc, livestock 3.6pc and fishery and forestry by 4pc and 2pc, respectively.

Likewise, the industrial recovery is envisaged for next year on the back of better energy supply, better investment climate and consistent economic policies. The expected higher growth of 4.8pc is based on expectation of higher growth in commodity producing sectors.

However, these "targets are subject to favourable weather conditions, managing current account deficit, consistent economic policies and aligned monetary and fiscal policies", the NEC was forewarned.

The fiscal policy during fiscal year 2019-20 will target reducing fiscal deficit, mobilising additional resources, controlling current expenditure and switching to targeted subsidies while prioritising development expenditure.

Monetary policy, on the other hand, will be aimed at supporting adjustment process as agreed to with the International Monetary Fund to restore macroeconomics stability and manage aggregate demand.

"However, the challenge would be to strike a balance between growth and stability in such a way that monetary policy tools may not suffocate economic growth while containing inflationary pressure," the political leadership was told.

Resurgence of global commodity prices in 2019-20 is viewed as a positive signal for exporters. Concerted efforts would be required to enhance quality of exportable items, diversify product range and look for new markets, hence, the trade deficit is projected to be 9.2pc of GDP.

With expected improvement in investment environment along with China-Pakistan Economic Corridor investments and better performance in industrial sector, exports are targeted to gain momentum and grow by 6.2pc while imports are projected to increase by 2.1pc.

The current account deficit is estimated at 2.8pc of GDP against estimated 4.4pc during current year.

Published in Dawn, June 3rd, 2019

https://www.dawn.com/news/1486212/inflation-likely-to-rise-over-next-few-years

BUSINESSPEOPLE MEET PM AHEAD OF FY20 BUDGET

RECORDER REPORT | JUN 3RD, 2019 | ISLAMABAD

Prime Min-ister Imran Khan Sunday urged the business community of Pakistan to play their effective role for country's economic development. In a meeting with a delegation of the renowned industrialists and businessmen, the prime minister said the government was making all-out efforts to facilitate the business community.

The meeting was attended by the representatives of Information Technology, pharmacy, textile, plastic, garments and other industries including Aizaz Hussain, Shahid Surti, Abrar Hussain, Khalid Mahmood, Yaqub Ahmed, Shabir Dewan, Khalil Sattar, Taufiq Chinoy, Fawad Anwar, Ijaz Gauhar and Shahzad Ali Malik.

Minister for Planning Makhdoom Khusro Bakhtiar, Finance Advisor Abdul Hafeez Sheikh, Commerce Advisor Abdul Razak Dawood, Chairman FBR Shabbar Zaidi and other senior officials were also present.

The industrialists presented their suggestions for incorporation in the upcoming annual budget 2019-20. The prime minister said that bringing ease of doing business was government's priority. The objectives of the frequent meetings with the business community was to win their trust, he added.

He said the government's responsibility was not merely to levy taxes rather to extend facilities to taxpayers. The prime minister said that the use of Information Technology could contribute well to ensuring good governance and betterment of the people. The government desires to make Pakistan's export products competitive vis-à-vis their quality and cost to the products from other countries in international market.

He told the meeting that the investors could only be attracted to the country by bringing ease of doing business that would also strengthen the national economy.

He said the government desired to formulate trade and industrial policies in consultation with the business community to remove impediments and address issues confronting them.

The prime minister urged the business delegation to take full advantage of the tax amnesty scheme announced by the government. He said the government was in process of introducing reforms in FBR to regain the trust of the business community on tax collection system.

https://fp.brecorder.com/2019/06/20190603483367/

NEWS COVERAGE PERIOD FROM JUN 10th TO JUN 16th 2019

BUDGET 2019-20: TAX-HEAVY BUDGET FAILS TO ARREST GROWING FISCAL DEFICIT

Khaleeq Kiani Updated June 12, 2019

ISLAMABAD: Despite a massive Rs1.405 trillion tax plan, the federal budget sees no major change in the overall fiscal deficit during 2019-20, which is set to come in at a record Rs3.15tr or 7.2 per cent of GDP.

Presented in the National Assembly by Minister of State for Revenue Hammad Azhar on Tuesday, the PTI government's first full-year budget proposed a ferocious array of taxes on almost all sectors of the economy, in line with a staff-level agreement with the International Monetary Fund (IMF) for a bailout package, with maximum focus on recoveries from income tax and sales tax. Income tax payers will bear a significant brunt of the new revenue effort set to unroll with the arrival of the new fiscal year on July 1.

The government has increased income tax rates to a maximum of 35pc from 25pc at present and reduced by half the taxable income bracket to Rs50,000 per month for salaried and Rs33,333 per month for non-salaried. From the head of income tax alone, the government is aiming to raise Rs258bn of additional revenue in the forthcoming year.

Another key decision under the budget is the removal of zero-rating facility to five export-oriented sectors, including textiles, and imposition of normal 17pc GST despite strong opposition from the industry. In return, the government has promised speedy refund claims against actual exports. From sales taxes, the government is expecting to raise Rs250bn incremental revenue, via GST rate adjustments in various areas and elimination of zero-rating.

Also, the budget removed a restriction on sale and purchase of movable and immovable assets of tax non-filers that was considered a move for documentation of economy when it was first introduced. Also tax rates were increased on sugar, cement, steel and many edible items and facilitation has been offered on import of machinery and equipment for industrialisation, including in the tribal region now being merged with Khyber Pakhtunkhwa.

The minister hoped the difficulties arising out of budgetary measures, including inflation, would subside over six months to a year period as the State Bank of Pakistan acts independently through monetary policy tools that point towards further hikes in interest rates, which he hoped will bring "long-term benefit to the nation through effective documentation of economy and expansion in the tax base".

Not all was bad news, however. The budget promised 10pc increase in net pensions, 10pc ad hoc relief on running basic salaries for grade 1-16 employees of the civil government and equivalent army personnel and 5pc for grade 17-20 officers. The officers in grade 21 and above in civil and equivalent armed forces officers, the minister said, had agreed to not get any increase, while members of the federal cabinet had volunteered 10pc pay cuts as a symbolic gesture of solidarity with the citizens who are being asked to sacrifice greater share of personal income for stabilisation of the government's fiscal accounts.

In the same spirit, Mr Azhar said the current civilian expenditure was promised to be cut by 5pc or Rs23bn to Rs437bn next year from revised estimates of Rs460bn.

The defence expenditure for next year has been pegged at Rs1.153tr against Rs1.1tr of original budget allocation of current year, up 14pc.

And yet, the minister said the next year's overall deficit would be 7.1pc of GDP or Rs3.137tr, compared to 7.2pc of GDP during current year. The budget documents, however, put the deficit number at Rs3.151tr or 7.2pc of GDP. This would be achieved through a cash surplus of Rs423bn expected from the provinces as the federal deficit was pitched for next year at Rs3.574tr.

This was mainly because the government has committed to the IMF that it will undertake a fiscal adjustment equal to 0.6pc of GDP in the primary deficit given a massive bill of Rs2.891tr in interest payments due next year. The primary deficit is the difference between revenues and expenditures after debt servicing has been removed from the latter. As such, the budget sets an ambitious revenue target of Rs5.555tr for the Federal Board of Revenue (FBR) that missed its Rs4.435tr target during current year by a record margin. The budget revised FBR's collection target to Rs4.15tr. Yet, the minister said the tax-to-GDP ratio will increase to 12.6pc next year with all the aggressive campaign from current year's 12pc.

Mr Azhar said the government would continue import compression and try to increase exports to reduce external deficit to $6.5bn next year from $13bn during the outgoing fiscal year. This would be achieved by supporting exports through revised duty structure on raw material and intermediate goods, improved tax refunds, competitive electricity and gas rates and redoing free trade agreements.

The government has also promised Rs190bn allocation for social protection through the food ration card scheme for one million deserving people, besides special nutritious food for infants and mothers, interest-free loans to the poor and stipends to six million women through mobile phones.

The budget has promised Rs100bn loans to the youth under the Kamyab Jawan Programme. The minister also said the federal and provincial governments would together provide Rs280bn agriculture support programme for the next five years.

He spoke about revival of public sector entities through a combination of corporatisation, privatisation and restructuring for which a plan would be announced later, but said $2bn would be raised next year through sale of two LNG-based power plants and $1bn through cellular phone licences.

The minister promised introducing a new system through the State Bank of Pakistan to end trade-based money laundering to meet the requirements of the Financial Action Task Force. With the same purpose, a new directorate of customs would be created for cross-border movement of currency.

The minister said the government would make every effort to ensure the budget measures had minimal impact on price increases and where unavoidable due to international market would ensure that consumers are protected to the extent possible through social safety programmes.

"We will tailor our fiscal and monetary policies, coordinate with the provinces and adopt administrative measures to fight this menace of inflation," he said, adding that the government would no longer depend on the State Bank borrowing with effect from July 1 as it was inflationary.

At the same time, the minister said the year 2019-20 shall continue to be the period of stabilisation, which he described as "a difficult transition" to achieve within a minimum amount of time. He said the revised tax rates would increase the CNG price by about Rs3 per kg and LNG price by a few rupees per kg. The overall tax policy would target reducing exemptions in a phased manner, gradual improvement in the value-added tax region and revision in special procedures to ensure effective tax compliance.

Published in Dawn, June 12th, 2019

https://www.dawn.com/news/1487720/budget-2019-20-tax-heavy-budget-fails-to-arrest-growing-fiscal-deficit

FEDERAL BUDGET 2019-20: MASSIVE REVENUE PLAN AIMS FOR RS568BN FRESH TAX MEASURES

Mubarak Zeb Khan Updated June 12, 2019

ISLAMABAD: In its first budget the PTI government has decided to withdraw discriminatory concessions and exemptions worth Rs300 billion besides revising tax rates on individuals and sectors to enhance the country's tax-to-GDP ratio and promote investment.

The Finance Bill 2019 proposes measures for broadening of income tax base, increasing cost of non-compliance, tariff reforms, simplification of business processes for taxpayer's facilitation and effective enforcement through enhanced use of automation.

Keeping in view the increase of Rs1.405 trillion in the tax collection target for the Federal Board of Revenue's (FBR), the government has introduced additional revenue measures worth only Rs568bn inclusive of the tax exemptions amount.

The breakdown of new tax measures reveals that the government expects additional funds worth Rs258bn from income taxes, Rs250bn from sales tax and federal excise duties and Rs60bn from custom duties.

However, these measures do not reflect the true picture whether FBR will be successful in achieving the targets or will have to announced additional revenue measures at the beginning of the next fiscal year.

On the other hand, the government has announced relief measures worth Rs27.290bn including Rs23.590bn in customs, Rs3.2bn in sales tax and federal excise duty and only Rs500 million in income tax — the lowest relief in any budget during the decade.

The government has also revised the tax rates for salaried and non-salaries individuals. The move will contribute the largest share to the national kitty as it embarks to achieve the mammoth tax target in the next fiscal year.

The budget has changed the tax rates for these individuals to the 2017 levels with a higher income tax slab of 35pc.

The measure is likely to help government raise nearly Rs34bn and Rs19bn from salaried individuals and non-salaried individuals, respectively.

Contrary to this, the rates for big taxpayers-corporate sector have been kept unchanged at 29pc for the next two years.

The government has also decided to do away with the tax credit for investments classified as brown-field and plans to reduce the credit from the existing 10pc to 5pc and completely phase out the benefit in the FY2020-21. The discontinuance is expected to add Rs67bn to the national kitty. Furthermore, the gift scheme has also been brought under the normal

income tax regime to minimise its misuse and raise additional revenues to the tune of of Rs20bn. In the tax year 2018, Rs275bn were reported as gifts in the income tax returns filed by individuals.

The government, in the budget has enhanced the turnover tax from 1.25pc to 1.5pc, from 0.2pc to 0.25pc, from 0.25pc to 0.3pc and from 0.5pc to Rs0.75pc, respectively to raise additional Rs26bn in the next fiscal year.

It has also been proposed to streamline tax regime for the real estate sector as 3pc tax levied on not explaining the source of income has also been withdrawn. Similarly, the rate of withholding tax on purchase of immovable properties has been reduced to 1pc from 2pc irrespective of the value of property with the condition that the tax on sale of property would be collected where the holding period is up to five years. These measures are estimated to yield additional revenue of Rs20bn.

The capital gains on immovable property will be taxed at the normal tax rates which will generate additional amount of Rs8.75bn for the national kitty.

Another major revenue spinner will be the discontinuation of depreciation and brought-forward losses while computing income for super tax to raise additional revenue of Rs10.6bn.

Other major revenue measures are related to banking sector, remittances, rental income and increase in withholding tax on certain services.

The government has also proposed to tax bank’s government securities at the rate of 37.5pc as is in excess of 20pc of total profit before tax. The measure will yield around Rs10.2bn in revenue. Similarly, the government has reduced the limit of not explaining source of investment through foreign remittance from Rs10m to Rs5m. The move is expected to generate additional Rs8.67bn.

The government has also enhanced the dividend rate to 15pc from 7.5pc on income received on shares of a company set up for power generation or on shares of a company supplying coal exclusively to power generation to earn additional revenue of Rs8bn.

The tax rate for services with reduced rate of 2pc of the total turnover is being revised upwards to 4pc of the gross amount of turnover.

The present rate of 2pc for transport services has also been increased to 4pc to help government earn additional revenue of Rs5.6bn.

The government has withdrawn the 15pc initial allowance in the case of buildings. This will help to generate around Rs8.67bn.

A withholding tax has been introduced at the rate of 15pc of the gross amount of royalty to be deducted from resident persons.

The government has shifted all transactions from sectors except exporters from final tax regime to minimum tax regimes. The sectors included in the minimum tax regime include commercial importers, commercial suppliers of goods, contractors, persons deriving brokerage or commission income and individuals earning income from CNG stations.

The rate of withholding tax on the payment on debt has also been enhanced to 15pc from 10pc which will be applicable for profit on debt up to Rs36m and for the amounts exceeding Rs36m, the profit on debt will be made part of the total income and taxed at normal rates. The move will help raise around Rs7.1bn.

The government also has done away with the concept of non-filer and introduced special legal framework for punitive measures for individuals not appearing on the Active Taxpayers List (ATL) to ensure filing of return by such individuals. The measures include 100pc increase in the tax rate, and other legal formalities under the Income Tax Law. Moreover, the income tax commissioner has also been empowered to initiate penalty proceedings for concealment of income.

The withholding tax rates have also been enhanced on dealers, commission agents and arthis. Under the new regime, the tax rates are being increased for Class A from Rs10,000 to Rs100,000; for class B from Rs7,500 to Rs75,000; for class C from Rs5000 to Rs50,000 and for any other category from Rs5,000 to Rs50,000. The revenue impact of this revision in rates is estimated at Rs684m.

A nominal punitive tax for placement on ATL after due date of filing of return has been also proposed: for companies, the tax rate will be Rs20,000, Rs10,000 for association of persons, Rs3,000 for non-salaried individuals and Rs1,000 for salaried individuals.

The budget also includes provisions for tax credit to employers hiring fresh graduates whereas the personal allowances for the armed forces have been exempted from tax.

Despite strong criticism from the zero-rated export-oriented sectors including textile, leather, carpets, sports and surgical goods, the government has imposed a standard sales tax rate of 17pc on all items.

The SRO1125, which exempted the sectors from sales tax, has been streamlined to tax the aforementioned sectors.

The sales tax rate on local supplies of finished articles of textile, leather and finished fabric has been raised from 6pc for integrated businesses and 9pc for others to 15pc and 17pc, respectively.

The government has also withdrawn the concessionary rates on gas, electricity and fuel for the exporting sectors whereas the refunds to the sector have also been automated.

Moreover, 10pc tax has been introduced on ginned cotton as well. The FBR expects to raise additional Rs75bn from these measures.

The government has also introduced a standard rate of 17pc on steel sector including the tribal areas to raise Rs25bn for the national kitty. The revision in the tax rates on cigarettes will raise additional amount of Rs35bn. The government has done away with the three-tier system and introduced only two tiers for the tobacco sector.

However, the government has allowed zero-rating on supply for the tobacco exports.

Moreover, tax rate on sugar has been enhanced to 17pc from 8pc to raise additional amount of Rs24bn.

The government has also imposed 17pc tax on items sold in retail packing with brand names including frozen, prepared or preserved sausages and similar products of poultry meat or meat offal; meat and similar products of prepared frozen or preserved meat or meat offal of all types including poultry, meat and fish; fat filled milk, in liquid or powered form; cereals and flours, other than those of wheat and meslin. The revenue from these items is estimated at Rs7bn.

Similarly, government has also added new items to the third schedule to allow payment of sales tax 17pc at the retail price basis. This measure will generate around Rs10bn in revenue. The items included in the third schedule are foams and mattresses meant for consumers, paints & varnishes, electric and gas home appliances such as TVs, fridge, deep freezers, electric fans, air conditioners, recorders, players, electric bulbs, electric irons, washing machines, telephone sets, heaters, ovens, stoves geysers, cooking ranges etc.

Other items include lubricating oil, brake oils, transmission fluids, and similarly, vehicular fluids in retail packing, storage batteries, motor cycles and auto rickshaws. The retail price taxations will also apply to imported goods.

The exemption available to cottage industry is streamlined to generate additional revenue of Rs10bn. Similarly, the government restored the normal procedure for collecting federal excise duty on ghee/cooking oil to raise an additional amount of Rs15bn.

The tax on aerated water waters has been enhanced to 14pc from 11.5pc, which will raise additional revenue of Rs5bn. The government has changed the retail system and withdrawn the turnover tax option.

These measures will help raise Rs10bn from the retail regime. Another Rs2bn will be raised from increase in fixed value of gas supplied to CNG dealers. The federal excise duty was enhanced to Rs2 per kg from Rs1.5.

The move will help pocket extra amount of Rs18bn. The scope of FED has also been enlarged on cars which are expected to raise additional Rs6bn.

The FED on packaged non-aerated sugary/flavoured juices, syrups and squashes has also been increased. Moreover, another Rs3bn will be raised from the increase in FED on LNG sectors.

It is proposed to tax gold in jewellery at 1.5pc, diamond at 0.5pc, and making charges at 3pc with input adjustment.

The standard rate of 17pc has also been introduced on the sale of marbles.

Under the relief measures, the government has withdrawn 3pc value addition on petroleum products and mobile phones, reduced rates on brick kilns, reduce sales tax to 7.5pc from 17pc on food supplies by restaurants, bakeries and caterers etc; reduction of rate on milk powder, removal of ban on export of PMC and PVC to Afghanistan.

The government has enhanced customs duty to 4pc from 2pc on goods subject to 16pc tariff slabs and from 2pc to 7pc on goods subjected to 20pc and higher tariff slabs including specific rate slabs. No increase was proposed on 3pc and 11pc tariff slabs. This measure alone is expected to yield additional revenues to the tune of Rs38bn for the government.

The withdrawal of exemption on import of LNG will yield revenues worth Rs20bn. These two were the only major revenue measures under the customs head.

Under the relief measures, the government has exempted custom duty on 18 materials and other medicinal items; duties have also been exempted on 1,629 raw materials, chemicals and other items; seven raw material for hemodialysers have also been exempted.

Similarly, tax has been exempted on 12 inputs used in production of home appliances and regulatory duty has also been rationalised on 74 home-appliance sectors; and duty rates on another 66 items have been reduced in the budget.

The regulatory duty has also been reduced on mobile phones, smuggle-prone items and other industrial inputs and tyres.

Published in Dawn, June 12th, 2019

https://www.dawn.com/news/1487726/federal-budget-2019-20-massive-revenue-plan-aims-for-rs568bn-fresh-tax-measures

PTI GOVT SLAPS RS516B ‘UNPRECEDENTED’ TAXES

By Shahbaz Rana Published: June 12, 2019

ISLAMABAD: The government on Tuesday slapped unprecedented Rs516 billion worth of additional taxes besides abolishing concessionary income tax regimes to generate an extra amount of over Rs350 billion in taxes.

Inflationary taxation measures have been proposed to qualify for the International Monetary Fund (IMF) programme that has asked Pakistan to achieve Rs5.550 trillion tax collection target in the fiscal year 2019-20.

The income tax exemption threshold has been halved for the salaried class to only Rs600,000 annual income and for the business people to only Rs400,000. This will massively reduce the disposable income of people amid an inflationary environment.

The government has abolished the non-filer tax regime and has proposed to arrest people who do transactions but remain outside the net by not filing their returns. It has proposed that property worth Rs5 million and above and assets worth Rs1million-plus can only be bought through banking channels.

Soft drinks, steel, cars, juices, sugar, cement, edible oil, and goods will become expensive from July.

The government has also proposed to change the definition of non-resident persons, limiting the chances of tax avoidance by restricting the stay abroad for tax purposes.

At present, if people stay abroad for 182 days in a year they are treated nonresident for tax purposes. Now, three months stay in Pakistan will make them resident Pakistanis.

The government has proposed to increase the salaried and business class income tax rates to 35%, freeze the corporate tax rate at 29%, increase the tax burden of banks up to 41.5% and withdraw all income tax concessionary regimes, including of importers and nonresident persons. The gifts given by other than relatives will also be included in the person’s income to plug a loophole for tax evasion.

But it did not put any additional burden on the stock market and also did not withdraw income tax exemptions being availed by heads of armed forces and the executive-judiciary.

It imposed an additional customs duty of up to 7% on 2,400 tariff lines, slapped up to 7.5% federal excise duty on cars, increased sales tax rates on food items, slapped 17% tax on local sales of five export-oriented sectors and increased federal excise duty rates on cement.

The steel and sugar will become expensive due to the imposition of 17% sales tax.

The government has proposed to abolish final tax regime for importers, bringing them in the normal tax regime, the profit on the debt will be subject to 35% rate, payments to nonresident persons, the income of a resident person, payments to royalty will be charged at normal tax rates. It has proposed a Business License Scheme for all persons doing business in Pakistan, including small shopowners and vendors.

The government has enhanced penalties for offshore tax evaders and under-declaration of value of assets. It has proposed up to seven-year imprisonment for people concealing offshore assets or helping a person to conceal offshore assets.

“The federal government has proposed Rs516 billion additional revenues for the fiscal year 2019-20,” said Federal Board of Revenue (FBR) Member Inland Revenue Policy Dr Hamid Atiq Sarwar, while giving a briefing on taxation measures to media persons.

“The government has taken additional Rs36 billion custom duty measures. It has slapped Rs200 billion worth new sales tax and taken Rs70 billion worth federal excise duty measures. The new income tax measures stand at Rs200 billion,” he said.

Sarwar said the revenue impact of freezing corporate tax rates and abolishing final tax regimes for almost every business was not included in the Rs516 billion new tax measures.

After including the impact of all administrative measures, the FBR is expected to gain another Rs350 billion – a figure that the IMF will critically review.

The most regressive measure was the FBR’s decision to increase additional custom duty on 2,400 tariff lines by up to 5% that would increase the cost of every imported semi-finished and finished goods.

The FBR Member Customs Javed Ghani said the government will fetch minimum Rs30 billion through additional custom duty rates. The effective rate of 16% customs duty slab will now be 20% and of 20% highest slab’s effective rate will be 27%.

The government has also increased the tax rates on cement by Rs0.5 to Rs2 per kg that will increase the cost of 50 kg cement bag by another Rs25. The government has proposed Rs5.550 trillion tax collection target for the FBR. This will be Rs1.4 trillion or 33.7% higher than the outgoing fiscal year’s downward revised target of Rs4.150 trillion.

The tax burden of the salaried class has been massively increased by lowering the income tax exemption threshold to Rs600,000 and increasing the maximum income tax rate from 29% to 35% by adding four new tax slabs.

People earning more than Rs600,000 to Rs1.2 million annually will be subject to a 5% income tax. For Rs1.2 million to Rs1.8 million the new tax rate is 10%, for Rs1.8 million to Rs2.5 million the new rate is 15%, for Rs2.5 million to Rs3.5 million the new rate is 17.5% and for Rs3.5 million to Rs5 million the rate is 20%.

For people earning from Rs5 million to Rs8 million, the income tax rate is 22.5%. The maximum rate of 35% will apply to over Rs75 million annual income. The FBR will get additional Rs50 billion from the salaried class.

The dividend income tax rate has been increased to 25%. The property valuation rates have been increased to 80% of the market value but their withholding tax rates have been reduced. On the interest income, the FBR has slapped a 35% tax.

The FBR has proposed to reduce the immunity available on foreign remittances from Rs10 million to Rs5 million. Now the FBR will have the authority to ask a question about the source of remittances if its value above Rs5 million annually.

The government has increased the income tax on a middleman who sells farm produce from Rs10,000 to Rs100,000 per annum. The government has proposed that gifts given by nonrelatives will be treated as the recipient’s income and will be subject to normal 35% income tax rate. It has increased the minimum income tax rate from 1.25% to 1.5%.

The income tax concessions to industrialists have been withdrawn from next fiscal year, which was available on the modernization of machinery. The non-filer income tax regime has been abolished. These people would pay 100% of the normal withholding tax rate and will be subject to criminal proceedings.

The rental income tax rates have been proposed to increase to 35% for over Rs8 million income from the property. The minimum tax on services has been increased from 2% to 4%, and the government has imposed a 15% withholding tax on royalty income.

The government has proposed up to Rs12,500 monthly sales tax on brick kilns, which would increase the construction cost. It has declared restaurants as ‘a good’ as against the provinces’ claim that these are services, which can raise the constitutional issue for the Centre. Restaurants will be subject to 7.5% sales tax. All imported goods will also be subject to 3% ad valorem sales tax.

The sales tax on account of minimum value addition as payable under this schedule shall be levied and collected at import stage on all taxable goods as are chargeable to tax under section 3 of the act or any notification issued thereunder at the rate specified in the table in addition to the tax chargeable under section 3 of the act or a notification issued thereunder.

But raw materials and intermediary goods meant for use in an industrial process which are subject to customs duty at 16% or 20% ad valorem under the First Schedule to the Customs Act, 1969 and the petroleum products imported by a licensed oil marketing company will be exempted from 3% tax.

The government has slapped 15% sales tax on retailers making supplies of finished goods of textile and leather sectors and 17% at the manufacturing stage on the five export-oriented sectors that will fetch Rs90 billion revenue. 5% of sales tax has been imposed on cotton oil seed, 10% on ghee and cooking oil.

The government has introduced a new definition of the cottage industry that will address the concerns of the small-scaled industries. It has restricted the tier-one retailer’s tax rates to only those whose annual turnover is Rs5 million.

The government has disallowed the tax credits to those businesses whose invoices do not bear the CNIC of the buyer claiming input tax paid. The government has also proposed to keep sales tax audit selection parameter confidential, like in case of income tax.

The government has included more items in the list that are subject to the standard 17% sales tax. It has decided to slap 17% sales tax on all household electrical goods, including air conditioners, refrigerators, deep freezers, televisions, recorders and players, electric bulbs, tube-lights, fans, electric irons, washing machines and telephone sets, household gas appliances, including cooking range, ovens, geysers and gas heaters, foam or spring mattresses and other foam products for household use.

This sales tax also applied to arms and ammunition, paints, distempers, enamels, pigments, colours, varnishes, gums, resins, dyes, glazes, thinners, blacks, cellulose lacquers and polishes sold in retail packing, lubricating oils, brake fluids, transmission fluid, and other vehicular fluids and maintenance products, storage batteries excluding those sold to automotive OEMs.

It has also imposed 17% sales tax on all sales of meat, fish, and poultry being sold by brands. The sales tax has also been imposed on silver and gold of up to 2% of the value addition or 1% of the import value. The frozen and preserved sausages will be subject to a 10% sales tax.

Fat milk will also be charged 10% sales tax. The sales tax rate on potassium chlorate has been increased from 17% plus Rs65 per Kg to Rs70 per kg. The steel sector will be subject to 17% sales tax, sales tax on sugar has been increased to 17%. The tier-1 retailers will pay 17% sales tax.

It has imposed 2.5% federal excise duty on 1,000 cars and motorcycles, 5% on up 1,999 cc vehicles and 7.5% on over 2,000 cc vehicles. The tax-free import facility on one mobile phone has also been withdrawn. It has also imposed 5% federal excise duty on juices, and 13% on carbonated and soft drinks.

The third-tier reduced federal excise duty rates on cigarettes have been withdrawn while the rates on the remaining two categories of cigarette brands have been increased. Javed Ghani said the government has also reduced custom duties on 1,650 tariff lines that were subject to 3% duties.

https://tribune.com.pk/story/1990444/2-pti-govt-slaps-rs516b-unprecedented-taxes/

HIGHLIGHTS OF ECONOMIC SURVEY, 2018-19

Imaduddin June 11, 2019

ISLAMABAD:The Economic Survey of Pakistan 2018-19 was launched here on Monday by Advisor to Prime Minister on Finance Abdul Hafeez Shaikh.

Following are the highlights of the Survey

– External sector has shown improvement after dismal performance in FY2018.

– Policy intervention has reduced current account by 27 percent to $11.56 billion during July-April FY2019 compared to expansion of 70 percent to $15.9 billion of the corresponding period last year.

– Imports have been restricted by 5 percent to $ 44 billion compared to $46 billion last year.

– Trade deficit reduced by 7.4 percent to $ 23.9 billion against $25.8 billion last year.

– Remittances improved by 8.45 percent to $ 17.8 billion against 16.4 billion last year

– GDP growth in FY 2018 was 3.3 percent, on the back of Agriculture at 0.85 percent, Industry1.4 percent and Services 4.7 percent.

– The major factor in limiting the growth of Agriculture was water shortage both for Rabi and Khariff crops which badly impacted production of major crops such as Cotton, Rice, Sugar, which remained behind their target productions.

– The cotton crop registered a decline of 17.4 percent to 9.86 million bales

– Rice production remained short by 3.3 percent to 7.2 million ton

– Sugar production stood at 67.2 million ton and witnessed a decline 19.4 percent

– Wheat crop showed some nominal growth of 0.5 percent to 25.19 million ton

– Maize crop showed good improvement of 6.9 percent to 6.3 million ton.

– Industrial sector showed moderate growth of 1.4 percent due to decline of Large Scale Manufacturing Sector (LSM) by 2.06 percent due to reduced aggregate demand.

-Mining and construction sector growth declined by 1.9 and 7.6 percent, respectively.

– Services sector was affected by the decline in Commodity Producing Sector and registered a less than expected growth at 4.7 percent.

– General government services and other private services contributed to services sector by surpassing the target and registered a growth of 8 percent and 7 percent, respectively.

– Fiscal deficit despite increased interest payment was managed at 5.0 percent of GDP during the first nine months of CFY2019.

– The FBR collections remains lower due to court stay on mobile phones, reduction in personal income tax rates and reduced imports.

– Government has separated the tax policy function of FBR from tax administration

– Creation of Specialized Tax Unit for foreign assets.

– Tax broadening measures.

– Extensive use of information technology for data mining, detection of under

reporting, spotting tax evaders and get more people into tax net.

– These efforts have helped in expansion of tax filers to more than1.87 million.

– During July-May, FY2019 inflation increased to 7.2 percent due to reversal in global fuel prices, whose impact has been translated on domestic prices as well exchange rate adjustments. The Food inflation during this period rema ins low to 4.23 percent.

– The SBP has adopted contractionary monetary policy stance by raising discount rate to 12.25 percent to anchor inflationary pressures and to stabilize the macroeconomic situation.

– The flows of credit to private sector has seen expansion of Rs 581 billion during July – 26 April 2019 showing year on year growth of 15 percent over last year.

-The agriculture credit disbursement increased by 21 percent to Rs.805 billion during July-March FY 2019 over last year.

– The actual performance of economy next year will be seen in due course of time in view of various initiatives in the field of housing, construction, SME, information technology and tourism as well as strong expansion in credit to private sector and uninterrupted supply of gas and power at competitive rates.

– The energy sector has also shown improved performance during this year.

-The installed capacity improved by 2.5 percent to 34,282 MW compared to last year 33,433 MW, while generation increased by 2.1 percent to 87,324 GWh from 85,552 GWh.

– The government is targeting to create 10 million jobs in five years. The private sector will play a key role in creation of jobs supported by the government. The Key areas are

– Naya Pakistan Housing Program by building 10 million houses

– 10 billion Tsunami-Government country wide tree plantation Program

– National Financial inclusion Strategy to promote SMEs and digitization of Financial services

– Investment in tourism will help in job creation through development of neglected areas

– For the youth the government has launched Kamyab Jawan Program. This program will provide low cost loans to the youth for establishing small businesses enterprises.

https://www.brecorder.com/2019/06/11/501714/highlights-of-economic-survey-2018-19/

ECONOMIC GROWTH TO SLOW DOWN TO 2.4PC: FINANCE MINISTRY

Khaleeq Kiani Updated June 14, 2019

ISLAMABAD: On the basis of budgetary measures, the Ministry of Finance estimates economic growth rate to further slow down to 2.4 per cent and inflation rate to rise up to 13pc, showing a wide margin with targets set by the National Economic Council (NEC) a few days ago.

The NEC had approved a target of 4pc GDP growth rate for fiscal year 2019-20 in its meeting presided over by Prime Minister Imran Khan on May 29. The meeting had also set a target of 8.5pc for inflation rate.

“The GDP growth is targeted at 4pc with agriculture (3.5pc), industry (2.2pc) and services (4.8pc). Inflation is projected at 8.5pc for 2019-20 in view of the higher administrative prices and monetary overhand of the past,” reported the Annual Plan 2019-20 of the Planning Commission released with the budget documents on June 11.

On the same day, the Ministry of Finance also released its documents including “Budget In Brief” that budgeted real GDP growth at 2.4pc and inflation rate at 11-13pc.

The finance ministry reported that it had budgeted tax-to-GDP ratio at 16.3pc for current fiscal year (2018-19) but it was revised to 14.5pc. For next fiscal year, the tax to GDP ratio has been pitched at 16.7pc or Rs7.348 trillion.

When contacted, a senior official of the finance ministry explained that the Planning Commission had set “targets” based on certain assumptions while the ministry and the State Bank of Pakistan (SBP) made projections on the basis of up-to-date data. For example, he said, the Planning Commission would hardly know the precise fiscal deficit, or what would be the interest rates or the exchange rate movement.

“The projections of the SBP and the finance ministry regarding inflation, growth and many other indicators are always different from those targeted by the Planning Commission,” he said, adding that latest data now suggested that inflation rate next year would be lower than 13pc.

The medium term macroeconomic indicators for 2018-22 also put the growth rate for fiscal year 2020-21 at 3pc. This means that the finance ministry is not expecting the growth rate to recover over the next two fiscal years from a 9-year low of 3.3pc this year despite public pronouncements by the Prime Minister’s Adviser on Finance and Revenue Dr Hafeez Shaikh about economic difficulties subsiding in 6-8 months followed by economic recovery and then growth trajectory.

The finance ministry projects GDP growth rate to recover to 4.5pc by the end of third year i.e. 2021-22.

Likewise, inflation rate is projected by the ministry to come down to 8.3pc in 2020-21, instead of 2019-20 as targeted by the Planning Commission. The ministry projects inflation rate to reduce to 6pc by 2021-22.

The medium term budgetary framework (MTBF) of the finance ministry also projects FBR tax revenue at 12.6pc of GDP or about Rs5,544 billion for next fiscal year and total expenditure at 23.8pc or Rs10,472bn. The total expenditure is projected to slightly fall to 23.4pc of GDP in 2020-21 and 22.8pc in 2021-22.

The MTBF also estimates the total public debt to GDP ratio at 77.7pc during current year and projected to come down slightly to 77.6pc next year. It anticipates total public debt falling to 75.2pc in 2020-21 and 70.6pc in 2021-22.

The MTMF is prepared by the finance ministry and the Planning Commission in consultation with various ministries and the SBP. Based on the macroeconomic situation and future projections, the Ministry of Finance articulates its budgetary policy priorities and prepares a medium- term fiscal framework that is then endorsed by the federal cabinet for presentation to the parliament.

Published in Dawn, June 14th, 2019

Economic growth to slow down to 2.4pc: finance ministry

SENATE BODY CONCERNED BY PAKISTAN’S GROWING CHINESE DEBTS

Jamal Shahid Updated June 14, 2019

ISLAMABAD: A parliamentary committee on Thursday observed that China is charging only 2 to 2.5pc on government-to-government loans with a repayment term that goes into a long tenure.

“Sovereign guarantees are also only required on government projects. There are currently 21 ongoing projects worth $19 billion,” PPP Senator Sherry Rehman informed the Senate Committee on China-Pakistan Economic Corridor (CPEC).

The special committee met for details on CPEC financing and debt uptake besides the benefits of the project for the Gwadar Port City.

Says Beijing is charging 2 to 2.5pc on loans with a repayment term that goes into a long tenure

While the committee showed concerns about Pakistan’s growing debts to China under CPEC, the members conveyed apprehensions of provinces that have arisen as a result of the capacity and coordination deficit of the current government.

Ms Rehman informed the members that China was still concerned about the current government’s seriousness about CPEC projects and to take it forward.

Secretary Planning and Development Zafar Hasan briefed the members on the $49 billion CPEC. He said repayment of infrastructure development would start in 2021. The total cost of the phase two of Thakot to Havelian section of Karakuram Highway was $1.3 billion.

Minister for Planning Khusro Bakhtyar conceded that Balochistan had been neglected under CPEC.

“However, the government is now focused on Balochistan starting with the installation of a Rs17 billion electricity grid besides developing highways, small dams and the Rs80 billion Kachi Canal. The government has given top priority to development of Balochistan before moving on to the erstwhile Fata and southern Punjab which have also been neglected in the past,” Mr Bakhtyar said.

Similarly, he added, the western corridor of Balochistan had been neglected

The members were also informed that under CPEC Gwadar was being transformed into an oil city while encouraging foreign investors to inject money into different projects.

Industrial development and modernisation of agriculture practices were all included in CPEC. Rejuvenation of industrial development and stimulating the agriculture sector besides other projects will generate 400,000 direct and indirect jobs.

However, the committee was displeased with the planning of the $1bn fast track project which included advancements in health, education, water supply and poverty alleviation throughout the country. The committee will invite chief secretaries of all provinces for their feedback on these projects.

Planning and Development Department officials explained that Pakistan had also taken up the relocation of Chinese export-focused light manufacturer and consumer products industry to add to exports.

Under the CPEC, five special economic zones (SEZs) will be set up with Chinese industrial relocation.

Published in Dawn, June 14th, 2019

Senate body concerned by Pakistan's growing Chinese debts

BUDGET FY20 PUNJAB TO IMPOSE TAX ON 10 NEW SECTORS

By Our Correspondent Published: June 14, 2019

LAHORE: The Punjab government, in its next fiscal year's budget, will impose taxes on 10 new sectors to generate a revenue of Rs15 billion. Taxes will be imposed on the income of doctors, tailors and rent receipts. According to details, recommendations for imposing taxes on inflation-hit commoners have been given. According to the budget draft, services tax will be imposed on 10 new sectors. Doctors and medical practitioners will pay 5% tax, while tailors, dress designers and renters of apartments as well as residential and commercial towers will have to pay 16% tax on their income. The renters of construction machinery will have to pay 16% services tax, while those engaged in air services will have to pay 5% tax on their income. The inclusion of new sectors in services tax will push up inflation. The burden of taxes on services will be passed on end-consumers in the form of increased prices.

Published in The Express Tribune, June 14th, 2019.

https://tribune.com.pk/story/1991998/budget-fy20-punjab-impose-tax-10-new-sectors/

DOLLAR HITS RS158 IN NEW HIGH

Aamir Shafaat Khan | Shahid Iqbal Updated June 15, 2019

KARACHI: The US dollar kept fluctuating in value both in the interbank and open market and at times was traded for Rs158 on Friday, with the greenback registering a 5.7 per cent appreciation in the last 11 days.

The rupee's devaluation against the dollar coupled with an increase in gold prices in the international market pushed up the metal's prices in the local market, with a tola selling for an all-time high price of Rs75,900 and 10 grams for Rs65,072.

A banker said the dollar kept fluctuating in value throughout the day, from Rs156 to Rs158. However, another banker said the greenback closed at Rs157.

Meanwhile, with every ounce of gold fetching $18 more than before in the international market and the value of dollar increasing in Pakistan, the per tola price of the metal jumped by Rs2,700 in the local market.

A spokesman for the All Sindh Saraf Jewellers Association said this was the highest increase in gold prices so far in a single day.'

Published in Dawn, June 15th, 2019

https://www.dawn.com/news/1488330/dollar-hits-rs158-in-new-high

NEWS COVERAGE PERIOD FROM JUN 17th TO JUN 23rd 2019

RS900B SURPLUS BUDGET UNVEILED FOR K-P

By Shahid Hamid Published: June 19, 2019

PESHAWAR: Amid protests from opposition benches, Khyber-Pakhtunkhwa Finance Minister Taimur Saleem Jhagra on Tuesday unveiled a massive Rs900 billion, surplus budget for the upcoming fiscal year 2019-20. This is the first fiscal budget for the province which allocates funds not only for the settled areas but also for the newly-merged tribal areas.

Budget documents showed that the government has estimated its expenditures for the year to be around Rs855 billion. Of this, the government intends to spend Rs693 billion on the settled districts and Rs162 billion on the newly-merged districts.

The budget documents showed that in the next financial year, the provincial government hopes to receive Rs740 billion from the federal government under various heads and payments.

Of this, Rs453.2 billion will come in the shape of federal tax assignments, Rs54.5 billion will comprise the 1% of the divisible pool on the war against militancy.

Moreover, K-P expects to receive Rs25.6 billion as royalties for oil and gas and other surcharges. Estimated net hydel profits (NHP) have been set at Rs21.2 billion and arrears of Rs34.5 billion. It also expects an unspecified sum for NHP under the AGN-Qazi formula.

During his budget speech, Jhagra complained that the province has never received its full share under the formula.

“Our calculations show that this year, our share under the formula will be Rs129 billion. Instead, we get only Rs21.1 billion,” Jhagra said. He urged the federal government to pay the arrears and to start paying the NHP dues on a monthly basis like other transfers.

Moreover, he called on Prime Minister Imran Khan and federal ministers for water and power to sit down and find a solution to the issue.

“There are many ways to find a solution, it is time to sit down and find one right now,” he said.

The province also hopes to generate around Rs53.4 billion through its own resources, including provincial tax and non-tax revenues. A further Rs82 billion are expected to come as foreign aid.

Besides, the province hopes to get 151 billion in grants for the tribal areas.

https://tribune.com.pk/story/1995426/1-rs900b-surplus-budget-unveiled-k-p/

CURRENT ACCOUNT DEFICIT SHRINKS 29% TO $12.68B

By Salman Siddiqui Published: June 20, 2019

KARACHI: The current account deficit, one of the two biggest challenges in Pakistan’s economy, has narrowed 29% to $12.68 billion in the first 11 months of outgoing fiscal year 2019 mainly due to contraction in imports and growth in remittance inflows.

The deficit stood at $17.92 billion in the same period of last year, the State Bank of Pakistan (SBP) reported on Wednesday.

Earlier in the week, SBP Governor Dr Reza Baqir said that the current account deficit has remained one of the two biggest challenges for the economy. However, it has contracted significantly due to successful implementation of economic plans by Pakistan's economic team, he added.

"The drop in the deficit is seen due to a notable drop in imports and volumetric (not in value term) growth in exports…following the rupee depreciation against the US dollar," he said at his first news conference on Monday.

He anticipated the deficit for the full fiscal year 2019 at $13 billion compared to a record high of $19 billion in the preceding fiscal year.

"Had the petroleum prices not hiked in international markets, the current account deficit would have dropped to $10 billion in FY19 instead of the estimated $13 billion," he said. SBP Chief Economic Dr Saeed Ahmed, who was accompanying the governor, added that average oil price have increased by 12% to $70 per barrel during the outgoing fiscal year.

"If hike in oil prices had not taken place, then imports would have dropped further by an additional $2 billion and exports would have risen by an extra $1 billion," he said.

Baqir said the drop in current account deficit was a combination of contraction in import of oil goods, which account for around one-fourth of the cumulative annual import bill, and non-oil goods. "The share of non-oil imports in contraction in the current account deficit stands at 30%," he said.

The central bank data showed a major drop in imports in services sector, which decreased by 14% to $8.83 billion in the 11 months under question compared to $10.33 billion in the same period of last year. The import of goods fell 6% to $48.45 billion compared to $51.47 billion.

Secondly, remittances sent home by overseas Pakistanis increased 10% to $20.19 billion in 11-month period compared to $18.29 billion in the corresponding period of last year.

The growth in remittance inflows was seen after overseas Pakistani dispatched huge amounts to their families to cope with high inflation during Ramazan and Eid festival, said a banker at a state-owned bank.

However, exports failed to register growth in value terms despite the central bank letting the rupee depreciate by a massive 29%, or Rs35.47, to Rs156.96 to the US dollar since the beginning of fiscal year 2019. Exports dropped 2% to $22.34 billion in the first 11 months compared to $22.75 billion in the same period last year.

The current account deficit plunged to almost half at $1.09 billion in the single month of May 2019 compared to $2.06 billion in the same month last year.

The massive decrease was seen mainly due to 14% drop in import of goods to $4.43 billion and 28% growth in remittances to $2.31 billion in May compared to import of $5.17 billion and remittances of $1.80 billion in the same month last year, according to SBP.

https://tribune.com.pk/story/1996041/2-current-account-deficit-shrinks-29-12-68b/

RS62BN GB BUDGET PRESENTED

Jamil Nagri June 21, 2019

GILGIT: Gilgit-Baltistan Finance Minister Mohammad Akbar Taban on Thursday presented Rs62 billion budget for the next financial year.

The budget allocated Rs26bn for development and Rs34bn for non-development expenditures.

Opposition parties in the Gilgit-Baltistan Assembly boycotted the budget session. They alleged that the government had ignored their proposals for development in the budget.

Talking to newsmen, Leader of the Opposition in the GB Assembly retired Captain Mohammad Shafi Khan said the budget session had been convened at 5pm. He said the opposition members waited for three hours, but the members of the ruling party, as well as the speaker, remained absent. He said the opposition would not let the budget passed.

https://www.dawn.com/news/1489468/rs62bn-gb-budget-presented

ONLINE TAX PROFILING SYSTEM FOR 53M PEOPLE UNVEILED

Mubarak Zeb KhanUpdated June 22, 2019

ISLAMABAD: In what appeared to be a show of strength, the government on Friday morning unveiled two online portals containing information of about 53 million people pertaining to their bank accounts, properties, travel history, etc.

In the evening, Prime Minister Imran Khan made a televised appeal to people to declare their tax-evaded wealth through the government's assets declaration scheme (tax amnesty) before the June 30 deadline.

It was a day of muscle flexing and whether or not it works will become obvious only when the scheme ends.

State Minister for Revenue Hammad Azhar flanked by Federal Board of Revenue (FBR) chairman Shabbar Zaidi announced the launch of the FBR portal during a morning press conference, showing the world all the data that is already available with the tax machinery.

Mr Azhar said data was spread over two portals available on FBR and National Database and Registration Authority (Nadra) websites. "Anyone can access their own data using CNIC to check their details at FBR portal", he said.

The tax profiling system can be accessed at https://taxnet.nadra.gov.pk/itax/.

For FBR portal, taxpayers who are already registered with the FBR can use their Iris login account used for filing tax returns for getting their details. Those without an Iris login account will have to first register with the FBR for seeking details.

The FBR portal has the data of 53m people.

The FBR chairman said that anyone — on the basis of their CNIC and cell phone number — can request access to their information. If a person wants to access their information on FBR portal, they will have to send a message to 9966 to receive a code for registration on the system.

But contrary to this, the data which is available on the portal of Nadra can only be accessed with prior registration online for a Rs500 fee. For those who do not wish to pay the fee, Nadra allows walk-in requests at its registration centres where one can ask for the information after production of a CNIC.

Addressing security concerns, the FBR chairman claimed the public has nothing to worry about. "We will ensure the security of the data. We are not sharing the data even with regional tax offices", he said, adding that the data will be kept centralised at the FBR headquarters only.

The data will be used to make tax assessments, he said.

Mr Zaidi said that the data uploaded on the portal may not be used for issuance of notices to any person for the time being. However, he clarified that it can be used as reference in case of any assessment of the taxpayer.

The chairman further clarified that asset declaration scheme would not be extended as Pakistan was going to enter an IMF programme from July 1. He went on to say that the FBR would have the upper hand whether or not people avail the scheme.

Mr Zaidi said that Nadra had not been given access to the bank accounts of the people. He said information on both portals was also different. He also said that the portal did not have any information regarding income tax of the people.

In response to a question, the FBR chairman said that Nadra could make estimation about the tax potential. However, he said the assessment of tax remained exclusively the power of the FBR.

Data on the portal has been acquired from various sources. In this regard, a meeting was held with the chief financial officers of various banks on May 30 to get details of account holders.

In the first phase, the banks provided the data of withholding taxes from Jan 1, 2018 onwards with the CNICs of such account holders to the FBR. This data gathering was completed by June 17.

The banks have already written letters to those account holders who are not declared with the FBR and have balances of more than Rs500,000 as of April 30, guiding them to avail the amnesty scheme if the accounts are not declared by the customers.

In the second phase, the FBR has reached an understanding with the Pakistan Banking Council (PBC) to resolve the long-standing issue over Section 165A (access to banking information) of the Income Tax Ordinance. The PBC got a stay order against this section. However, the data will be received from July onwards.

Under this section, banks are bound to provide a list of persons containing particulars of cash withdrawals exceeding Rs50,000 in a day and tax deductions thereon for filers and non-filers, aggregating to Rs1m or more during each preceding calendar month.

Meanwhile, massive confusion prevailed at the FBR over the issuance of letters to banks asking for details of all those accounts that had more than Rs500,000 deposited in them.

Letters issued by field formations to numerous bank branches circulated on social media all day on Wednesday. In his Friday’s press conference, the FBR chairman denied that he had given any instructions for the issuance of these letters.

But a letter dated June 3 issued by the office of the Member, Inland Revenue, a copy of which is available with Dawn, suggests otherwise.

“The Prime Minister of Pakistan” that letter begins, “has expressed his concern over narrow taxation base…. and has desired that concerted efforts be put in to increase taxation base.” The letter directs field formations to “gather the data of bank account holders above the threshold of Rs500,000 be examined with the assistance of SBP”.

In addition, the data of all industrial and commercial power connections from power distribution companies; information of the people living in houses of two kanals or more from housing authorities; persons who own luxury vehicles of 2400cc and above and information about frequent foreign travellers is also to be examined.

The letter gave the deadline of June 11 and stated that this information was sought on the directive of the prime minister who will review the performance of the FBR in the context of broadening and widening of tax base on a monthly basis.

"We have uploaded all this information on the FBR portal to let people know about their actual assets," a senior tax officer said.

https://www.dawn.com/news/1489672

CHINESE FIRMS READY TO RELOCATE INDUSTRIAL UNITS

By Zafar Bhutta Published: June 22, 2019

ISLAMABAD: Seven Chinese companies have expressed willingness to relocate their industrial units to Pakistan in the second phase of industrialisation under the China-Pakistan Economic Corridor (CPEC), said Adviser to Prime Minister on Commerce Abdul Razak Dawood.

Chinese manufacturing units of textile and leather would be relocated to Faisalabad. Chinese company Long March International would also set up a tyre manufacturing plant in Pakistan, revealed Dawood while addressing a press conference, along with Chinese Ambassador to Pakistan Yao Jing, on Friday.

"We have not given attention and the Chinese industry has been relocated to the Far East, Ethiopia and Egypt. We should grab the opportunity this time around," the PM adviser emphasised.

He said the government would prefer the Chinese companies forming joint ventures with Pakistani companies. Earlier, they were focused on imports. "Shifting and trading 'Make in Pakistan' products is our priority to increase exports," he said.

"If Chinese companies do not enter into joint ventures with Pakistani companies, we will allow them 100% ownership," he said, adding the relocation of Chinese industrial units would create job opportunities and enhance skills of local people.

Pakistan is eagerly awaiting the benefits of relocating the Chinese industry to Pakistan in the second phase of industrialisation under CPEC, which will help increase exports.

China has also expressed the willingness to relocate its industrial units to Pakistan. It wants Pakistan to make policies more attractive for investors in order to address the challenges of the next phase of industrialisation.

Speaking on the occasion, Chinese Ambassador Yao Jing said if policies were good and attractive, challenges would be less. Pakistan had streamlined its visa policy but the process of obtaining the visa was too long.

Dawood pointed out that Chinese businessmen were concerned about the financial position of Pakistan. "They pointed to the balance of payments situation of Pakistan at the vendors' summit held recently in Shanghai," he said, adding they had been informed that it would become clear after the International Monetary Fund's (IMF) bailout package got approval of its board.

Chinese giant Li Fung, having a value of $60 billion and operating in 50 countries, produces goods on behalf of suppliers. It is currently placing an order with Pakistan worth $100 million and plans to enhance it to $1 billion later this year.

He said Pakistan and China had framework agreements on industrial, agricultural and social-sector cooperation. The two countries have initiated the second phase of the free trade agreement (FTA), under which 95% of the Chinese market had been opened for Pakistani exporters.

The PM adviser said Pakistan had a fundamental platform with traders getting access for their products to the Chinese market. "Pakistan could now have more chances of exports," the adviser said, adding that a new initiative of business-to-business contacts, including vendors and suppliers, had been undertaken. It was aimed at relocating the supply chain.

“If Chinese company Li Fung places 1% order, Pakistani exporters would have orders worth $600 million,” he said, adding that Pakistan deserved more than that.

Exporters could get market access by being more competitive, Dawood remarked. Pakistan would receive investments and enjoy transfer of technology under the CPEC’s industrial phase, he added.

Moreover, the government had a clear vision to increase exports and manufacturing, and attract more investment. “I am receiving investors from China every day, exploring joint venture and trade opportunities in Pakistan,” added the PM aide.

Regarding the hike in sugar prices, the adviser to prime minister said “we have a stock of three million tons, while our consumption is 430,000 tons per month.”

“We have enough stock for eight months, but I don’t know how sugar prices are going up. There is no reason to increase the prices,” he said. “We hold a review meeting every month to control sugar prices, but still they are going up.”

https://tribune.com.pk/story/1997527/2-chinese-firms-ready-relocate-industrial-units/

RS20BN SUPPLEMENTARY BUDGET OF BALOCHISTAN PASSED

Saleem ShahidUpdated June 23, 2019

QUETTA: The Balochistan Assembly on Saturday passed Rs19.93 billion supplementary budget for the outgoing financial year after the opposition parties staged a walkout for not being allowed to initiate a debate on it.

Deputy Speaker Sardar Babar Khan Musakhail, who presided over the session in the absence of Speaker Mir Abdul Qudus Bizenjo, asked Finance Minister Mir Zahoor Ahmed Buledi to present demands for grants on supplementary budget 2018-19.

However, the opposition members tabled 22 cut motions and sought a debate on the supplementary budget first. Legislator Sardar Abdul Rehman Khetiran said the opposition was wasting the time of the house as it was prerogative of the leader of the house to convene session for approval of grants.

As the deputy speaker asked the opposition to move their cut motions one by one on the demand for grant, opposition leader Malik Sikander Khan, Sanaullah Baloch, Nasarullah Zerey and other members protested with the result that the chair had to adjourn the session for 10 minutes allowing the treasury and opposition members to settle the issue.

When the session resumed after the meeting, Mr Khan along with other opposition members walked out of the house without commenting on their meeting with the treasury members.

In the absence of opposition members, Finance Minister Mir Zahoor Ahmed Buledi moved 23 demands for grants one by one in the house, which approved them without any difficulty as no cut motion could be tabled against them.

The demands for grants of the supplementary budget included Rs9.75 billion for pension, Rs4.18 billion for expenditures in the health sector, Rs2.50 billion for public health engineering and over Rs1.67 billion for expenditures on subsides.

Soon after approval of the supplementary budget, the opposition members returned to the house and the opposition leader started a debate on the annual budget 2019-20, which had been presented in the assembly by the finance minister three days ago.

Opposition leader Malik Sikander Khan said the government had committed discrimination in allocation of funds for the public sector development programme as the constituencies of opposition parties were completely ignored in the budget. “Only treasury benches were given importance and allocated huge funds in PSDP,” he said.

BNP-M lawmaker Malik Naseer Ahmed Shahwani said the government had not allocated funds for the education, health and other facilities for one million people of the Sariab area. He said only two colleges were not enough for the area youth.

Zabit Reki of the JUI-F presented the PSDP book to the chief minister of Balochistan and said that the government should show him which development scheme had been mentioned in it for his constituency.

Also criticising discrepancies in the budget allocations, Maulana Noorullah of the JUI-F said that huge funds were allocated just for the constituency of the chief minister and the Balochistan minister for local government while most of other areas were completed neglected in the budget.

https://www.dawn.com/news/1489888/rs20bn-supplementary-budget-of-balochistan-passed

NEWS COVERAGE PERIOD FROM JUNE 24th TO JUNE 30ty 2019

QATAR PROMISES $3BN BAILOUT FOR PAKISTAN

Khaleeq KianiJune 25, 2019

ISLAMABAD: Pakistan on Monday received an assurance from Qatar for a $3 billion package consisting of a foreign currency deposit and “direct investment”, according to the adviser to the prime minister on finance.

The announcement came over the social media site Twitter, when Hafeez Shaikh tweeted “[w]ant to thank the Emir of Qatar HRH Sheikh Tamim bin Hamad Al Thani for announcing US $3 Billion in deposits and direct investments for Pakistan and for Qatar’s affirmation to further develop relations between the two countries”.

This is the fourth “friendly support” package of the sort for Pakistan and takes the combined bilateral loans during current fiscal year to more than $12.7bn before Pakistan formally enters an IMF programme early next month for $6bn financing. So far, Saudi Arabia, China and UAE have extended about $9.7bn in loans and cash deposits to Islamabad since current government came to power in August last year.

Officials at the finance ministry said it was unclear how much of the Qatari bailout would include cash deposit and how much of it will be in the form of investment.

A senior official of the finance ministry said the Emir of Qatar concluded his 2-day visit to Islamabad only a day earlier and the concerned authorities were still deliberating to finalise details that will take some time before they are finalised. Simultaneously, it was also not clear when the Qatari inflows would arrive.

In addition, Saudi Arabia’s $3bn oil facility promised in October last year is now set to begin in July this year at the rate of $375m per month. Two federal ministers had earlier this month announced that the Asian Development Bank is also ready to provide $3.4bn to Pakistan for budgetary support but the Manila-based lending agency distanced itself from the announcement the very next day.

Saudi Arabia agreed to a Pakistani request in October last year to provide a $6bn bailout — $3bn in safe deposit of the State Bank of Pakistan and $3bn in oil supplies on credit. The $3bn cash had been transferred to the SBP account in three equal monthly instalments, but the oil facility has taken longer to be formally activated.

The United Arab Emirates also promised a similar support for Pakistan — $3bn in cash deposit and $3bn oil supplies on deferred payments. The UAE transferred $2bn in cash deposit, but stepped back from the oil facility and the final tranche of $1bn cash deposit.

Pakistan's oil imports are estimated at about $15bn and the government is trying to arrange half of those requirements through credit facilities. The country's oil imports during the first 10 months of the current fiscal year stood at about $11.9bn, an increase of 4pc over the same period last year.

Besides the support from Saudi Arabia and the UAE, the government has arranged about $551 million worth of oil and LNG (liquefied natural gas) supplies through the Islamic Trade Finance Corporation. Of this, about $240m worth of letters of credit have recently been opened for import of LNG.

China also extended financial support worth about $4.6bn to Pakistan during the outgoing fiscal year through commercial loans and safe deposits. China is charging about 5.5pc mark up on commercial loans and about 1pc on deposits while Saudi Arabia and UAE charge about 3.18pc interest.

https://www.dawn.com/news/1490190

SENATE SEEKS ABOLISHMENT OF AMNESTY SCHEME, MINIMUM WAGE AT RS30, 000

Khaleeq KianiUpdated June 25, 2019

ISLAMABAD: The Senate on Monday adopted all of the 61 recommendations of its standing committee on finance and revenue, asking the National Assembly to delete the much-talked Asset Declaration Scheme, the Stamp Act of 1899 and West Pakistan Motor Vehicles Taxation Act 1958 from the Finance Bill 2019-20.

The upper house praised the committee headed by Dr Farooq H. Naek for completing its task within a tight schedule and making comprehensive recommendations.

The committee had specifically suggested deleting from the finance bill a new clause 6A in Section 175 of the Income Tax Ordinance that empowered tax commissioners to raid any premises over information of undeclared gold, bearer security or foreign currency and confiscate them.

In addition, the Senate also adopted the recommendation that sought "25 business class open return air tickets from the airport to his nearest constituency to Islamabad, on quarterly basis" in addition to vouchers for the same purpose to members of the parliament.

The Senate also recommended reduction in imprisonment from 10 to five years and capping the maximum penalty at Rs100,000 from the money laundering act and the deletion of clause seeking forfeiture of property involved in money laundering or property of corresponding value from the Anti Money Laundering Act 2010.

It also proposed to the National Assembly that the government should ensure to: abolish Riba at the earliest, replace at least 30 per cent of all new government debts with Shariah-compliant mode and funds of the ministry of Religious Affairs and Inter-Faith Harmony related to Hajj, Zakat and Usher should be replaced or invested under Shariah compliant mode.

The Senate also adopted a unanimous resolution of the finance committee that "totally rejected the increase in tax and prices of commodities which are burdening and adversely affecting the common man".

It said the fertiliser dealers may be provided facility of exemption certificate through electronic system on their sale to the prescribed persons.

Furthermore, the Senate also recommended that Section 58 of the Sales Tax Act, 1990, be omitted in order to protect the tax payers of private companies and the proposed increase of 4.5pc tax in the Finance Bill, 2019, for ship breakers on the import of ships should be brought at par with the steel melters and other steel manufacturers.

The Senate proposed that instead of giving state deductions selectively to the charitable organisations, amendment should be made in the Income Tax Ordinance, 2001, to give state deductions to all the registered charitable organisations across the board.

The senate also recommended risk management system under Customs Act should be implemented through a risk management committee headed by BPS21 officer of customs under the rules to review functioning and supervise implementation of the risk management system and comprise as many BPS19-20 officers of customs as may be notified by the board.

Also, it suggested that the sales tax should be increased to 6pc and 17pc for those retailers who were not connected to the Federal Board of Revenue in order to bring them into the tax net and sales tax should not be imposed on textile sector and their pending refund claims be cleared at the earliest and steps should be taken to stop issue of fake invoices.

The Senate recommended three year exemption of sales tax to the Brick Kilns falling in PCT code 6901.1000 who were upgrading the production to the S/Z type environment-friendly systems.

Another recommendation demanded that all ad hoc relief allowances should be merged in the running basic pay and 15pc increase should be made in the pay and pension of all the federal government employees while minimum wage for workers be increased up to Rs30,000 per month.

Also, the exempt-able income tax slabs for government employees and armed forces should be fixed at Rs1 million instead of Rs600,000 and their medical allowance and conveyance allowances should be granted on the current market value.

The Senate recommended that the taxpayers of district Pishin, Qillah Saifullah and Qillah Abdullah of Balochistan should be excluded from the provisions of withholding deduction u/s 153(1)(a) of the Income Tax Ordinance, 2001. It also recommended that a simplified and a fixed rate of tax should be introduced on the turnover in order to promote economic activities and to facilitate the traders.

The upper house recommended that agricultural loans granted to the poor farmers and land owners of Balochistan be waived off up to Rs200,000.

https://www.dawn.com/news/1490243

KCCI REPORT SEES IMF IMPRINTS IN FEDERAL BUDGET 2019-20

N H ZUBERI JUN 25TH, 2019 KARACHI

A report of KCCI has declared the federal government's financial budget for 2019-20 an IMF budget that totally ignored how badly it would affect common man and wreak havoc with the industries. That is the gist of the report 'A Stranglehold on the Economy' prepared by Research and Development wing of Karachi Chamber of Commerce and Industry (KCCI).

It inferred that the revenue generation theme of the budget finally showed to them that all discussions with all industry stakeholders for making improvements in ease of doing business, removing tax anomalies affecting businesses and giving an attentive ear to what businesses had to say with respect to enhancing exports of the country had been put on backburner.

The report cited that in the first 8 months of its rule, the government had been making intent discussions with all industry stakeholders for aforesaid purpose. It also referred that the ruling PTI had announced in its manifesto to provide employment opportunities to 10 million people but the budget appears to actually aim at creating massive unemployment.

The KCCI report noted unrealistic and far-fetched targets in the annual budget. Burdened with huge tax revenue target, the budget is set to unleash inflation, incessantly increase cost of doing business and stifle all forms of economic growth, it apprehended.

It said that the government has sought to tax every sector of the economy on one hand and on the other it has withdrawn all exemptions necessary for maintaining industrial competitiveness and those control inflation. It said the target GDP growth rate has been set at 2.4 percent which is too low to yield the 36pc jump in taxes required to meet the collection target.

"One can appreciate that the budget has been made in testing times and that interest payments (on debt incurred by previous government) will eat up rupees 2.9 trillion or 35 percent of the total outlay," it said, adding that the government has to jack up its revenues to meet its repayments.

The report said it is also understandable that the government wants to restrict twin (budget and current account) deficits and curtail expenditures but it should bear in mind that the country can only progress if its industries and commerce flourish. "Killing the goose that lays the golden egg will not help the government in any manner, yet it has don the same," it said, adding that the reduction of exemption limit of income tax from Rs 1.2 million to Rs 0.6 million for salaried individuals and Rs 0.4 million for unsalaried individuals is unjustified keeping in view the erosion of purchasing power of the low-paid people due to high inflation in the previous years.

At that time, the rate of US dollar was hovering at around Rs 120 and currently, the currency has depreciated to Rs 160 per US dollar whereas inflation was ranging between 7 percent to 9 pc which would greatly erode the purchasing power of the masses.

KCCI report said that in case of family-owned businesses, it is a normal practice to transfer properties by way of gift. Therefore, it requested to allow more close relations such as sister-in-law and daughter-in-law under the exemptions of tax in case of transfers in the form of gifts.

In the past budget, KCCI had appealed to reduce the minimum turnover tax to 1.0pc; however, it was kept at 1.25pc. In recent Finance Bill, the maximum tax is proposed to be increased further to 1.5pc which is too high. It said that turnover tax is charged on loss-making firms and increasing the burden on loss-making firms is totally unjustified. It demanded to lower the rate of minimum turnover tax to 1.0pc.

KCCI strongly objected to the reduction and subsequent withdrawal of tax credit on BMRs. The country direly needs foreign investments for industrialisation to attract transfer of technologies, create exportable surplus and generate employment opportunities. This measure would discourage investments into the country. We believe 10pc tax credit is appropriate as we need more plant and machinery through BMRs for improving productivity and quality standards.

Late filers would now be included in the active taxpayers list (ATL) after newly-added penalties. The KCCI report recommended simplification of laws and creation of conducive business environment. It suggest that rules should encourage more people to come under the tax net while such additional penalties would not send positive signals to the persons who have been filing returns.

The government has decided to impose a standard rate of 17pc sales tax on the five export-oriented sectors - textile, leather, carpets, surgical and sports goods, thereby rescinding SRO 1125. Local sales will now be subject to 17pc sales tax; however, export sales would remain exempted. This proposal

would create further problems of refund claims and would block the liquidity of the exporters.
"Exporters will have to depend more on commercial loans and running finances to meet their liquidity requirements which will carry a much higher markup, resultantly, increasing the cost of doing business and making the export-oriented sector uncompetitive," it apprehended, adding this step would be counterproductive for export growth. However, if there are problems with regard to the commercial importers, these could be addressed with mutual understanding by revisiting the SRO 1125.
Hence, KCCI and other trade bodies appealed to continue zero rating in the larger interest of the nation and economic growth. If there are issues with SRO 1125 then those should be settled on the table with the stakeholders, it emphasised.
KCCI said that since CNG sector has been deregulated, Oil and Gas Regulatory Authority (OGRA) has no role in price determination of CNG. Therefore, the changes in duties in terms of paisa and rupees are not justified. The sector also has reservations for not being treated at par with regard to sales tax as oil and spare parts are being charged at prescribed prices (without input adjustments). Hence, either the sector should be allowed input adjustment or the recent increase in duty should be reverted, it demanded. The report said enhancement of sale tax from 8 percent to 17 percent on basic consumer items such as sugar, edible oil and milk would adversely affect the common man whose purchasing power would be eroded with these measures. It said that this is also the basic raw material of food, bakery and confectionary business which also contributes in value added exports. This measure would increase the cost of production making the food industry uncompetitive while it would also fuel inflation. Therefore, KCCI urged that the rate of tax on sugar should not be increased.
It noted the change of tax on edible oil from Rs 1/kg FED to 17pc sales tax of maximum retail price (MRP) has created an anomaly. It now bounds the company to pay tax at MRP which was not practical to apply due to rapid fluctuation in PKR/USD parity and import prices as well as variance in retail prices carried by different outlets.
KCCI R&D's report noted higher prices for high-end supermarkets and malls while the low-end outlets charge less. In case of edible oil, the existing formula of PKR 1/Kg FED is more workable and suitable. KCCI, therefore, demands to keep the same formula intact.

https://fp.brecorder.com/2019/06/20190625490704/

BALOCHISTAN BUDGET

RECORDER REPORT JUN 25TH, 2019 EDITORIAL

The Balochistan Budget unveiled by Finance Minister of the province, Zahoor Ahmed Buledi, on 19th June, 2019 envisages a total outlay of Rs 419.9 billion for the next financial year, showing a massive deficit of Rs 47.7 billion in its projected income and expenditures. Out of the total outlay, Rs 126 billion has been earmarked for development while the remaining amount would be utilized for non-development expenditures. Of Balochistan's income of Rs 372.1 billion in FY20, almost 88 percent (Rs 328 billion) would comprise federal transfers from the divisible pool and straight transfers. The provincial tax and non-tax receipts will amount to Rs 34 billion or about 9 percent of the total provincial revenues. Foreign grants and loans would make up for the remainder revenues. According to the provincial government, it has initiated tax and public finance reforms to mobilise additional resources and plug leakages and wastage of limited resources. The minister also stated that priority areas for development would be education, health, fisheries, drinking water, minerals, agriculture, forests and livestock. It was also announced that Rs 3 billion will be allocated for Quetta development package and Rs 1 billion for safe city projects for Gwadar and Quetta.
The Balochistan government, in line with the announcement of the federal government, has proposed

a 10 percent ad hoc relief for government servants from grade 1 to 16, while 5 percent relief is proposed for officials of grade 17-20. A 10 percent increase in pensions of retired government employees is also proposed to be granted whereas minimum wage has been fixed at Rs 17,500 per month. The government servants with disabilities will be provided an allowance of Rs 2,000 per month. Rs 3.4 billion has been allocated to cope with national disasters, out of which Rs 2 billion is set aside for investing in the disaster relief fund. In order to fulfil the needs of underprivileged segments of society, an endowment fund of Rs 3.7 billion has been proposed to be established. The government has also established a fund for the victims of terrorist activities. The special quota for the disabled persons has been enhanced from 2 percent to 5 percent. Special measures have also been proposed for the welfare of journalists and newspaper hawkers and promotion of art and culture in the province. The government has also decided to create more than 5,400 jobs in educational and other departments.

A closer look at the Balochistan budget would reveal that the government of Balochistan has proposed to live way beyond its means as it has suggested a very high level of development expenditures, making only feeble efforts to raise its own resources to meet the growing development needs of the province. It is extremely sad to note that the Balochistan government, despite the proposal of provincial surpluses of a huge amount of Rs 423 billion in the Federal budget, has envisaged a massive deficit of almost Rs 48 billion, making the task of the central government to meet the conditionalities of the IMF and achieve the overall fiscal deficit target of 7.1 percent of GDP much more difficult. The deficit of Rs 48 billion could have been tolerable if overall fiscal deficit of the country would have been lower or other provincial governments would have proposed enough surpluses in their budgets to compensate for the deficit in the Balochistan budget. Since both of these conditions do not exist, a huge deficit in Balochistan budget would result in ramifications which would be caused an adverse effect on country's economy. Moreover, it has been the tendency of the Balochistan government to produce a deficit budget by spiking development allocations at the beginning of the financial year. For instance, proposed development spending of Rs 88.2 billion had to be slashed to Rs 42.2 billion during FY19. The pitching of development spending at Rs 126 billion during FY20 does not make much of a sense if the province has little or no capacity to utilize such a huge amount and the resources of the province were not adequate to finance this amount. Besides, the Balochistan government seems to have not taken sufficient measures to raise its revenues. To say that the Balochistan government initiated reforms and plug leakages and reduce waste to improve the revenues is neither here nor there and the proposed measures would not achieve the intended objectives unless and until some bold and concrete steps are not taken to mobilise additional revenues. So far as the allocations of resources to different heads and priority areas are concerned, it seems that the funds are proposed to be earmarked in accordance with the prevailing situation in the province. For instance, allocation of a reasonable amount for victims of terrorist activities and the injured is a good decision. Also, the authorities of the province did not want to earn cheap popularity by proposing higher increase in the salaries of the government employees and amount of pensions than what was announced by the federal government.

https://fp.brecorder.com/2019/06/20190625490689/

OPP MULLING IN-HOUSE CHANGE, REMOVAL OF SENATE CHAIRMAN, SAYS MARYAM

BY NEWS DESK , (LAST UPDATED JUNE 19, 2019)

Pakistan Muslim League-Nawaz (PML-N) Vice President Maryam Nawaz said on Wednesday that the opposition is considering an in-house change and the removal of Senate Chairman Sadiq Sanjrani and discussions have been held with various opposition parties in this regard.

Addressing reporters after visiting the residence of PML-N leaders Khawaja Saad Rafique and Khawaja Salman Rafique, Maryam said that the government has changed the parliament into its 'container'.

She said that the government of "incompetents" would fail to deliver regardless of the number of opposition leaders it continues to throw behind the bars.

Talking about the inclusion of country's security institutions in the high-powered loan probe commission formed by Prime Minister Imran Khan, she said that there was no need of doing so as all these institutions are already represented in the Economic Coordination Council (ECC) and National Security Committee (NSC). She added that the premier had no decision-making powers and is taking orders.

Talking about the Khawaja brothers, she said that Saad Rafique's only crime was defeating the "selected prime minister" in the general election. She hoped that his bail application would soon be accepted.

"Saad's incarceration and sham cases against him are nothing more than political victimisation. This is how those who win the public's mandate are being treated by the government," she said.

Speaking about the budget presented by the federal government, she said, "The people of Pakistan are looking at the opposition leaders to block the anti-people budget. Those who will give the vote for it will be a criminal in the courts of masses. It will not be easy for the government to pass the budget. The opposition should give a tough time and expose the government."

She said that the budget has added to the miseries ditched out by the government ever since it came to power.

The PML-N VP said that she and Pakistan People's Party (PPP) Chairman Bilawal Bhutto-Zardari have united for the sake of defeating the "anti-people" budget.

"Inflation and budget have increased the challenges and difficulties of a common man, those who would vote in favour of the budget will commit a crime against the people of Pakistan," she stressed.

"The federal government is unveiling its incompetence with time. We wanted them to expose themselves, but now time has come that the opposition rejuvenates its ranks and goes out in full force against the government and its policies," announced Maryam, adding that no matter who they jail, their incompetence will still come in the way of progress and results.

Taking a jibe at the prime minister, she said that no one can stop her from calling him (PM Imran), 'a conspirator'. "This is a government of incompetents," she added.

"If the government had come into power through unfair means then it is necessary to tell the truth to the well-informed public," the PML-N VP said.

The PML-N leader said that interestingly the NAB has given a clean chit to Aleema Khan even after her admission. "NAB has turned a blind eye towards her and all of its focus is on the opposition," she said.

"As a representative of young people, we have to resolve people's problems. I will not be scared of threats," she added, adding that the Sharif family will continue to speak against injustices.

Maryam urged the opposition to unite under an umbrella and go against the current set-up and its policies. "I urge them to give a tough time to the government and hold them accountable," she concluded.

https://www.pakistantoday.com.pk/2019/06/19/maryam-says-nation-has-pinned-hopes-on-opp-to-stop-anti-people-budget/

LEGAL FRAMEWORK TO BE FINALISED TO BOOST PAK-UAE ECONOMIC TIES: ENVOY

June 26, 2019

FAISALABAD: UAE Ambassador to Pakistan Hamad Obaid Ibrahim Salim Al-Zaabi Tuesday said that legal frame work would be finalized to strengthen bilateral economic relations during the next Joint Ministerial Commission of Pakistan and the UAE, scheduled to be held in Abu Dhabi.

Addressing a meeting at Pakistan Textile Exporters Association (PTEA) here, the ambassador said the UAE regards Pakistan as an important country of Muslim.

He said all-out efforts are being made to add new dimension to the brotherly relations between the two countries.

The UAE is striving to develop business-to-business and people-to-people contacts to boost mutual trade ties, he added.

Terming Pakistan as an ideal place for foreign investment, he said the UAE investors are visiting Pakistan to explore investment opportunities in different trade fields.

He said both Pakistan and UAE would work together to tap existing potential for boosting mutual trade ties and develop strong business-to-business contacts between the businessmen of both countries.

Earlier, welcoming the visiting convoy, Vice Chairman PTEA Muhammad Idrees highlighted the core functions of the Association.

https://www.thenews.com.pk/latest/489679-legal-framework-to-be-finalised-to-boost-pak-uae-economic-ties-envoy

PUNJAB PA PASSES FINANCE BILL 2019 WITH ONE AMENDMENT

HASSAN ABBAS JUN 27TH, 2019 LAHORE

The Punjab Assembly on Wednesday passed the Finance Bill 2019 with only one amendment regarding withdrawal of sales tax on intercity AC buses in a bid to provide relief to the people. The schedule of authorized expenditure for the year 2019-20 was laid in the House. It gave extension to the ordinances through motion under rule 127 of the rule of procedure of the Punjab Assembly which includes: The Provincial Employees Social Security (Amendment) Ordinance 2019 (1 of 2019), The Punjab Zakat and Ushr (Amendment) Ordinance 2019 (11 of 2019), The Punjab Khal Panchayat Ordinance 2019 (111 of 2019) and The Punjab Land Revenue (Amendment) Ordinance 2019 (IV of 2019).
The House also passed a resolutions under 128 (2) (a) of the constitution for extending the Provincial Employees Social Security (Amendment) Ordinance 2019 (1 of 2019) promulgated on 16 April 2019 for a further period of 90 with effect from July 2019, extending the period of validity of Punjab Zakat and Ushr (Amendment) Ordinance 2019 (11 of 2019) promulgated on 18 April 2019 for a further period of 90 days with effect from 17 July 2019, extending the Punjab Khal Panchayat Ordinance

2019 (3 of 2019) for a further period of 90 days promulgated on 22 May 2019 with effect from August 20, 2019, and extending the period of validity of Punjab Land Revenue (Amendment) Ordinance 2019 (iv of 2019) for a further period of 90 days promulgated on 12 June 2019 with effect from 10 September 2019.

The Punjab Water Bill 2019 and The Punjab Sentencing Bill 2019 were introduced in the House while the Punjab Alternate Dispute Resolution Bill 2019 (Bill No 13 of 2019) was pended by the speaker.

Chief Minister Punjab Sardar Usman Buzdar was present in the House on the occasion of the passage of Finance Bill 2019. Opposition leader in Punjab Assembly Hamza Shahbaz remained absent from the House during the passage of Finance Bill.

Punjab Law Minister Raja Basharat while talking to media outside Punjab Assembly congratulated the people of Punjab on the passage of budget 2019-20. He said opposition claimed on the start of the budget session that they will not allow the passage of budget. He also said that opposition is so weak that during the passage of Finance Bill opposition parties did not even raise a slogan against the bill. The opposition claimed that this was not the pro-poor budget but they did not raise the slogan in favor of poor people of the province and the bill was passed just in 15 minutes.

https://fp.brecorder.com/2019/06/20190627492035/

SINDH ASSEMBLY PASSES RS1.21 TRILLION BUDGET

By Hafeez Tunio Published: June 27, 2019

KARACHI: After seven days of discussion, the Sindh Assembly on Wednesday passed a Rs1.21 trillion budget for the financial year 2019-20, rejecting 543 cut motions moved by the opposition members. The finance bill was deferred until today (Thursday).

As the session started with Speaker Agha Siraj Durrani in the chair, Chief Minister Syed Murad Ali Shah, who also holds the portfolio of the finance department, moved the budget. The opposition members, belonging to Pakistan Tehreek-e-Insaf (PTI), Muttahida Qaumi Movement – Pakistan (MQM-P) and Grand Democratic Alliance (GDA) moved the cut motions to reduce the non-development expenditure, but the chief minister said that all expenditure was necessary and there was no need to reduce even a single penny.

Adeeba Hasan of PTI moving her cut motion said, “The government has allocated Rs738,939,000 for the expenditure of Chief Minister’s House and Rs2 million have been reserved for furniture. I request to please reduce it by at least Rs1,000”. The CM said that the furniture at CM’s House has become old and there is a need to purchase new furniture.

Khwaja Izharul Hasan of MQM-P raised his objection to Rs10,000,000 discretionary grant allocated to the chief minister and asked that a policy be framed on it. He moved a cut motion to reduce Rs100 from the grant. But his motion too was rejected. “These grants are mandatory and can’t be reduced,” the CM said. After four hours of discussion, the assembly passed all 159 demands of the

Sindh government pertaining to the budget and turned down the opposition's pleas to slash some amount.

The 'zero deficit' budget, which was presented on June 14, comprises a total Rs284 billion development portfolio. The amount includes Rs208 billion provincial funds, Rs51 billion foreign project assistance, Rs4.8 billion federal grants and Rs20 billion district funds. The total receipts of the province for the financial year 2019-20 are estimated at Rs1.217 trillion against an estimated expenditure of Rs1.217 trillion.

As federal transfers and grant to offset the losses of abolition of octroi and zila tax (OZT), the province is expected to receive Rs835.375 billion.

The provincial taxes collection estimates stand at Rs288 billion as compared to Rs243 billion in the outgoing year.

In the budget, the provincial government has increased the salaries and pensions by 15% while the minimum wage has been declared to be Rs17,000.

Sindh government has increased the budget for school education from Rs170.832 billion to Rs178.618 billion in the next financial year, 2019-20. In this respect, Rs15.15 billion have been allocated for development schemes in education. In the budget, the government has abolished the registration and examination fee for all matric and intermediate boards in Sindh and announced scholarships for students securing grade A-1.

The current revenue expenditure of health department, excluding medical education, has been significantly increased by 19% from Rs96.8 billion in 2018-19 to Rs114.4 billion. However, the development budget of health for 2019-20 is similar to the outgoing year at Rs13.5 billion.

For law and order, the Sindh government has increased non-development budget from Rs100.483 billion in 2018-19 to Rs109.788 billion in 2019-20. It has also announced to appoint 3,000 additional cops.

A programme for poverty reduction, as pledged by Pakistan Peoples Party (PPP) Chairperson Bilawal Bhutto Zardari in his election campaign, has also been unveiled. In this programme, the first priority, in terms of budgetary allocation, has been given to education, followed by health and law and order. Around 6,000 jobs have been announced in police and other departments.

Sindh has allocated Rs12.3 billion for social protection and poverty reduction programme in the development budget. Under this, three major interventions are in focus – the Peoples Poverty

Reduction Programme (PPRP), Poverty Reduction Strategy (PRS) and Social Protection. The allocation for the energy sector has been increased in the non-development budget from Rs23.883 billion in 2018-19 to Rs24.920 billion in 2019-20.

For the coming financial year, the Sindh government has earmarked Rs40.59 billion for the Karachi package.

https://tribune.com.pk/story/2000943/sindh-assembly-passes-rs1-21-trillion-budget/

GOVT TO COLLECT ADDITIONAL TAXES WORTH RS516BN: AZHAR

APP Updated June 28, 2019

ISLAMABAD: Minister of State for Revenue Hammad Azhar on Thursday explained that of the total Rs1.5 trillion increase in tax target for the next fiscal year, the government has introduced additional taxes worth Rs516 billion.

The remaining amount will be collected through withdrawal of subsidies, rationalisation of exemptions and revival of taxes that were not collected due to different reasons in the past, he said while speaking in the National Assembly.

The government has set an ambitious revenue collection target of Rs5.5 trillion for the upcoming fiscal year.

He informed the assembly about the steps taken by the government to broaden tax base including the integration of data on around 55 million individuals with the Federal Board of Revenue (FBR) database in the 10 months. He said the data will be accessible on Nadra and FBR portals.

Moreover, he said the benami rules were also implemented and the government has successfully secured data of around 152,000 offshore accounts under Organisation for Economic Cooperation Development (OECD) agreement.

He said the valuation rates for property were also rationalised to bring them in line with the market rates.

Shortcomings in the Customs Department were removed to overcome the problem of undervaluation and overvaluation.

He said under the free trade agreement, FBR was getting real-time data for exports from China — Pakistan's biggest trading partner.

Azhar said the government is also moving away from collection of withholding taxes and had reduced duties and taxes on thousands of industrial inputs.

He added that in the budget for upcoming fiscal year, duties were either abolished or reduced to three per cent on 1,650 industrial inputs.

The minister pointed out that FBR had failed to achieve the desired results from reforms in 2011-13, however, this time around the revenue authority would again undertake a revamping project with the help of $400 million from the World Bank and benchmarks with tangible performance-based targets.

He said the accurate figure for internal and external borrowings in the year was Rs2.4tr. He said the government has also reduced the current account deficit by 30pc.

He added that the government had taken away powers from FBR to attach accounts and withdraw millions of rupees from taxpayers besides it was also stripped of authority to raid houses and businesses without permission from their top officer.

Data integration of the FBR, implementation of benami rules, information on OECD offshore accounts and improved market evaluation would help collect taxes, he added.

He said the sales tax on sugar was increased from 11pc to 17pc which would result in an increase of Rs3.5 per kg price of one sugar bag.

On ending the distinction between filer and non-filer on transactions of more than Rs5m for purchases property, he said the government took the step to create a better environment for industries and businesses.

Azhar said the market exchange rate did not mean free float as the government would keep a vigilant eye on market fundamentals and would not allow depletion of reserves below a certain level.

The minister said that many road projects would be undertaken in South Punjab including Indus Highway connecting Rajanpur and Dera Ghazi Khan and M. M. Alam Road connecting eight districts from Multan and Bahawalpur to Lodhran.

He explained that it was wrong to say that the education budget was reduced as development expenditure of Higher Education Commission was hiked by 35pc and Rs14bn were allocated for knowledge economy, data connectivity and information technology in research institutes and universities.

He pointed out that the previous government gave a figure of Rs11bn on paper for health projects without conducting any feasibility as they only handed over Rs6bn to provinces for immunisation programme and federal health programme was increased from Rs Rs8bn to Rs13bn.

He said that it was good that Sindh collected Rs100bn in taxes, while pointing out that it was relatively easy for Sindh to collect such numbers as it had port and headquarters of banks and insurance companies.

Member NA Khurram Dastgir said the devaluation of Pakistani rupee had shaken the confidence of businesses and markets.

Even after devaluation, the country’s exports were slowing down and would adversely affect imports of machinery and prices of fertilisers and petroleum products, he added.

https://www.dawn.com/news/1490900

COAS BLAMES PAST DECISIONS FOR FISCAL MESS

Baqir Sajjad SyedJune 29, 2019

ISLAMABAD: While endorsing tough economic measures of the government and seeking public support for them, Chief of the Army Staff Gen Qamar Bajwa on Friday blamed financial indiscipline and timid decision-making in the past for the current fiscal mess in the country.

“We are going through difficult economic situation due to fiscal mismanagement. We have been shying of taking difficult decisions,” Gen Bajwa said at a seminar on ‘Pakistan’s Economy: Challenges and Way Forward’ at the National Defence University (NDU).

The participants attending the seminar discussed the current economic situation and possible ways for dealing with critical issues such as budget deficit, low tax collection base, circular debt, haemorrhaging public sector enterprises, undocumented economy, low exports, and meeting federal obligations within the existing arrangements of the National Finance Commission (NFC).

Army chiefs have in the past also weighed on the economic situation, but Gen Bajwa's comments were particularly significant as he is the first army chief of the country to have been included in a top economic consultative body. The general was inducted into the National Development Council (NDC) just two weeks ago. The NDC has been set up to formulate policies and strategies for development activities aimed at accelerating economic growth; to approve long-term planning for national and regional connectivity; and to provide guidelines for regional cooperation.

Gen Bajwa's views during deliberations in the NDC would help civilians in understanding the army's opinion on the economic situation.

"We understand that government has gone for difficult but quintessential decisions for long-term benefits and what we are doing is playing our part. We all need to fulfil our responsibilities in this regard so that these difficult initiatives succeed," he maintained and contended that "no individual alone can succeed" and the nation has to contribute and stand united.

"It's time to be a nation," the army chief added.

Gen Bajwa cited examples of other countries which when confronted with similar challenges took difficult decisions and successfully overcame them. "We shall also wade through these challenges," he said.

He recalled military's sacrifices for dealing with economic crisis and said that the institution forwent the annual defence budget increment. He quickly added that defence budget freeze was not the only way, as the army was contributing to resuscitation of economy.

A statement on the event issued by the Inter-Services Public Relations (ISPR) did not mention if the other contributions of the army towards reviving economy were also listed by the general at the seminar.

In an important statement, Gen Bajwa endorsed the opinion that the country needed to have greater connectivity with all neighbours for Pakistan and the region at large to develop. Currently, except for China, Pakistan has no significant trade with any of its neighbours due to political disputes and security issues.

Earlier on Thursday, Afghan President Ashraf Ghani, too, while speaking at a think tank in Islamabad, laid emphasis on developing regional connectivity. He called for Pakistan and Afghanistan to develop 'political alignment' so that hurdles in regional connectivity could be removed. He asked Pakistani leaders to introspect why Karachi and Gwadar could not become Dubai, which was seen as a model for logistics hub.

Gen Bajwa mentioned Pakistan's efforts for regional peace and expressed the hope that those efforts, if they succeed, would lead to better trade connectivity.

Adviser to Prime Minister on Finance, Revenue and Economic Affairs Dr Abdul Hafeez Shaikh said perpetual security threats, inconsistent economic policies, poor economic discipline and lack of will to take difficult decisions in the past contributed to the difficult economic situation being faced by the government.

https://www.dawn.com/news/1491025

PTI MANAGES TO GET BUDGET PASSED WITH 176 NA VOTES

Syed Irfan RazaJune 29, 2019

ISLAMABAD: The Pakistan Tehreek-i-Insaf (PTI) coalition government on Friday managed to get its first full-fledged federal budget passed in the National Assembly with a majority vote.

While the lower house approved the finance bill 2019-20, all government proposals were approved and all of the opposition's proposed amendments were rejected.

With a total outlay Rs7.022 trillion, the budget was passed amid the opposition's mild protest over insertion of two bills which, according to it, were not shared with the members of opposition benches.

The budget was passed with a majority votes as 176 members of treasury benches voted in its favour while 146 members of opposition side opposed it.

Heavyweights including Prime Minister Imran Khan, Opposition Leader Shahbaz Sharif , Pakistan Peoples Party leaders Bilawal Bhutto-Zardari and Asif Ai Zardari and former prime minister Shahid Khaqan Abbasi and Raja Pervez Ashraf witnessed the proceedings of the lower house of parliament.

Throughout the proceedings which continued for nine hours, members of treasury and opposition benches exchanged harsh words, particularly when the PML-N's Marriyum Aurangzeb called Imran Khan a "handpicked" prime minister and criticised him for imposing tax on film-making.

She said former prime minister Nawaz Sharif and the army overcame terrorism during the tenure of the previous PML-N government when a bill was passed for boosting film industry to present a soft image of Pakistan internationally.

On this Revenue Minister Hammad Azhar said the army had rid the country of terrorism but the PML-N had "abused the army and displayed humiliating posters".

The opposition's rejected proposals were related to withdrawal of taxes on the agriculture sector, local auto industry, sugar, ghee, services, mobile phones, real estate sector, Thar coal, dry milk, cold drinks, poultry, surgical items and film making, devaluation of Pakistan rupee against dollar, zero rating on imports, etc.

The government proposals approved on Friday were related to anti-dumping duty, asset declaration and the Public Finance Management Act.

Under the government proposals, following items were included in the tax regime: biscuits in retail packing with brand name, auto parts, imports of plants and machinery for installation in tribal areas, frozen meat/poultry and fish etc.

To ensure fiscal responsibility, the government under the Public Finance Management Act-2019, which was included in the budget on Friday, has made it mandatory for all ministries, divisions, government departments and autonomous bodies to deposit funds in the federal consolidated fund or single treasury account and not separate accounts in commercial banks.

This has been done "to strengthen management of public finance with the view to improve definition and implementation of fiscal policy for better macroeconomic management, to clarify institutional responsibilities related to financial management, and to strengthen budgetary management," according to the act.

By inserting a new clause in the budget proposals, the government amended the Anti-Dumping Duties Act. The clause reads, "Notwithstanding anything contained in this Act, where a declaration has been made by misrepresentation or suppression of facts in respect of the undisclosed assets declared therein, such declaration, to the extent of the asset to which such misrepresentation or suppression of facts relates to, shall be void and shall be deemed to have been never made under this act."

At the start of the proceedings, Revenue Minister Hammad Azhar moved the motion to present the finance bill before the house for consideration and voting.

After voice voting on the motion, the opposition challenged the vote and asked the speaker for a head count.

Earlier, Shahid Khaqan Abbasi claimed that the government had increased foreign debts by over Rs 4000 billion during its 10 months.

He said that already crippling economy situation would further deteriorate due to faulty policies of the government.

Ahsan Iqbal said the PTI had accused the previous PML-N government of giving exemptions in taxes, but the incumbent government had given Rs900bn exemptions in the budget.

He accused the government of reducing allocations for education sector and said the allocations for the Higher Education Commission had been cut by 83 percent.

Bilawal's presser

After the conclusion of the session, Bilawal Bhutto-Zardari held a press conference outside the Parliament House and raised questions over legality of what he called a "rigged and bulldozed budget".

He accused National Assembly Speaker Asad Qaisar of flouting rules and said, "In protest against his obnoxious and illegal behaviour, we have to take action against the speaker.

However, Mr Bhutto-Zardari said he would formally announce later if and when a decision to bring a no-trust motion against the speaker would be made.

The PPP chief said the opposition never knew the speaker could cross the limits to this extent. "Is it a legal budget," he asked and then replied himself, "No, it is a rigged and unconstitutional budget."

"The speaker is supposed to be impartial but this speaker is worse than the speakers of the eras of General Ziaul Haq and General Musharraf," he said.

He said the PTI had attacked the system from outside the parliament in 2014 and now it was doing so from within the parliament.

Referring to Army Chief Gen Qamar Javed Bajwa's remarks about the national economy, he said it was a fact that there was a need to work together. He however regretted that the government did not want a consensus and wanted to do everything on its own.

He said the masses could no longer bear injustices and asked the people to rise against the government to protect their rights and those of the provinces.

The budget session of the lower house was adjourned till Saturday evening.

Iftikhar A. Khan also contributed to this report

https://www.dawn.com/news/1491023/pti-manages-to-get-budget-passed-with-176-na-votes

IMF OPPOSES EXTENSION OF AMNESTY SCHEME DEADLINE

Khaleeq KianiUpdated June 29, 2019

ISLAMABAD: The International Monetary Fund (IMF) has voiced opposition to the idea of extending the deadline for the amnesty scheme, saying doing so could hurt the country's case at the Board meeting that is scheduled to take up Pakistan request for a $6 billion bailout package on July 3.

"The IMF is not in favour of tax amnesties," IMF's country representative to Pakistan Teresa Daban Sanchez told Dawn on Friday.

Commenting on Prime Minister Imran Khan's indication to extend the amnesty scheme and come up with a plan within 48 hours, the IMF official said, "Cross country experience shows that tax amnesties have usually huge costs, such as undermining taxpayers' morale and sense of fairness, that more than offset potential short-term gains".

When asked whether an extension could hurt Pakistan's case at the Board, she said, "I think so, it will certainly not help at all because it is inconsistent with the whole package."

Pakistan is set to enter its 13th IMF programme days after the Board meeting which will decide whether or not to approve the staff level agreement that has already been signed between the government and the IMF mission. "I hope they are not going to do it," Sanchez said, talking of the possibility of an extension in the amnesty scheme. "It's not going to work."

The amnesty scheme was discussed during the staff level negotiations, she said, "and even though we were not happy about it at the time, we said OK, because we saw it as a targeted attempt to facilitate the implementation of the Benami law".

"But no extension is needed," she emphasised. "People have already had a chance to declare their assets for this purpose [complying with the Benami law], an extension will not serve any purpose."

Meanwhile, officials at the Federal Board of Revenue (FBR) told Dawn they oppose any announcement of an extension at this stage, arguing that it would stall the momentum behind the declarations.

Informed sources said the economic team was taken by surprise when the prime minister said on national television on Wednesday night that he will consider a package to allow an extension within 48 hours. They said some businesspeople from Karachi had complained to the prime minister that his government did not give them enough time to participate in the scheme, nor did it explain its benefits to the people.

"Their complaint was that the government has been occupied with creating a climate of fear around Benami assets rather than explaining the benefits of the scheme," one official privy to how the meeting between the prime minister and the business delegation unfolded, told Dawn.

One official involved in the processing of the amnesty scheme declarations said the prime minister would be given full update on declaration of assets, tax collection and the number of beneficiaries after June 30 midnight to provide him a complete picture of the situation, before he takes a final decision of his choosing.

FBR chairman Shabbar Zaidi has repeatedly explained to parliamentary panels that extension in the deadline is not possible in view of the scheduled executive board meeting of the IMF on July 3 to consider Pakistan's $6 billion bailout package.

These sources said the prime minister was informed that last year's asset declaration scheme had offered reasonable time to people as it was launched in April and remained available until July. On the contrary, the latest scheme was launched in the last part of Ramazan followed by longer than usual Eid holidays, practically providing less than 15 working days to the prospective asset holders and non-filers. The prime minister appreciated these concerns and promised a wayout, these sources said.

Shortly after these discussions, the PM appeared on prime time television and said an extension in the deadline for the Asset Declaration Scheme is in order to avoid inconvenience caused to citizens by the June 30 deadline.

"In the next 48 hours, we will bring a programme for this," he said.

Officials in the FBR said they had not yet been approached by anyone from the Prime Minister Office about an extension in the deadline, but such an approach could not be ruled out till late Sunday night. They said their counters in the field formations witnessed unusual rush on Friday and were directed by the government to increase the number of counters to reduce long queues. But random checks at these counters conducted by field formation staff showed, according to one FBR official, that "99pc of those waiting in the queues were return filers since the last date for filing tax returns also happens to be June 30", the same as the deadline of the amnesty scheme.

These checks showed that negligible numbers of those waiting in the long lines outside FBR offices around the country were declarants for the amnesty scheme. The counters extended both at the banks and tax offices have been ordered to remain available round the clock until midnight of June 30.

https://www.dawn.com/news/1491021

RUPEE GAINS 3PC AGAINST DOLLAR IN INTERBANK MARKET

Shahid Iqbal June 29, 2019

KARACHI: The rupee, after shedding 3.8 per cent on Wednesday, managed to reverse some of its losses on Friday after gaining Rs5 in the interbank to close at Rs159 against Rs164 in the previous session.

"The banks are mainly responsible for the fall in dollar prices since Friday was the closing day for them and they review their foreign currency holdings with US dollar that impacts their profits," explained a banker.

Bank treasuries, dealing with foreign currencies, usually have about 27 currencies in their baskets. At the time of closing, they review the value of these currencies against the US dollar.

If the dollar price is lower, other currencies yield higher profits whereas if banks review their basket of currencies at higher rates, they may get lower profits or losses.

However, currency dealers in the open market said the dollar gaining by Rs7 in the two days and losing Rs5 in a single session is mainly due to demand factors.

"If the demand does not increase in next session (Tuesday) the exchange rate may remain stable," said Exchange Companies Association of Pakistan Secretary General Zafar Paracha.

Currency dealers in banks said the trading volume was relatively high on Friday since the lower rates attracted importers.

They said the greenback was traded mostly at Rs160 on Friday as it fell at the beginning of the sessions. "The tom value (tomorrow) further fell to Rs158 to Rs159," said a currency dealer.

Earlier on Wednesday, the local currency shed its value by a whopping Rs7.2 in a single day to hit Rs164 in interbank trade — a record low — at the close of the day's trading.

The sudden volatility in the exchange rate was widely criticised by both independent economists and media who held the State Bank of Pakistan (SBP) responsible for the rupee's free fall.

Some currency experts blamed commercial banks for the sudden rise in dollar rates as they believe they were buying dollars during the days of stable exchange rate when it was trading at Rs157 and they sold it all in a single day when demand increased.

The SBP was reluctant to intervene in the market allowing it to settle on its own but currency experts said the situation was volatile and warranted SBP's interference to bring stability.

Gold prices decline: The rates of one tola and 10 gram gold prices declined by a massive Rs1,900 and Rs1,628 to Rs79,600 and Rs68,244 respectively over Thursday's rate despite a $9 increase in per ounce prices of gold in the international market.

The local prices recovered in view of the rupee's gains against the dollar on Friday after losing its value for the last three days.

https://www.dawn.com/news/1491077

JULY, 2019

NEWS COVERAGE PERIOD FROM JULY 1st TO JULY 7th 2019

ASSET DECLARATION SCHEME DEADLINE EXTENDED TO JULY 3: HAFEEZ SHAIKH

Dawn.com Updated June 30, 2019

Adviser to the Prime Minister on Finance Dr Abdul Hafeez Shaikh during a post-budget press conference on Sunday said that the government had decided to extend the deadline for its Asset Declaration Scheme to July 3.

"There's been a lot of interest in the Asset Declaration Scheme," he said, adding that the deadline had been extended to banking office hours on July 3.

"We are giving people a final opportunity [to take advantage of the scheme] in case some people are still in the process or are facing difficulties wrapping it up," he said.

"After that, the benami commission, that we're currently establishing to pursue benami properties, will come into action," Shaikh said.

Minister of State for Revenue Hammad Azhar, who was also at the briefing, said that thousands of people had availed the scheme so far. "We'll put forth the details of this scheme in a few days," he said.

Read more: PM Imran hints at extension in June 30 deadline for Asset Declaration Scheme

The deadline extension comes barely a day after a statement issued by the Federal Board of Revenue denied that there would an extension in the scheme.

Shaikh, while discussing the government's budget strategy at the press conference in Islamabad, said it was part of its agenda to "make all things transparent. To utter nothing but truth in front of the public. That is precisely what is reflected in this budget."

"That's why we are announcing that we are going to the International Monetary Fund programme. We're sending a message to everyone out there that we're serious and ready to take hard decisions so we can propel ourselves along a growth trajectory."

"Our focus is to generate confidence in markets and put the reforms in proper sequence. The idea is to do all this in phases, not abruptly," he explained.

He indicated five key elements of the budget that are part of the government's strategy to tackle the crisis:

"At the heart of the budget are the people of Pakistan, because a government's success can only be assessed on the basis of how good it is for the people," Shaikh said.

"And if harsher than harsh measures need to be taken, we shouldn't shy away from them," he said.

"When the PTI was elected into government, it inherited an economic crisis that it is still trying to get out of," Shaikh said, explaining that due to the current account deficit and foreign loans, the external front was a matter of great concern.

"We took immediate steps to curb the external threats. We tried bringing down the Current Account Deficit. We imposed tariffs on imports and that too on luxury products & finished products; to squeeze imports. And that has continued in this budget.

Due to foreign loans and the import-export gap, the rupee devalued in comparison to the dollar. The first step, Shaikh said, was to reduce the current account deficit.

This was achieved by levying tariffs on imports — particularly luxury goods and finished products — to reduce the purchase of such products. "The current account deficit was $20 billion when this government came to power, but it has now gone down to $13.5bn," he said.

"The budget has suggested measures that will bring it down further to $7bn."

The government also managed to acquire $9.2bn in loans with friendly countries, including deferred payment facilities with Saudi Arabia and United Arab Emirates, while the government is in talks with Qatar over similar arrangements.

"Things are also on the right track with the International Monetary Fund," Shaikh said. "If everything stays on course, they will give us a $6bn package, and taking a cue from them, the Asian Development Bank has also committed some money. This will be disbursed during the year. We have similar hopes from the World Bank."

"These were the steps we took to generate dollars," he said.

In order to repay debts taken by previous governments and make payments to provinces, the government needs to save money, Shaikh said.

To do this, the government has begun to implement austerity measures starting from the top, with Grade 20+ civilian or military officers not receiving any increment in the budget, while Grades 17-20 received a 5 per cent increase, while Grades 1-16 received a 10pc increment in their salaries.

“For the first time in Pakistan’s history, armed forces have not got a budget increments. This sends a message that everyone is on same page regarding taking Pakistan out of this challenge,” Shaikh said.

The adviser on finance said that the government had decided that if any money is spent this fiscal year, it would be focused on the neediest sections of society first.

The government had, therefore, increased social safety net budget allocations to Rs191bn from Rs100bn.

Additionally, Rs200bn was allocated to provide relief to low-energy consumers who utilise less than 300 units of electricity.

“Then we allocated money for the people of the tribal areas. We believe that is the third most deserving strata of the government’s relief efforts,” Shaikh said.

“Social security nets that alleviate the poor, widows who run their households and the weakest segments of society get precedence in the government’s priority list for relief.”

Businessmen were also given some relief in the budget, Shaikh said, explaining that import tariffs on a number of raw materials had been slashed to 0pc so that the cost of doing business was manageable for businessmen.

Similarly, Shaikh said, the tax on exports has been exempted.

The prime minister’s adviser on finance said the government had set itself an FBR revenue target of Rs5.55 trillion for the coming fiscal year.

“The rich of Pakistan pay the lowest tax in our region. It cannot go on like this,” he said, adding that the government was “all set to achieve” its tax collection target.

He explained that the measures related to taxation and revenue collection were necessary because the government wants to spend on improved infrastructure, education, better healthcare and clean water, but needs funds in order to that.

“All the valid points we got as suggestions from Parliament and other stake holders, we tried to accommodate them to improve this budget,” he said.

Minister of State for Revenue Hammad Azhar chimed in here to say that although previous governments had talked about merging FBR data with the National Database and Registration Authority for 10 years now, the Pakistan Tehreek-i-Insaf government had managed to do it within 10 days.

“Basic steps for broadening our revenue that have not been taken in the past 10 years, we took in our first 10 months,” he added.

FBR Chairman Shabbar Zaidi, at the press briefing with his colleagues, said that people had previously “never had a good reason to think that the government has some sort of data on them regarding their taxes”.

“Now we have integrated data that serves as a driving factor,” he stated.

Azhar, explaining taxes on cigarettes, denied the impression that taxes on the tobacco industry had been revoked to appease any lobby.

"The only revoked taxes are import taxes. Taxes on tier 1 and 2 have been increased per pack of cigarettes, upto Rs8 even. All this money will be directed towards healthcare," Azhar said.

https://www.dawn.com/news/1491296

SUPPORT FOR ECONOMIC POLICIES

RECORDER REPORT JULY 1ST, 2019 EDITORIAL

The Chief of Army Staff, General Qamar Bajwa, speaking at a seminar organised by the Institute of Strategic Studies, Research and Analysis held at National Defence University, came out strongly in support of the government's economic policies that are sourced to the implementation of four 'prior conditions' agreed in the 12 May staff-level agreement with the International Monetary Fund (IMF). Support by the armed forces (widely regarded as a neutral umpire accounting for their inclusion in all matters of national importance including in Joint Investigation Teams in issues relating to corruption as well as their role in supervising elections) was indeed very timely for the new economic team as the four prior conditions gave rise to considerable criticism.

The first prior condition is the adoption of a market-based exchange rate system. On Friday 10 May, before the agreement was reached, the interbank rupee-dollar parity was at 141.39 (bid) and 141.40 (offer). By June 28 the rate was 159 rupees (bid) and 160.25 (offer) which declined from the previous day's rate of 164 rupees to the dollar (bid) and 164.25 (offer) subsequent to two meetings between the Prime Minister and the Governor of State Bank of Pakistan. While we hold no brief for the then Finance Minister Ishaq Dar's flawed policy to keep the rupee overvalued that made imports more attractive and exports unable to compete internationally, yet we must emphasise that rupee erosion at such an alarming rate in so short a period would have serious implications on pricing of another major inputs for industrial and agricultural sectors – power. Energy (electricity, gas and POL) tariffs are determined in cents (US) and even the subsidised rate at which gas is supplied to five major exporting industries in Punjab is 7.5 cents with the objective of equating costs of Punjab industry to their counterparts in Sindh, a gas producing province, where gas is cheap. Needless to add, with the large-scale manufacturing (LSM) registered negative 2 percent growth, a major contributor to growth, exports, employment and taxes, the optimistic budgetary projections would have to be revised downward.

Transport costs are on the rise as petroleum and products are imported and any rupee-dollar fluctuation is passed onto consumers in its entirety; however the Saudi 3.2 billion dollars deferred oil facility for three years may provide some necessary support to the balance of payment position with exports expected not to pick up due to rising input costs as well as failure of successive governments to produce to export rather than exporting our surplus.

And finally, the erosion of the rupee also compromises the capacity of the local industry to actually compete with smuggled items that are freely available in our local markets given the thousands of miles of our porous borders with neighbouring countries.

A better and needless to add a more palatable option from the perspective of general acceptability of the market-based exchange rate would have been to agree to a prior condition of 10 rupee to the dollar in the first month and thenceforth a much slower pace (up to 12 months) of implementation of the market-based exchange rate.

Second, the discount rate was raised as a means to reduce aggregate demand and thereby reduce inflationary pressures. Consumer products on credit is not the usual practice in this country and hence raising discount rates has rarely dampened consumption significantly though it does dampen credit by the productive sectors with obvious implications on the rate of GDP growth. There is a perception that the prior condition of raising the discount rate to the agreed level has not yet been achieved and there is speculation that the rate would be raised by another 1.5 to 2 percentage points. We would recommend a more phased approach to this policy as well.

Third, the government made it mandatory for all its ministries, departments, divisions as well as autonomous bodies to deposit funds in the federal consolidated fund or a single treasury account, a measure that we fully support, however, care must be taken that Pakistan, with corruption levels comparable to Nigeria, does not go the route set by an oil producing African country where charges of corruption were levelled against an e-collection agency receiving a commission.

And finally, the 0.6 percent primary deficit agreed as a prior condition by the government is not likely to be achieved unless there is a massive revision of budget documents that would take the rupee-dollar parity as on the last day of June rather than as 150 rupee to the dollar as the basis for projections.

At present, criticism is being spearheaded by the opposition, who the treasury benches ridiculed, booed and dismissed during the budget debate while dismissing all their cut motions. Notwithstanding corruption charges against the leadership of the two main opposition parties, the government must surely be aware that they represent large swathes of support throughout the country with Pakistan People's Party commanding an overwhelming majority in the Sindh Assembly while Pakistan Muslim League-Nawaz won more seats in the Punjab Assembly than the Pakistan Tehreek-e-Insaaf (PTI) and is in government in Azad Jammu and Kashmir. And PTI coalition has a slim majority, under 10 members, in the National Assembly.

The capacity of the people of this country to further withstand the continuation of the expected negative outfall of these four prior conditions, (leave alone the ones that the government may have agreed to once the IMF loan is approved by the IMF Board) is likely to be severely tested in months if not weeks to come. Support by all institutions is unlikely to deter those pushed under the poverty line, lower middle class as well as the newly-unemployed, to heed advice for patience.

So what is the solution? For starters we need to take account of our ground realities including massive smuggling and the expected inflows of Chinese investment in months and years to come under the China Pakistan Economic Corridor (CPEC). The linkage between discount rate and credit is fairly well-established but between discount rate and aggregate demand is not that well-established in this country. Therefore, the agreement with the IMF to reduce the primary deficit from nearly 2 percent to 0.6 percent in one year is simply unrealistic as is the revenue requirements handed out to the Federal Board of Revenue.

To conclude, failure to recommend or focus on any homegrown remedies during negotiations with the IMF smacks either of being convinced that the way forward is the IMF or the highway or simply the new economic team not having enough time once they were installed in their positions to first study and then propose innovative remedies. One would hope that there is a Plan B under consideration or preparation – not a political Plan B but an economic Plan B.

https://fp.brecorder.com/2019/07/20190701493326/

IMPOSITION OF SALES TAX: TEXTILE PROCESSING MILLS DECIDE TO SUSPEND OPERATIONS

RECORDER REPORT JULY 2ND, 2019 KARACHI

Textile processing mills on Monday decided to suspend operations against imposition of sales tax. Arif Lakhani, Regional Chairman All Pakistan Textile Mills Processing Association, told Business Recorder that in a general meeting held on Monday, all association members have unanimously decided to suspend operations of textile processing mills across the country as customers are not agreed to pay new rates, fixed by processing mills after the imposition of sales tax.

He stated that with the imposition of some 17 percent sales tax on filers and 20 percent on non-filers, the cost of processing mills has increased by some 40 percent. "The massive increase in cost of production is not acceptable as customers are not placing new orders at new rates with effect from July 1, 2019. Therefore, in order to avoid losses processing mills have decided to suspend operations till the resolution of issue," he added.

Lakhani said that only export-related processing mills are operational in the larger interest of the country to fulfill the commitment of export orders. He said that Pakistan's textile industry is facing history's worst situation due to economic uncertainty. "Although billions of rupees refunds of textile mills are already pending with government, the government has imposed new taxes on the ailing textile industry of the country," he added.

Regional Chairman said that with the closer of work in 700 textile processing mills, some 0.8 million textile workers will lose their jobs, he mentioned.

He said that in the current situation textile exporters are also worried and reluctant to get new orders due to uncertain cost of production. Lakhani has urged Prime Minister Imran Khan for removal of sales tax on textile sector to resume the operation of the mills.

https://fp.brecorder.com/2019/07/20190702493460/

FIX THE ECONOMY OR WE ARE SHUTTING SHOP, SAY TRADERS

By Our Correspondent Published: July 2, 2019

KARACHI: Small traders in Karachi have rejected the federal budget for the fiscal year 2019-20 and have announced to begin protests from today (Tuesday). The traders claim that the wrong economic decisions taken by the incumbent government are taking a toll on the people and on businessmen. Various trader associations from Karachi have come together in protest. They have announced a protest march from Regal Chowk in Saddar to the Karachi Press Club today (Tuesday).

Karachi Traders Action Committee held a meeting on Monday and supported the decision to begin protests on Tuesday against the economic policies and the budget presented by the federal government.

This protest march will be the first demonstration of Karachi's traders against the incumbent government since it took office. It is expected that the protest may eventually transform into a full-fledged campaign against the government. Representatives of various trader associations attended the meeting and resolved that if the authorities don't respond to their demonstration, the market will resort to a shutter-down strike to record its protest.

The traders opine that the government's economic policies have crippled businesses. Markets remain deserted while shopkeepers helplessly await improvement.

The traders point out that there has been a continuous decline in the value of the rupee causing prices of imported goods to reach sky-high levels. Essential items such as sugar, cooking oil, spices, tea and powdered milk are increasingly becoming costlier.

According to Wholesale Grocers Association Chairperson Anis Majeed, the rupee's depreciation has caused prices of various essential commodities to increase by 25 per cent. However, he added, the complete impact of the rupee's devaluation is yet to be felt.

Traders shut down Saddar markets to protest heavy taxes

"Prices are expected to rise further as new consignments of imported items reach the country," he said.

Further worsening the situation, the government has also abruptly made the tax mechanism more complex in a bid to implement its impractical reforms, opined Majeed. "In addition to the sales tax on sugar, the government has also imposed a withholding tax and turnover tax on the price of sugar while all other food grains have also been double-taxed [manufacturers pay the tax, and then distributors and wholesalers also pay taxes]," he said.

Along with a manufacturer tax and an import tax, the government has also levied taxes on distributers, wholesalers and retailers, remarked Majeed.

He claimed that ultimately it would be the consumers who would bear the brunt of these taxes while adding that implementation of such tax policies would be difficult to say the least.

Meanwhile, Karachi Electronic Dealers Association (KEDA) President Rizwan Irfan said that the steps taken by the Pakistan Telecommunication Authority (PTA) have rendered mobile phones worth millions useless. The buying and selling of mobile phones has taken a hit as the PTA has imposed a mandatory condition of showing the CNIC when buying mobile phones be it at the distributer, wholesale or retail level.

"We were already facing a decline in sales due to the devaluation of the rupee and the increase in electricity tariffs but now, the measures taken under the guise of tax reforms have made conducting business even more difficult," he said, adding that given the market situation, the traders of the electronic market will participate in the protest march.

Published in The Express Tribune, July 2nd, 2019.

https://tribune.com.pk/story/2004200/1-fix-economy-shutting-shop-say-traders/

JUNE INFLATION EASES TO 8.9PC

Khaleeq Kiani Updated July 03, 2019

ISLAMABAD: Pakistan's overall inflation clocked in at 8.89 per cent year-on-year in June, sliding from 9.1pc in May, mainly due to a slight slowdown in food price levels.

According to data released by the Pakistan Bureau of Statistics, the Consumer Price Index (CPI) and Wholesale Price Index (WPI) in June was recorded at 8.89pc and 12.69pc, respectively as most of the essential items maintained an upward trend.

The average inflation between July-June FY19 rose to 7.34pc , from 3.92pc – the highest since 2013-14 when it stood at 8.6pc.

The data showed that out a total of 89 items, prices of about 83 essential items increased year-on-year in June compared to reduction in only six essential items. Likewise, prices of 81 major essential items went up month-on month while eight fell.

Similarly, of the prices 112 items monitored by PBS for WPI, 106 increased year-on-year as against reduction in six. Similarly, the prices of only 11 items in the WPI declined in June when compared to previous month (May 2019) while the prices of 101 items in the wholesale market increased.

The CPI grew 8.9pc year-on-year in June as against 9.1pc in the previous month and 5.2pc in same period last year. On a monthly basis, it increased by 0.4pc in June 2019 as compared to an increase of 0.8pc in the previous month and an increase of 0.6pc in corresponding month i.e. June 2018.

Core inflation, measured by non-food non-energy CPI, increased by 7.2pc on yearly basis in June versus 7.2pc in previous month and 7.1pc in June 2018.

Meanwhile, core trimmed inflation recorded an increase of 7.3pc year-on-year in June as against to 7.5pc in the previous month and by 5.4pc in same period last year.

According to the data, price of onions rose by more than 72pc year-on-year, followed by daal moong 43pc, sugar 34pc, gur 28pc, cigarettes 24pc, fresh vegetables 18pc, spice and daal mash 17pc, potatoes 13pc, meat and pulse gram 13pc and daal masoor by 9pc. Meanwhile, wheat prices increased by 9pc and vegetable ghee and cooking oil prices by 8pc, rice, besan and fresh milk prices increased by 5-6pc.

Among non-food items, gas prices surged by 86pc, motor fuel 25pc and motor vehicles and their accessories by over 12pc, construction materials 11pc, household servant, transport services and cosmetics by 9pc. House rent rates increased by 7pc. On the flip side, chicken, tomatoes and eggs saw their prices declining in the range of 6-12pc.

On the other hand, WPI increased by 12.7pc year-on-year in June, from 14pc in May and 7.6pc in same month last year.

Similarly, Sensitive Price Indicator on YoY basis increased by 10.6pc in June versus 10.8pc a month earlier and 1.9pc in same period last year.

Inflation for the month of June clocked in at 8.9 per cent year-on-year, led largely by rising price levels of non-food non-energy core inflation at 7.2pc.

Meanwhile, the average monthly Consumer Price Index for 2018-19 was posted at 7.34pc, almost double from the FY18 level of 3.92pc.

Published in Dawn, July 3rd, 2019

https://www.dawn.com/news/1491755

OVER 95,000 AVAIL AMNESTY SCHEME SO FAR: SHABBAR

RECORDER REPORT JULY 3RD, 2019   ISLAMABAD

More than 95,000 people have registered their undeclared assets so far with the Federal Board of Revenue (FBR) by availing the Asset Declaration Scheme, the deadline of which is ending on Wednesday July 3, Chairman Federal Board of Revenue (FBR) Syed Shabbar Zaidi told APP Tuesday.

“The Asset Declaration Scheme provides a golden chance to people to declare their undeclared assets by paying a little amount of tax on,” the Chairman said.

He was of the view that tax-filing was the responsibility of every citizen to ensure growth and development of the country, adding that through new initiatives, the government had eliminated the concept of non-filer in tax system and henceforth it would be hard for any citizen to remain out to tax-loop now.

Chairman FBR informed APP that he was optimistic that Asset Declaration Scheme would be successful, however once again clarified that the deadline for the scheme would not be extended further.

He said that the purpose of this scheme was not revenue generation, rather it was more concerned about documentation of economy by encouraging more and more people to file their returns.
Zaidi said that documenting the national economy was the top priority of the government.

He said that the FBR had already obtain data of properties and assets of people and that was also put on FBR web portal, which could be accessed by any interested person

Replying to a question, regarding reforms in FBR, he said that the government wanted institutional reforms in the board and a strategy had already been devised to modernize the functions of FBR.

“We want to change the whole structure of FBR to improve the taxation system for broadening the tax base,” the Chairman remarked.

The FBR had started reforms in tax law and tax administration for adopting the best international practices to enhance its operational capacity adding that the board planed to hire experts and consultant in this regard.

Replying to another question, he said that tax revenue target for the fiscal year 2019-20 was rational and country”s economy had the potential to generate these revenues.

Shabbar Zaidi said that automation in FBR was the need of the hour and the government wanted less human inference in the tax system by utilizing modern technology to strengthen its transparency and accountability system. He said that FBR was a national institution, having pivotal role in country”s economic development.

https://fp.brecorder.com/2019/07/20190703493743/

INFLATION SURGES TO 5-YEAR HIGH, TARGET MISSED

By Shahbaz Rana Published: July 3, 2019

ISLAMABAD: The Pakistan Tehreek-e-Insaf (PTI) government has missed its annual target of inflation that surged to a five-year high at 7.3% in the last fiscal year due to upward revision in electricity and gas prices and 32% depreciation of the rupee in one year.

Against the annual target of 6%, the average inflation in fiscal year 2018-19 surged to 7.34%, reported the Pakistan Bureau of Statistics (PBS) on Tuesday. It was the highest average rate in the past five years. Previously in fiscal year 2013-14, the rate of inflation was 8.6%, the point from where it had started receding. The rate of inflation was more than double the annual economic growth of 3.3% recorded in the last fiscal year 2018-19 that ended on Sunday.

The government's annual plan for the new fiscal year 2019-20 has cited that "upward adjustment in electricity and gas prices, input costs and impact of exchange rate movements" as the reasons behind missing the annual inflation target.

After coming to power, the PTI government has increased the prices of gas and electricity twice – first time in anticipation of an IMF programme and second time as part of the IMF's prior action to qualify for a $6-billion loan package.

In 2018-19, the central bank let the rupee depreciate against the US dollar by 31.8% to Rs160.3, which brought imported inflation into the country. On June 28, 2018, which was the last working day of fiscal year 2017-18, the rupee-dollar parity was at Rs121.63 to a dollar.

Owing to the currency devaluation, the government had to increase the price of petrol by 25% in one year. Many shops and a hospital in Lahore have pegged prices of their goods and services to the dollar, which, if remains unchecked, will further erode the confidence of people in the local currency.

For the new fiscal year, the government has set the inflation target in the range of 11% to 13%, according to the Ministry of Finance.

However, on a month-on-month basis, the rate of inflation remained below expectations. In June, the pace of increase in prices was 8.9% – 0.2 percentage point lower than the preceding month. It was also one percentage point lower than market expectations. Core inflation – non-food and non-energy price index – remained unchanged at 7.2% in June, reported the PBS. The State Bank takes monetary policy decisions by keeping in view the year-on-year core inflation reading. It raised the key discount rate to 12.25% with effect from May 21.

The decision to increase the discount rate undermined the independence of the central bank that apparently took the step in the wake of an IMF condition.

After the last discount-rate hike, the central bank has cumulatively increased the interest rate by 5.75% since July last year aimed at curtailing aggregate demand in the economy.

The core inflation-adjusted interest rate is now positive by 5%, which is providing windfall gains to the bankers who are minting money from the government as well as private-sector borrowers.

It has massively increased the debt servicing cost for the finance ministry. About 53% of the FBR's tax collection will be spent on debt servicing. The IMF has long been pressing Pakistan to increase the interest rate to over 14% in order to curb inflation, which the fund believes will be in double digits due to currency devaluation and imposition of new taxes.

Due to the increase in the key policy rate, the government's borrowing rates for the Pakistan Investment Bonds have also jumped. PBS data showed that on a year-on-year basis, gas prices increased 85.3%, petrol prices jumped nearly 25% and motor vehicles by 12.73% in June alone.

Transport group inflation increased 15% in June over a year ago, prices of perishable food items rose 11.8%, alcoholic beverages and tobacco 22%, housing, water, electricity, gas and fuel group 10% and health services 8.6%.

Published in The Express Tribune, July 3rd, 2019.

https://tribune.com.pk/story/2004959/2-inflation-surges-5-year-high-target-missed/

110,000 DECLARE ASSETS UNDER AMNESTY SCHEME

Mubarak Zeb Khan Updated July 04, 2019

ISLAMABAD: With the curtain dropping on the amnesty scheme, about 110,000 people have filed tax returns declaring their assets and deposited about Rs55 billion in taxes till July 3, Dawn has learnt through knowledgeable sources.

Another 21,000 people are set to submit their returns along with declaration forms. The final figures are going to be slightly higher based on the clearance of the system.

Multiple sources in the Federal Board of Revenue (FBR) revealed that the tax amnesty scheme announced by the Pakistan Tehreek-i-Insaf government saw a surge of interest mostly from those people who were non-filers of income tax.

However, the revenue earned from the assets declaration scheme is below expectation.

Properties of Zardari, PML-N senator attached for 90 days under benami law

Under the PML-N government's last tax amnesty scheme, 83,000 people had availed the scheme and over Rs124bn had been collected.

The latest assets declaration scheme was rolled out on May 14, 2019 and was supposed to end on June 30. However, the government extended the deadline to July 3 to facilitate those people who did not avail the scheme.

Three major outcomes of the assets declaration scheme are that maximum number of people from small cities availed the scheme, mostly those who did not exist on the tax roll.

During the last 10 days, about 100,000 new tax returns were added to the total numbers. As a result, the number of tax returns reached over two million, the highest ever in the country's history. "Over 90,000 non-filers availed the scheme," a senior tax officer told Dawn.

Secondly, the amnesty scheme was mostly availed by the people hailing from small cities like Faisalabad, Sialkot, Gujranwala, Abbottabad, etc.

In the last tax amnesty scheme, 60pc people from Karachi and 30pc from Lahore had availed the scheme. Islamabad had been on third position in the list of those availing the scheme. Most of them had been rich people who had declared their massive assets to whiten them.

The third outcome of the latest scheme is that maximum people have deposited their local currency in bank accounts. Similarly, people having foreign currency also deposited it in their banks.

“We will be in a position to actually quantify the cash deposits due to the scheme in the next couple of days,” a senior tax official said.

Under the Benami Act 2017, tax officials in Islamabad have issued six orders for attachment of benami property in the range of 6,000 kanals of land of PML-N Senator Chaudhry Tanveer for 90 days. The case has now been referred to the adjudicating authority.

Similarly in Karachi eight orders were issued for the attachment of property, in Omni Group cases, mainly owned by PPP leader Asif Ali Zardari. The property is attached for 90 days and its fate will be decided by the adjudicating authority.

These properties have been attached in the light of the cases instituted by the National Accountability Bureau.

On July 1, the government established three major zones, Lahore, Karachi and Islamabad, and 11 sub-zones for adjudicating authorities to deal with benami properties as required under the Benami Transactions (Prohibition) Act, 2017.

The government has already established the Adjudicating Authority under the law and it has started functioning from July 1.

Through another notification issued by the FBR, Inland Revenue officers have been posted in the benami zones established under Benami Transactions (Prohibition) Act-2017. The benami zones have already started implementing the benami law. Under the instructions of the FBR chairman, action against benami properties has already been initiated.

The FBR will seize the assets of any citizen who has failed to declare them under the government’s assets declaration scheme from now on, after the expiry of the declaration scheme.

Published in Dawn, July 4th, 2019

https://www.dawn.com/news/1491996

AMNESTY SCHEME DRAWS 137,000 DECLARANTS, RS3TR IN ASSETS, CLAIMS HAFEEZ

Mubarak Zeb Khan Updated July 05, 2019

ISLAMABAD: The government’s finance team announced on Thursday that a total of 137,000 people have registered for the tax amnesty scheme and deposited a Rs70 billion in taxes until Wednesday (July 3).

Addressing a press briefing Adviser to Prime Minister on Finance Dr Hafeez Shaikh flanked by State Minister for Revenue Hammad Azhar and Chairman Federal Board of Revenue (FBR) Shabbar Zaidi disclosed that assets worth over Rs3,000 billion had been declared under the scheme.

However, he did not share the breakdown of how much of this was foreign versus domestic assets.

Likewise, data was also not available that how many people have opted for the pay-later-option. Total amount to be received as taxes will only become known once the Federal Board of Revenue (FBR) releases this data as well.

Tax officials, who are directly involved in the processing of tax amnesty scheme data, told Dawn that the system is choked and thus far showed only 128,000 declarations and a tax payment of around Rs70bn on the system.

Around 119,000 people have successfully deposited their declarations paying around Rs56bn in revenue. Further data analysis showed that around Rs14bn is in the pipeline along with 9,000 declarations.

According to these officials, there is a possibility that more drafts will be cleared through the system which may increase the overall number. “The system is choked and the final results will be cleared in a day or two”, the official said.

The revenue minister and the FBR chairman did not reply to requests for further comment on the amount of revenue to be expected from those declarants who have opted the ‘pay-later-option’.

The finance adviser said the primary objective of the scheme was to raise the number of future taxpayers and allow people to whiten their money. He said the scheme was availed by the highest number for any scheme thus far and included over 100,000 people who were previously non-filers.

“This is the biggest number of beneficiaries in a single scheme in Pakistan’s history which made it unique to other schemes in which the people also declared their assets worth of Rs3tr,” Hafeez observed. Answering a question the FBR chief said that tax department has already received data of industrial consumers. He said out of 141,000 consumers only 43,000 are registered with the tax department. “We will send notices to the industrial consumers to file their returns,” Shabbar said, adding next step will be to bring commercial users into the tax net.

“The FBR has also received data of property from Punjab and Sindh. As per income tax ordinance every car owner irrespective of income is bound to file tax returns. Similarly, those who have one kanal and above house is also bound to file tax return,” the FBR chief said.

“For such people to come in the tax net, the FBR has extended the last date further to August 2 for the tax year 2018,” he added.

Published in Dawn, July 5th, 2019

https://www.dawn.com/news/1492235

READING THE ECONOMIC SURVEY

SYED BAKHTIYAR KAZMI JULY 6TH, 2019

The maximum reading of the Economic Survey is most likely limited to the “Overview of the Economy,” and that too by journalists for their breaking news; and such reading is in any case limited to a few variables like GDP and inflation, most of which nobody understands anyways, beyond creating the hype.

So this is an attempt to read the fine print in the Economic Survey.

In the foreword to the Economic Survey, the Finance Minister asserts that the instability of the economy is directly related to structural weaknesses which have not been addressed for decades.

We have been taking on millions, if not billions, of dollar debt for decades from all sorts of multilateral agencies, including IMF and the World Bank, under technical assistance programs to carry out all kinds of structural reforms, economic, judicial, police and whatnot, and we are still not reformed?

Either we are too stubborn to be reformed, or we don't want to be reformed.

Irrespective, the conclusion is that all the reformists failed; if we do need an analysis, even more than where we spent all the money that we borrowed, it should be focused on the gains from all the technical assistance money that was spent on consultants who were to reform us; they surely did not do their jobs very well?

The Finance Minister also asserted later in the foreword, probably rightly, that our economy was a mess because the entire world was now moving towards protectionism.

That being the case, is it not strange that we want to go against the global tide and privatise our State Owned Enterprises and want Foreign Direct Investment?

Moving on, to the discussion in the Economic Survey on everybody's favourite, GDP, what everyone misses is that private consumption has remained around and above 80% for the last 6 years, with total consumption hovering over 90% during the same period; capital investment went down to 13.9% with ever increasing negative net trade.

These numbers clearly evidence that as a nation our problem is that we are consuming beyond our means, but we still remain obsessed with growing – refer last week's article.

More confusing is the statement in the Economic Survey that the Pakistan Bureau of Statistics believes that the expenditure approach to measure GDP is rudimental, and that the biggest "summand", private consumption, is calculated as residual.

If the biggest component, 82%, is a residual, notwithstanding the confusion that what is it a residual off, and the approach is rudimental, than how are we sure of the whole?

Perhaps the residual is calculated via the sector growth analysis, which has its own complications, the biggest being collection of relevant data by a bureaucracy which has yet to embrace technology.

But even ignoring the accuracy of the data, the Economic Survey has some frightening information.

Actual surface water availability decreased by 18.5%; with that kind of water shortage, how were we expecting agriculture to grow?

Noise that you hear on the grapevine – average water loss is over 60% in the case of unlined water courses, canals I assume; Pakistan could "run dry" by 2025, and we are more worried about our GDP ranking; Pakistan is on its way to becoming the most water-stressed country in the region by the year 2040; Pakistan has the world's fourth-highest rate of water use; Baluchistan, parts of Sindh, including Hyderabad and Karachi, are already facing acute water shortage.

Not a drop to drink; and we are building metros and motorways!

According to experts, we are where we are with water availability because of poor water management and lack of political will to deal with the crisis. (Some of the water-related comments above are extracted from DW website).

For a country that relies on agriculture for almost all of its employment, food sustainability meaning security, and the majority of its exports, an absolute reliance on glaciers and rains for water is remarkable!

Look at the numbers – cotton production is down from 13.9 million bales in 2014; 15 to 9.8 million bales in 2018-19; rice and sugarcane production is around the same in 2104-15 and 2018-19, but that is anything but good, since both guzzle water; wheat production has gone down marginally in this period, but the problem is that the Government purchases wheat at more than international prices and then lets it rot due to inadequate storage facilities.

And we are more worried about the PIA's performance!

Due to lack of space, the significant fall in sale of tractors in 2018-19 because of the non-filer restriction and the need to subsidise fertilizer are ignored; except amazing!

According to the Economic Survey, livestock contributes 60.5% to the overall agriculture and 11.2% to GDP.

Livestock population – Estimated figure based on inter census growth rate of Livestock Census 1996 & 2006.

Milk and meat production – By applying milk production parameters to the projected population of respective years based on inter census growth rate of Livestock Census 1996& 2006.

Domestic rural and commercial poultry – Statistically calculated using the figures of 2005-6; the figures of eggs are calculated using the poultry parameters for egg production.

If I understand all of the above correctly, arguably the single biggest component of our GDP is based on a census carried out in 2006.

And we already know how good we are at carrying out a census.

We got our own population wrong, which means that for the past many years many more Pakistanis were there eating eggs and meat than we figured; we are also exporting meat and poultry, which we were not before; we have a serious water crisis, which has impacted our agriculture production significantly, and which suggests less fodder for livestock, and animals consume more water than plants.

I am not sure whether the Economic Survey makes for amusing or worrying reading, and perhaps I will continue with this attempt to highlight the fine print in the Economic Survey in a later article; but then again, maybe not.

The point, irrespective, is that we seriously need to prioritise our challenges, and for my money, notwithstanding that we have not even completed the chapter on Agriculture in this article, there are some challenges of existential nature that we seem to be ignoring.

I suggest that those in the driving seat diligently start reading the Economic Survey.

(The writer is a chartered accountant based in Islamabad. Email: syed.bakhtiyarkazmi@gmail.com)

https://fp.brecorder.com/2019/07/20190706494882/

SENATE BODY INFORMED: 27 KNOWLEDGE ECONOMY-BASED PROJECTS FINALISED

RECORDER REPORT JULY 6TH, 2019 ISLAMABAD

The government has finalised 27 knowledge economy-based projects for advancing the country technologically to meet the upcoming and present economic challenges. Federal Secretary Planning Development and Reforms Zafar Hasan stated this while briefing the Senate Standing Committee on Planning Development and Reform which met here with Senator Agha Shahzaib Durrani in the chair on Friday.

The secretary planning gave a briefing to the participants of the meeting on the knowledge economy-based projects in the Public Sector Development Programme (PSDP) 2019-20. Hasan said that the government had already established a taskforce on knowledge economy in December 2018, considering the need to compete in the growingly world economy. He added that under the knowledge based economy, 27 projects have been finalised which will be taken to PC-I stage. He said that these projects are identified after extensive consultation sessions held with the taskforce which consists of locally and globally experienced people.

The projects include genome sequencing and editing enhancement of plant and animal productivity, advanced skills development through international scholarships with focus on emerging sciences, establishment of centre for advanced technologies in biomedical materials, establishment of facilities for industrial production of nano-materials, establishment of national centre for industrial biotechnology, establishment of postgraduate centre for artificial intelligence in agriculture and health sciences and mineral resources assessment for energy storage materials supply chain in Pakistan.

He further said that Pak-China University of Engineering and Emerging Technologies, national centres of research, innovation entrepreneurship in artificial intelligence and allied technologies phase-I, blended virtual education for knowledge economy, crime analytics and smart policing in Pakistan, demand-driven industry quality and capacity enhancement programme, e-invoicing including feasibility and establishment of digital complex are part of government’s plan of knowledge based economy.

Under the plan, establishment of Sino-Pak centre for artificial intelligence, Jiddat investment and support fund including feasibility, national centre for IoTs, national expansion plan of NICs including feasibility, national freelance training programme, technology marketing export programme including feasibility, pilot project for blended e-learning in 500 schools of federal capital and Khyber Pakhtunkhwa and pilot project for STEM teaching grades 8-12, national strategic programme for acquisition of industrial technology.

https://fp.brecorder.com/2019/07/20190706494926/

RUPEE LIKELY TO CONTINUE DOWNWARD TREND

By salman siddiqui July.06, 2019

KARACHI: The rupee is expected to continue losing its value against the US dollar in short-to-medium run, as the stringent conditions on which the International Monetary Fund (IMF) has formally approved the bailout of $6 billion for Islamabad would keep mounting pressure on the local currency.

The rupee lost Rs0.36 to Rs156.92 to the US dollar in the inter-bank market on Friday, ahead of some stringent conditions.

The conditions include making rupee-dollar exchange rate fully free-float and the government would make no interference in setting up gas and power tariffs with the objective of bringing circular debt to zero, going forward.

Rupee recovers, closes at 160.05 against dollar

Earlier, the local currency had regained 4.56%, or Rs7.49, in the previous four consecutive working days (June 28 to July 4) on expectation of increase in supply of dollars in the economy, as Qatar deposited $500 million into the State Bank of Pakistan's (SBP) foreign currency reserves and IMF was also expected to immediately release the first tranche of $1 billion of the total $6 billion bailout package approved on July 3.

"The rupee is likely to remain under pressure against the US dollar over the next six to eight months," Arif Habib Limited Head of Research Samiullah Tariq said in a comment to The Express Tribune after going through the IMF press statement on the bailout package.

IMF press release carries "tough language (conditions for the bailout)," he said.

He said the statement give an impression that Pakistan would continue to face dollars shortage, as inflows would remain lower than outflows, going forward.

"The rupee would remain under pressure till inflows and outflows stand equal in the system," he said, adding that Pakistan needs to further reduce imports by at least 10% over the next six to eight months and increase exports and remittance by a cumulative 10-15%.

to pay a huge sum of foreign loans over the next two to three years. The situation would keep pressure on the rupee.

However, the sale of new 3G and 4G internet licenses to mobile phone companies and the inflows recorded on account of privatising state-owned assets would help reduce pressure on rupee in the medium to long run, Tariq said.

Gold lost Rs900 to Rs78,100 per tola (11.66 grams) in Pakistan on Friday despite no change in price of the imported commodity at world markets while rupee slightly lost its value against the dollar.

"We have revised down gold price keeping in view a significant drop in demand for the commodity at local market," All Sindh Saraf and Jewellers Association President Haji Haroon Chand said.

"(Almost) no one is coming to buying counters at jewellers' shops as people's purchasing power has badly been impacted due to high inflation in the country," he said.

To recall, the association used to revise up gold price following drop in rupee value like one the markets recorded on Friday.

Published in The Express Tribune, July 6th, 2019.

https://tribune.com.pk/story/2007016/2-rupee-likely-continue-downward-trend/?amp=1

TAX AMNESTY SCHEME

The Federal Board of Revenue (FBR) has started cracking down on benami property holders and attached billions of rupees in assets as the PTI government's tax amnesty scheme approached its deadline. The move came after Prime Minister Imran Khan issued directions to FBR Chairman Shabbar Zaidi tobegin pursuing the holders of benami assetS. Oddly enough, reportS also suggeSt that the prime minister asked the FBR not to harass thebusinesscom- munity or indust:rialists.

That begs tile question: how many billionaire school teachers and milkmen are there in the country? Because one thing remains abundantly clear-planners in Naya Pakistan, like Purana Pakistan, will not tax the hands that fund them.

Much of the agriculture sector remains heavily subsidised and untaxed, despite most of the richest Pakistanis -both declared and undeclared -having minted their millions and billions in agriculture. This should not be a huge surplise, considering that every major party is financed by agricultureists, and many of the most powerful 'farmers' have seats, spouses, or frontmen in Parliament.

Interestingly, with the amnesty period expiring, it has now been revealed that the PTI government has stopped chasing people who have stashed around $7.5 billion in 152,000 offshore bank accounts and whose names have been shared with Pakistan by the Organisation for Economic Cooperation and Development (OECD). The reason claimed was to give them a chance to avail the amnesty scheme before the government went on the offensive. But if this was the case, the amnesty cannot be considered a success.

Only 130,ooo or so people availed the scheme and paid just Rs60 billion in taxes.Of the total declarations filed, nearly 8o% were related to domestic assets. For comparison, the last tax amnesty scheme, offered by the PML-N government, had been availed by 83,000 people who paid Rs124 billion in taxes. Couple this with the fact that the initial raids on benami assets-which were Ostensibly tied to the end of the amnesty scheme -almost universally seem tobe directed at politicians, so doubts are again raised over the point of the scheme.

https://epaper.tribune.com.pk/DisplayDetails.aspx?ENI_ID=11201907060222&EN_ID=11201907060079&EMID=11201907060036

PUNJAB GOVT EARMARKS RS13.5BN FOR 'PLANNED' URBANIZATION

ITRAT BASHIR & ZAHID BAIG 2019/07/07

LAHORE: In an endeavour to 'make cities engine of economic growth through planned urbanization', the Punjab government has allocated Rs 13.5 billion in the Annual Development Programme (ADP) 2019-20; it is a substantial increase of 170 percent (Rs 8.5 billion) from the previous fiscal year.

Out of the total allocation, Rs 7.646 billion is allocated to 108 on-going schemes while Rs 5.838 billion is allocated for 63 new programmes. Moreover, 15 projects will be initiated on public-private-partnership basis for which Rs 15 million has been allocated.

In FY 2018-2019, Pakistan Tehreek-e-Insaf government had earmarked Rs 5 billion for the sector. However, when this allocation is compared to the allocation made by the previous PML-N government in FY 2017-18, it is less; during that period the PML-N government earmarked Rs 16.433 billion for urban development of Punjab.

Through this allocation, the present government is attempting to materialize its vision in this vital sector: “Make cities engine of economic growth through planned urbanization and provision of clean drinking water & adequate sanitation services, affordable housing and development of open public spaces in the major urban cities of the Punjab.”

In the budget documents, the government has defined eight objectives that, the government believes, through its accomplishment can convert their vision in to reality.

The first objective to cater the surging trend of migration from rural to urban areas through planned urbanization.

Moreover, they are looking to ensure provision of clean drinking water in urban area and improved sanitation services for safe disposal of waste water.

Another objective set by the government is installation of waste water treatment plants, which will assist in meeting with the Punjab environmental quality standards and save ground water from contamination.

Among the other objectives include: promotion of physical health by setting up model sports complexes; initiating mega infrastructure projects in urban areas for smart traffic management; construction of low cost houses to shorten the gap between surging demand and constraint supply; and conservation of ground water through shifting from ground water to surface water treatment plant.

To accomplish these objectives, the government has announced a number of initiatives in the ADP 2019-20, including 10 sewerage schemes for southern Punjab, to be executed by WASA; construction of Multan Southern Bypass (dual carriageway) along with service roads from LMQ Road to Bahawalpur Chowk, including a railway overhead bridge; and widening and improvement of road from MDA Chowk to Dera Adda Chowk Multan.

Moreover, it also announced construction of a road along Qila Mian Singh Minor from Alam Chowk to Gondlanwala Road to Samanabad Chungi in District Gujranwala; and establishment of Sports Complex Model Bazar China Scheme in Lahore.

In Rawalpindi, the government shown intent of construction Rawalpindi Ring Road at the cost of Rs 44 billion; it is a foreign aided project.

It also has drawn a comprehensive package for replacement of outlived sewer lines, sewer lines for un-served areas, replacement of outlived water supply pipelines and water supply pipelines for un-served areas in Multan.

Among the other projects to be launched this fiscal year include: a flyover from Nadirabad Phatak to industrial estate in Multan and Lahore Water; Waste Water Management Project-Construction of Surface Water Treatment Plant at BRBD Canal in Lahore; installation of consumer water meters on PPP mode; and construction of a flyover at Shahkam Chowk in Lahore on PPP mode.

https://epaper.brecorder.com/2019/07/07/2-page/790102-news.html

RUSSIA PRESIDENT PUTIN INVITES PM IMRAN TO ECONOMIC MOOT

By khalid mehmood July. 06, 2019

ISLAMABAD: President Vladimir Putin has invited Prime Minister Imran Khan to a key economic conference in September in a far eastern Russian city.

The prime minister is learnt to have accepted Putin's invitation to attend the Eastern Economic Forum scheduled to be held from Sept 4 to 6 in Vladivostok

The EEF was established by a presidential decree in 2015. It takes place every year in the same city.

The EEF serves as a platform for discussion on important issues in global economy, regional integration, and development of new industrial and technological sectors, as well as of the global challenges facing Russia and other nations.

The Russian president's invitation came days after Pakistan's Foreign Office confirmed that Premier Imran will be meeting US President Donald Trump on July 22.

The invitation to Premier Imran to attend EEF shows that Islamabad and Moscow have buried the bitter past to usher in a new era of friendship and cooperation.

Last month, the prime minister met President Putin on the margins of a summit meeting of Shanghai Cooperation Organisation (SCO).

In June, the premier said Islamabad is hopeful of increasing military ties with Moscow. Russia and Pakistan have been holding joint military drills — Dhruzba — since 2016.

In May, a Russian diplomat in Islamabad said that Pakistan is an important partner for Russia with its significance determined by its role in regional politics, its influence in the Muslim world and its geostrategic position.

https://tribune.com.pk/story/2007480/1-russia-president-putin-extends-invite-pm-imran-economic-moot/?amp=1

NEWS COVERAGE PERIOD FROM JUL 8th TO JUL 14th 2019

BUDGET SHORTCOMINGS AND THE IMF

ANJUM IBRAHIM JUL 8TH, 2019ARTICLE

The same day as the board of directors of the International Monetary Fund (IMF) approved the staff-level agreement, 3 July 2019, a summary of the objectives of the programme and recent economic development and outlook, attributed to David Lipton, IMF's First Deputy Managing Director and Acting Chair, were uploaded on the Fund website, tailed by targets/projections of key macroeconomic data.
Details of the programme conditions including structural benchmarks and the time-bound quantitative conditions have yet to be released with the Letter of Intent signed by the Advisor to the Prime Minister on Finance DrHafeez Sheikh and Governor State Bank of Pakistan Reza Baqir committing this country to a set of reforms that, if the prior conditions are anything to go by, would be extremely

challenging - politically and from the perspective of the common man's kitchen budget.
The very same day DrHafeez Sheikh, flanked by HammadAzhar, Minister for Revenue, and Shabbar Zaidi, Chairman of the Federal Board of Revenue, held a press conference where he gleefully itemized the inflow of concessional loans of 9.4 billion dollars to Pakistan during the 39 month Extended Fund Facility programme: (i) IMF would release one billion dollars in the current year (total programme loan 6 billion dollars) at 3 percent repayable in 10 years; disturbingly the budget documents itemize IMF budgetary support at 2.38 billion dollars for the current year; (ii) the Asian Development Bank would release 2.1 billion dollars in the current year though again the budget documents place total programme/budget support loans at 1.8 billion dollars in the current year (ADB would release an additional 1.3 billion dollars by the end of the IMF programme); and (iii) World Bank assistance has clearly not been firmed up with Sheikh claiming that it would also extend budgetary support.
Total loans during the 39 months of the IMF programme would be 38 billion dollars, (inclusive of 8.7 billion dollars of project loans - non-budget support - out of which 1.4 billion dollars would be disbursed in the current fiscal year as per the budget) and the remaining 29.3 billion dollar programme support, so revealed Dr Sheikh though nearly all of his claims do not match the budget documents: (i) roll-over loans from friendly countries 14 billion dollars with the budget documents noting that for 2019-20 roll over from friendly countries would be 750 billion rupees plus 480 billion rupees Saudi oil at deferred payment and 165 billion rupees from Islamic Development Bank or 9.3 billion dollars given the rate of rupee dollar parity used is 150; reports indicate that the executive directors of the IMF were informed that Saudi Arabia and China have agreed to roll over the loans, a prior condition that is against IMF's usual practice as loans from other sources are not a precondition but an outcome of a Fund programme; it is therefore ironical that in its programme summary the IMF notes that "the Fund supported programme is expected to coalesce broader support from multilateral and bilateral creditors in excess of US$38 billion which is crucial for Pakistan to meet its large financing needs in the coming years;" (ii) the documents claim sukuk/Eurobonds of 300 billion rupees in the current year (the rate of return and the maturity period have not been worked out yet - decisions that would impact on the country's mark-up payments); and (iii) extremely disturbing was Sheikh's contention that loans from commercial banks would range from between 0 to 8 billion dollars - a typical Sheikh ploy that would preempt specific queries given that loans from this source are procured at a market rate of return with a very short amortization period - a source of funding much denigrated by Prime Minister Khan with reference to the previous administration. The actual amount of commercial loans procured would depend on the success of borrowing from other sources including incurring debt equity through the issuance of sukuk/Eurobonds.
With 38 billion dollar inflows the gross reserve position would improve to 11.1 billion dollars against 6.8 billion dollars in the year just past and 9.7 billion dollars in 2017-18, so reveals the IMF. The foreign exchange reserves would be enough for 2.2 months of imports which is a big improvement from the 1.4 month of imports the year before though data suggests that it would be backed by higher indebtedness reminiscent of the Dar years.
The debt position of the government this year would be considerably worse relative to previous years as indicated by the IMF's projections: (i) external general government debt would rise to 32 percent of GDP this year as opposed to last year's estimate of 26.5 percent and 24.3 percent in 2017-18; (ii) domestic general government debt (one may assume that the 1.4 trillion rupees of circular debt is not included), is estimated at 44.9 percent in the current year against 48.4 percent in 2018-19 (the Pakistan Tehrik-i-Insaaf government relied on incurring domestic debt to meet the more than budgeted disbursement for current expenditure last year as it dithered on whether to go on a Fund programme or not; and (iii) debt service to rise to 45.7 percent of GDP this year against 37.9 percent in 2018-19 and 26.23 percent in 2017-18.

The question is why does the budget 2019-20 envisage higher external debt in spite of claims to the contrary by the Khan administration? Two reasons account for this. First and foremost the current account deficit is targeted as per the IMF to decline to negative 2.6 percent of GDP this year as opposed to negative 4.6 percent in 2018-19 and negative 6.3 percent during the last year of the PML-N administration. This requires exports to rise by 8.2 percent, a grossly unrealistic target as in 2018-19 exports grew only by 0.2 percent in spite of exemptions (textile sector would pay 17 percent sales tax as per budget 2019-20 on local sales which it claims would further compromise its liquidity position given that massive refunds on exports remain pending), and special treatment (cheaper electricity would now be available for only four hours a day instead of 24 hours, a decision taken by DrHafeez Sheikh).

Imports on the other hand are expected to decline by negative 4.7 percent in the current year as opposed to negative 4.2 percent in the preceding year. The decline in imports last year is attributed to the completion of the mega electricity projects under China Pakistan Economic Corridor though other imports would decline as the rupee dollar parity makes them unattractive; however if the international oil price continues to rise the oil bill, which is a significant component of our total imports, would undercut the decline in other imports. At best around 2 to 2.5 percent decline in imports maybe projected for the current year. Hence the target for the current deficit would not be reached through desired foreign exchange earnings/remittances and the government would have to rely on higher borrowing to meet the target, possibly through higher than projected borrowing from commercial banks.

Secondly, irrespective of extremely tall claims with respect to reducing expenditure the budget documents reveal: (i) a rise in total current expenditure to 7.28 trillion rupees as opposed to 5.589 trillion rupees as per the revised estimates of last year - a massive rise of 30 percent. Unlike last year this includes allocation for Ehsaasprogramme that DrHafeez Sheikh credited under current expenditure though Benazir Income Support Programme, the major component of Ehsaas, was in previous years credited under development expenditure outside public sector development programme. This enabled the government to show a reduction from 162.9 billion rupees in last year's revised estimated under other development expenditure to 85.79 billion rupees this year; if the Ehsaasprogramme of around 200 billion rupees is subtracted from current expenditure even then the increase in current expenditure in the current year compared to the revised estimates of last year are around 1.4 trillion rupees which is around 27 percent; and (ii) a rise in federal development expenditure to 701 billion rupees is year compared to 500 billion rupees according to the revised estimates of last year - a rise of nearly 29 percent.

The foregoing reveals why some executive directors of the IMF asked the staff during the Board meeting whether they had contingency plans in the event that the adjustment process does not proceed as planned. Reports sadly indicate that the Pakistan economic team has no home grown contingency plan in place or indeed under preparation and one can only hope that this is rectified in weeks and months to come. Next week's article would focus on IMF's other macroeconomic indicator projections.

https://fp.brecorder.com/2019/07/20190708495296/

IMF PROGRAMME TARGETS FOR 2019-20

DR HAFIZ A PASHA AND SHAHID KARDAR

JUL 9TH, 2019ARTICLE

The Extended Fund Facility [EFF] to Pakistan of $6 billion, over a period of 39 months, has finally been blessed by the Executive Board of the IMF. Prior to this, a number of measures had to be taken to qualify for the programme. This included a 12 percent depreciation of the Rupee following the Staff level agreement on the 12th of May. A tough Federal Budget was presented on the 11th of June which included additional taxation of almost 1.2 percent of the GDP and some economy in expenditure associated with our security needs. An understanding was also reached that henceforth there would be no resort to borrowing from the SBP to finance the budget deficit. Earlier, the Monetary Policy Committee of the SBP had announced a big jump of 150 basis points in the Policy Rate on the 20th of May. More recently, there has been big escalation in gas and power tariffs.
These prior actions have been justified on the grounds, first, that the economy is in a highly vulnerable position with negative net international reserves. Also, Pakistan's credibility to undertake major structural reforms has been questioned by the inability to do so during the last Programme and the poor historical record of financial management since 2015-16 but also generally in previous programmes.
The IMF has issued a statement after the Executive Board meeting. The Acting Managing Director has highlighted that 'Pakistan is facing significant economic challenges' and employing the usual platitudes emphasized on the need for undertaking wide-ranging and deep reforms to restore sustainability and take the economy eventually on to a trajectory of higher and more inclusive growth.
The annexure to this statement highlights the Programme reform agenda. This includes strong fiscal consolidation for reducing public debt, especially by increasing the revenue to GDP ratio by 4 to 5 percent of the GDP by the end of the Programme. Other steps as already mentioned above include a transition to a flexible, market-determined exchange rate, energy sector reforms to eliminate quasi-fiscal losses and improving governance and transparency while facilitating the ease of doing business.
It also contains the projections of the magnitude of the key variables, based on the likely impact of reforms, for 2019-20, the first year of the EFF. The estimates of these variables for 2018-19, the base year, of the Programme are also presented so as to highlight the extent of stabilization that is likely to be achieved in the first year. The three year Macroeconomic Framework of the Programme is likely to be released shortly and will present the projections for the last two years, 2020-21 and 2021-22.
The objective of this article is to access the likelihood of the targets being attained in 2019-20. This, of course, also requires an examination of the validity of the base year estimates for 2018-19. Part I focuses on the GDP growth, investment and rate of inflation. Part II examines the validity of the balance of payments projections and Part III of the public finances for 2019-20.
The IMF projections are compared with the projections which emerge from over 46 equation Macro Econometric Model of Pakistan, with simulations run with the likely magnitudes of the policy variables in 2019-20.
The Fund Programme projects the GDP growth rate to fall to as low as 2.4 percent next year. This is barely above the rate of population growth. However, as highlighted in subsequent sections, real public expenditure, excluding debt servicing, will expand rapidly by almost 5 percent, as envisaged in the budgets of the Federal and Provincial Governments in 2019-20.The volume of exports is expected to grow by over 8 percent next year while imports are projected to fall by almost 5 percent. In our opinion, these three developments will serve to raise the aggregate level of demand in the economy, even in the presence of falling private investment, owing to the high and rising interest rates. Therefore, the economy may perform somewhat better and achieve a GDP growth rate of close to 3 percent.
The rate of inflation in 2019-20 is projected at the average rate of 13 percent, with a rate below 12 percent at the end of the year. This implies that given the relatively low inflation of below 9 percent in June 2019, the monthly inflation rate will peak mid-year and then start falling. The peak rate attained in December 2019 could be as high as 18 percent, especially in the face of a rapidly falling Rupee.

Also, as highlighted later, if the depreciation of the exchange rate has to be large so as to achieve the targeted reduction in the trade deficit then the average inflation rate in 2019-20 may approach 15 percent.

The first year, 2019-20, of the Program targets for a big reduction in the current account deficit, from 4.6 percent of the GDP in 2018-19 to 2.6 percent of the GDP in 2019-20. In absolute terms, this will require a fall from $13 to $14 billion in 2018-19 to between $6 and $6.5 billion in 2019-20. This will represent a big downward adjustment of more than 50 percent in one year in the current account deficit. In effect, this will be the litmus test of success or failure of the Programme in its first year.

As indicated above, the proposed strategy for achieving a reduction in the deficit is to boost exports by over 8 percent while containing imports by almost 5 percent. Exports have, in fact, been hit negatively by the Budget of 2019-20. The zero-rating scheme has been partially rescinded, input invoicing of energy inputs has been withdrawn, a 10 percent sales tax has been imposed on ginned cotton and pending refunds have crossed Rs 200 billion. Given these fiscal moves and justifiable doubts about the ability of the FBR putting in place a mechanism for the efficient and timely processing of exporters' tax refunds (which would aggravate their liquidity and working capital difficulties) the prospect for 8 percent growth in exports is low.

The likely unavoidable result of these developments will be greater reliance on the depreciation of the currency to reduce imports sharply so as to achieve the targeted reduction in the current account deficit of $7 to $8 billion in 2019-20. The probability is that the fall in the value of the rupee will be even more than the decline observed in 2018-19. It will not be surprising if this leads to a fall in the real effective exchange rate of over 12 percent in 2019-20.

Turning to the external financing requirement, the IMF statement says that $38 billion will be mobilized by the Programme from multilateral and bilateral creditors for Pakistan during the tenure of the Programme. This raises the question of what will be the cumulative external financing requirements of the country over the next three years.

We estimate that the repayments of external obligations (including private debt) over the IMF programme period will be close to US$55 billion. Adding an estimated gross Current Account deficit of US$20 billion over the same period (assuming an average annual Current Account Deficit of US$6-7 billion) the gross financing requirement will be roughly US$75 billion. Although the US$20 billion deficit of the Current Account could be an underestimate if interest rates on commercial borrowings through Euro Bonds, Sukuks and commercial bank loans continue to remain elevated (despite the country having entered into an IMF programme) in view of the likely lingering concerns of the market about a) the level of public debt; b) the precarious negative level of Net International Reserves; and c) the time it will take for key economic indicators to improve and convey a feeling of sustainability for market sentiment to become sanguine and more assured.

It will obviously not be possible for us to raise this volume of funding to meet liabilities of US$75 billion. Part of this gross financing requirement will require a rollover/rescheduling of debt of about US$20 billion (of which $14 billion has already been announced by the government as having been arranged). Of the $55 billion, inflows of Foreign Direct Investment could finance around $7 billion while $38 billion as already stated by both the IMF and the Government will be extended as funding support from "international partners" (IMF, World Bank, Asian Development Bank, DFiD/UK Aid, Islamic Development Bank. Since this figure includes the rollover of debts totaling US$14 billion the net inflow from other partners, excluding the IMF, will be in the range of $18-19 billion, none of which were represented in the negotiations of the programme but have seemingly still made commitments to provide this level of funding.

After accounting for this support there will a funding gap of $23 billion to be financed from other sources-more likely in the form of loans at commercial rate of interest. And if our Foreign Exchange Reserves are to be around US$15 billion (the equivalent of 3 months imports) at the end of the

Programme then given the current reserves level of $7 billion we will need an additional $8 billion to build them up to cover three months imports, suggesting that we may need additional debt of $30 billion unless the $8 billion for the build-up of reserves will purchased by the SBP from the market (with all its implications for the exchange rate). On the assumption that we can raise an extra $3-4 billion as private debt and SBP picks up $8 billion from the domestic foreign currency markets, there may well be a potential financing gap of $18 billion. In other words, if we close 2019/19 with an external public debt of approximately us $107 billion our external debt on the culmination of the programme (2021/22) could be touching $125 billion. This will result in our external public debt to GDP ratio to rise to 42 percent or as a ratio of export earnings to almost415 percent, in stark contrast to the proclaimed primary objective of the programme, in the words of the IMF, "to reduce public debt", especially if, as is the likely outcome, real interest rates on debt (after factoring in further depreciation in the exchange rate of the rupee) end up being higher than the growth rate of the economy..

The basic problem is that the IMF estimates for 2018-19 generally present a better set of the budget outcomes than is likely to be the case. This is probably largely a reflection of the optimistic revised estimates for 2018-19 presented in the Federal and Provincial Budget documents for 2019-20. These estimates tend to overstate the revenue-to-GDP ratio and understate the total expenditure-to-GDP ratio in 2018-19.

A prime example is that the of the revenue-to-GDP ratio. The IMF estimate is that it will be 15 percent of the GDP this year. This is based on FBR revenues of close to Rs 4150 billion. By now, it has become clear that there will be a bigger shortfall, even after the inclusion of the once-and-for all revenue from the Asset Declaration Scheme. As such, FBR revenues are unlikely to exceed Rs 3,900 billion.

Further, there has been little growth in Provincial revenues during 2018-19. In fact, in the first nine months there was zero growth in national tax plus non-tax revenues. However, the IMF estimate implies a growth rate of 10 percent for the year as a whole. This requires that the growth rate of revenues in the last quarter of the year was as high as 31 percent. This is definitely not the case.

A more credible estimate of the revenues-to-GDP ratio for 2018-19 is 14 percent of the GDP, indicating a fall of 1.3 percent of the GDP from last year's level. The fiscal effort required to achieve the Programme target of 16.3 percent of the GDP in 2019-20 is, therefore, much greater. The revenues-to-GDP ratio, will, in effect, be required to increase by 2.3 percent of the GDP in one year. This implies that a growth rate of 35 percent will be required in Federal and Provincial tax and non-tax revenues combined. This is well beyond the realm of possibilities, especially with very limited real growth or even fall in the various tax bases and a flattening out of non-tax revenues; for instance, if imports decline, the associated revenues from this source, which make up almost 45% of total tax revenues, will also be adversely affected.

The second major problem is that there is no real downward adjustment proposed in the fiscal deficit and in the size of the public debt in 2019-20. The Fund has indicated that the former will remain locked in at close to 7 percent of the GDP while the latter will increase by almost 2 percent of the GDP. The basic problem is that perhaps for first time in any IMF programme with Pakistan since the late 80s the focus has shifted towards the reduction in the primary deficit only and not in the overall budget deficit. This focus on the primary deficit has unwittingly provided an incentive. If not a free licence to even take on expensive debt, instead of emphasizing debt consolidation. We have, therefore, a situation in 2019-20 where the prime deficit could come down significantly while the budget deficit does not change or even increase as a percentage of the GDP. Therefore, the pressure on aggregate demand in the economy will continue and lead to less containment of the current account deficit. This must be considered as a serious flaw in the design of the new IMF Programme.

In conclusion, there is need to recognize the extraordinary efforts, perhaps belatedly, to get an EFF from the IMF. This should hopefully reduce uncertainty about economic sustainability and the risk of an incipient financial crisis. However, the Programme's targets for the first year look somewhat difficult to achieve even in the presence of a restrictive monetary policy, given the relatively expansionary nature of fiscal policy. The first IMF Quarterly Review on October 2019 will tell us how the Programme is beginning to perform. Any slippages in revenue, prospects for which look ominous with a slowing down of economic activities, reinforced by the short-term disruption caused by the budgetary measures, may just require a mini-budget not far down the road.

https://fp.brecorder.com/2019/07/20190709495466/

BRIEFING FOR ANALYSTS: ECONOMY GROWING ON BACK OF RISING CONSUMPTION: SBP

RECORDER REPORT JUL 10TH, 2019KARACHI

The State Bank of Pakistan (SBP) Tuesday held a briefing for analysts to describe the situation of fiscal and current account, exchange rate, inflation, IMF programme, FATF and investment in government bonds by foreigners.
The briefing was presided by Dr Reza Baqir, Governor SBP, to improve communication with different stakeholders.
According to AHL Research report issued after the meeting, it was informed at the briefing that the country's economy was growing on the back of rising consumption, whereby savings were declining, resulting in higher Current Account Deficit (CAD) reflecting higher saving-investment gap. Real Effective Exchange Rate (REER) had been continuously appreciating and under the fixed exchange rate regime, a monthly CAD of up to USD 2 billion was being incurred.
On the fiscal side, the revenue-expenditure gap fueled a rise in public debt and the SBP took proactive measures to resolve these challenges such as depreciation of exchange rate that was allowed to reduce monthly CAD and interest rates were increased in advance to control inflationary pressure.
Non-oil CAD has come down close to zero from approximately USD 1 billion monthly. Baqir stated that Saudi Oil facility can help reduce oil-related CAD. However, Pakistan is still in a better position as compared to other countries' balance of payment stress.
He said a sustainable CAD does not mean a CAD of zero. A sustainable CAD is the one which can be financed through financial and capital inflows, therefore zero CAD is not the target level. Similarly, REER is showing the level from base year, and therefore does not show complete picture.
It was informed that deteriorating CAD was the primary reason behind increasing swaps and foreign exchange liabilities that led to decline in Net International Reserves (NIR). Reduction in CAD is expected to resolve these problems.
Timing of the IMF programme is right because the trend shows that CAD is on a lower trajectory. Overall, CAD has almost halved from USD 2bn monthly. Sources of compression of imports include reduction in import of services (including traveling), food, vehicles and machinery. Foreign traveling is a luxury and is affected tremendously. Imports reduced aggressively, while increase in exports is a gradual process due to time taken for expansion and other structural issues.
He said that monetary policy decisions are made by the MPC, which is an independent body. Inflation projections are being made which are kept under consideration. Forward Real Interest Rates are also kept under consideration, not past real interest rates.
Technical data is provided by the SBP and there is no representation of the Ministry of Finance on the MPC. However, regular meetings of the ECC take place where the SBP has representation.
Responding to a question regarding defending the level of the currency, the SBP chief said it cannot

disclose information regarding the amount used for intervention.

Fiscal measures for primary deficit reduction are a better measure of discretionary spending, caused by deficit reduction measures including higher collection from sales tax, income tax, FED, customs duty, etc, primarily by increasing the base. Expenditure reduction is undertaken via freezing defense expenditure.

During the meeting, the SBP governor elaborated other fiscal measures including zero borrowing from the SBP, re-profiling of government debt and rebuilding the yield curve. Open market operations were allowed which supported the government's efforts to refinance its debt at longer maturities. Liability management operations were undertaken to improve debt profile while coordinated efforts are being made to bring in liquidity in the long-term debt.

While giving a clarification on the exchange rate regime, the SBP governor commented that keeping a fixed exchange rate was not in our best interest, and there is no agreement on any level of exchange rate. The IMF does not want a fixed exchange rate, therefore, it would not want to target any level of exchange rate.

Free-float is also not desirable where no intervention is allowed in the currency markets. Sometimes sentiments take precedence from fundamentals, whereby authorities will bring back the market to fundamentals. The SBP would allow demand and supply factors to determine the exchange rate while it will also retain the right and ability to intervene if it senses disorderly market conditions.

Regarding volatility in exchange rate the governor stated that it is not unique to Pakistan. There are more than 50 or more emerging markets which are managing currency this way. Initially, there will be more volatility which is expected to tame down gradually. Intraday volatility is expected to come down, he added.

The economic outlook after taking these policy actions has improved considerably, while CAD has halved and continues to fall.

Current account deficit is lesser than countries facing balance of payment stress and there has also been a qualitative improvement in the outlook for inflation. Output gap is also kept under consideration to determine whether the economy is overheated.

Pakistan should also be open to investment in rupee denominated fixed income instruments and the SBP is looking at taxation issues for further clarity. Pakistan would like to attract foreign currency flows into its rupee debt in treasury bills. The country has had flows in treasury bills previously but the size was very small.

The SBP is confident on the sources of foreign currency listed in the financing plan. The IMF itself being the lender of last resort, ensuring that the financing plan is viable and practical. No lender of last resort would have given money to Pakistan if the financing plan was not feasible.

Regarding choosing core or headline inflation to determine interest rates, the SBP looks at core inflation and headline inflation both.

Talking about the comparison between Egypt and Pakistan, the governor stated that both are very different cases. Egypt had kept the exchange rate flat for a long time which meant that the pressure on exchange rate was much higher than Pakistan. Pakistan is entering the programme with a declining CAD, unlike Egypt. Egypt does not have euro clear either despite the fact that they attracted large investment. Treasury Single Account will be implemented in a gradual and phased manner and the transition will be orderly, Baqir maintained.

https://fp.brecorder.com/2019/07/20190710496025/

PM REFUSES TO RELENT ON TOUGH TAX MEASURES

By salman siddiqui Jul.10,2 019

KARACHI: Prime Minister Imran Khan's meeting with the business community in Karachi remained inconclusive on Wednesday, as he declined to accept any of their three major demands, while a section of the traders' community gave a strike call for Saturday (July 13).

Imran paid a daylong visit to the of port city in a bid to allay concerns of the business community about the budget for fiscal year 2019-20.

He was accompanied by his economic team, including Adviser on Finance Hafeez Shaikh and State Bank of Pakistan (SBP) Governor Reza Baqir.

Sindh Governor Imran Ismail was also present during the meeting at the Governor's House.

The business community urged the prime minister to withdraw the condition of acquiring a photocopy of the computerised national identity card (CNIC) of buyers of factory products, 17% value-added tax and to restore the old system of zero tax rate facility for five textile export sectors.

"We will not reverse the measures implemented through the budget," a businessman, who was present in the meeting, quoted Shaikh as saying.

"Sales are not allowed without a copy of the CNIC. We have implemented the new system after thorough deliberations," Shaikh added.

Later during the day, the prime minister told a news conference that he had asked the business community to pay due taxes, which is a must to take the country out of the financial crisis and paying off foreign debt worth Rs30 trillion.

He repeated his stance that foreign debt had accumulated due to rampant corruption and money laundering during the past two governments of former prime minister Nawaz Sharif and former president Asif Ali Zardari.

"We aim at passing on as little pain to businesses as possible," the prime minister told the news conference.

"I have met business community and promised them that the government is your partner," he added.

"Our job is to help you (businessmen). The growth in businesses would create the much-needed job opportunities. Investment will come in so that we could pay off the foreign debt," he added.

He said there are businessmen who do not want to become part of the taxpayers net.

"I have only one message for all of them: that if all of us would not pay taxes, nothing would change and the burden on the section of society paying taxes would increase," he said.

Industry has 20% share in gross domestic product (GDP), but its contribution in taxes stands at 70% which is unsustainable for the industry.

It has started deteriorating due to such high taxes. "Everyone has to pay due taxes to fix the whole economy," he said.

"Businesses will grow, Pakistan will grow…if everyone would pay due taxes," he said.

The prime minister said Federal Board of Revenue (FBR) Chairman Shabbar Zaidi and he were confident of meeting the target of Rs5.55 trillion taxes for the current fiscal year, starting July 1, 2019.

"The tax collection target of Rs5.55 trillion is nothing if everyone pays due small taxes," Imran said.

"Pakistan has potential to collect at least Rs8 trillion in taxes. We aim at passing on as little pain to businesses as possible," he said.

"Business community has assured full cooperation. Their cooperation is required to get rid of the foreign debt. Some of the traders are scared that paying of the due taxes would increase their difficulties.

"I assure them that they will not be in problem. Paying the due taxes would help them come out of difficult economic situation," he said.

He said the government is making efforts in all directions to increase its income and cut expenditure to fix the faltering economy. "The federal government has cut its expenditures by Rs40 billion during these inflationary days. The Pakistan Army has cut its expenditures for

the first time in history. Cabinet ministers have cut their salaries by 10% each," he said.

The government, he said, has taken measures to increase exports and narrow down trade and current account deficits. Exports have increased in volumetric terms, if not in value terms. "Garment exports have increased by 30%," he said.

The government has also taken measures to increase remittance inflows through legal channels. "They have also increased (10% in FY19). We have managed to cut the current account deficit by half to $1 billion a month compared to $2 billion a month in the preceding year," the PM added.

The premier said the government is trying to attract foreign direct investment. For the purpose, it has signed memorandums of understanding (MoUs). Negotiations are under way with various countries including Qatar, Saudi Arabia, UAE and China.

"God has gifted us everything in the country which also has outstanding strategic location on the world map. China, the world's single largest growing economy, is one of our neighbours. The energy producing countries are on the other hand. We have Gwadar which the entire Central Asian countries want to use for trade. So when we fix the problems and bring reforms, the new foreign investment would come in."

A section of traders led by All Karachi TajirIttehad Chairman Atiq Mir has given a shutter-down strike call for Saturday (July 13) after PM Imran Khan avoided meeting with the Karachi-based traders community and spent his one-day visit with big businessmen representing Federation of Pakistan Chambers of Commerce and Industry (FPCCI), Karachi Chamber of Commerce and Industry (KCCI), Pakistan Stock Exchange (PSX) and bankers.

Earlier, the FBR Chairman Zaidi met traders at Sindh Governor House, but refused to accept any of the three major demands. Several trade associations, including the All Karachi TajirIttehad Committee led by Muhammad Rizwan, have summoned emergency meetings of their trade bodies on Thursday and Friday to consider joining the Saturday strike call nationwide.

"We have called a meeting tomorrow (Thursday) to decide joining the Saturday shutters-down strike," Rizwan said after their negotiations failed with the government.

A seasoned businessmen Arif Habib quoted Hafeez Shaikh as saying at the meeting that the stock market support fund worth Rs20 billion would be launched over the next four to five days.

Launch of the fund approved by Economic Coordination Committee (ECC) of the Cabinet on May 31, 2019 has been delayed due to the government engagement with international partners to fix the economy, Shaikh told the meeting.

Habib said they have asked the PM and his economic team to avoid a further increase in key interest rate in the forthcoming monetary policy statement due in the current month of July, as inflation has remained under control. Speculation for consideration for a further increase in the interest rate has scared the stock market.

https://tribune.com.pk/story/2010444/1-pm-imran-assures-govts-support-karachis-business-community/?amp=1

SINDH'S DEBT SHOOTS UP BY RS 70 BILLION OWING TO DEVALUATION OF PKR

TANVEER AHMED JUL 13TH, 2019 KARACHI

The depreciation of Pakistan rupee against dollar increased the debt of Sindh province by approximately Rs 70 billion from Rs 296 billion to Rs 366 billion. International Development Association (IDA)/World Bank remains lender of 59 percent to Sindh, Asian Development Bank (ADB) 34 percent, Federal Government 4 percent, Government of Japan 3 percent and others 0.3 percent. The figures are in accordance with the available data till December 31, 2018, official sources told Business Recorder.

They anticipated that debt would further go higher when data would be complied on the basis of present value of PKR against US dollar. According to Debt Sustainability Analysis of Sindh government for financial year 2018-19, the share of external loans is 96.4 percent of total debt portfolio, which could be termed highly exposed to exchange rate risk.

The share of debt with fixed-interest rates is 84 percent of total debt, which is high and indicates low risk relatively, when measuring its vulnerability towards interest-rate risk. Average time to maturity for complete debt portfolio is 11.8 years, which shows high debt portfolio average maturity period and indicates low exposure to re-financing risk.

Weighted average interest rate (WAIR) for domestic loan is 11.8 percent which is relatively high as compared to external portfolio WAIR for 1.59 percent only, due to old domestic loans before year 2000, on very high rates. Total WAIR for entire portfolio is 2 percent. On the other hand, public debt stock practically remained stable between June-2014 and June-2018, reaching an average of 40 percent of total revenues.

Total revenues increased from 2.2 percent of federal GDP in 2013-14 to 2.5 percent of federal GDP in 2017-18, of which 24 percent was generated by province's own revenues, mainly GST on services collection and 76 percent by federal transfers. Thus, the share of provincial own revenues in total revenues grew from 18 percent in 2013-14 to 25 percent in 2017-18, showing an increase in fiscal autonomy during this period.

Nevrtheless, federal transfers are still significant: three quarter of 2018-19 total revenues was explained by divisible pool, straight transfers, grants, etc., 12.7 percent by GST on service, 5.9 percent by Sindh Development and Maintenance of Infrastructure, 3.9 percent by other tax revenues and 2 percent by non-tax revenues. The weight of provincial direct taxes on property, vehicle and capital value in total revenues is low, reaching an annual average of 2 percent only of total revenues.

https://fp.brecorder.com/2019/07/20190713496836/

55 CHINESE COMPANIES WANT TO INVEST $5 BILLION IN PAKISTAN

By Raza Rizvi July 13th 2019 Karachi

More than 50 Chinese companies are willing to invest in Pakistan, according to a delegation of the Chinese business community.

The delegation, comprised of 55 company heads, called on Prime Minister Imran Khan on Friday in the presence of Chinese Ambassador to Pakistan Yao Jing.

They committed to investing $5 billion in the country in the next three to five years. The investment will be made in various small and medium-sized industrial sectors.

The delegation, representing various sectors including construction, machinery, glass, automobile, electrical, power, transportation, etc., lauded the incumbent government for its business-friendly policies.

This was the largest-ever business delegation that has ever visited Pakistan from China or any other country. Their visit is said to be in response to the premier's last visit to China where he urged Chinese businessmen to invest in Pakistan.

During his April visit, Khan had also signed multiple agreements of bilateral cooperation between the two neighboring countries.

He welcomed their interest in the Pakistani market and said that it reflected the trust of the Chinese business community in Pakistan's economy.

Assuring to eliminate all roadblocks in ease of doing business, Khan hoped that the development will help turn the Pak-China equation into a win-win economic partnership.

Chinese Ambassador Yao said the Chinese investors had observed a significant improvement in the government's policies and facilities for foreign investors. He said that their government was ready to extend support in realizing PM Khan's dream of a stable and developed Pakistan.

The meeting was also attended by Planning Minister KhusroBakhtiar and Commerce Adviser Abdul RazzakDawood.

https://propakistani.pk/2019/07/13/55-chinese-companies-want-to-invest-5-billion-in-pakistan/

PAKISTAN TOLD TO PAY $5.9BN TO MINING FIRM

By Amin Ahmed | 7/14/2019 12:00:00 AM

ISLAMABAD: The International Centre for Settlement of Investment Disputes (ICSID), one of the five organisations of the World Bank Group, has announced a huge award of $5.976 billion against Pakistan in the Reko Dig case.

The international tribunal which provides facilities for conciliation and arbitration of international investment disputes, rendered its judgement on Friday a 700-page ruling against Pakistan in the Reko Dig case.

The ICSID awarded a $4.08bn penalty and $1.87bn in interest. The full details of the case are yet to be released by the tribunal.
Special assistant to the prime minister on information Dr Firdous Ashig Awan when contacted said the law ministry and the attorney general were looking into the matter in light of internationallaws.Sheexpressed the hope that the government would come up with aformal reaction on Sunday (today). `This is what I can say right now,` she said.
The management of the Tethyan Copper Company (TCC)hadclaimed$11.43bn in damages. The company had filed claims for international arbitration before the ICSID in 2012 after the Balochistan government rejected a leasing requestfrom the company.
The case between the Pakistani government and the international company condnuedfor atleastseven years.
The TCC lodged the case against Pakistan on January 12, 2012, and the ICSID constituted the tribunal on July 12, 2012.
Klaus Sachs of Germany headed the tribunal while Stanimir A. Alexandrov of Bulgaria represented the claimants and Leonard Hoffmann of United Kingdom represented Pakistan.
Reko Diq mine is famous because of its vast gold and copper reserves and is believed to have the world`s fifth largest gold deposit.
Reko Dig, which means sandy peak in the Balochi language, is a small town in Chagai district in

Balochistan. It is located in a desert area, 70km north-west of Naukundi, close to the border with Iran and Afghanistan. The area is located in the Tethyan belt that stretches all the way from Turkey and Iran into Pakistan.
The deposit at Reko Dig is a large low grade copper porphyry, with total mineral resources of 5.9bn tonnes of ore with an average copper grade of 0.41 per cent and gold grade of 0.22 g/tonne.
From this, the economically mineable portion of the deposit has been calculated at 2.2bn tonnes, with an average copper grade of 0.53pc and gold grade of 0.30 g/ton, with an annual production estimated at 200,000 tons of copper and 250,000 ounces of gold contained in 600,000 tons of concentrate.
According to the extensive technical and financial studies undertaken to secure optimal `economies of scale` ef ficiencies, and lower mining and processing costs, a large scale, state-of-the-art mining and processing unit is required at Reko Diq.
The TCC completed an extensive and detailed bankable feasibility study establishing the basis for mine development at Reko Dig during August 2010 and submitted a mining lease application in February 2011, along with an environmental and social impact assessment report. Progress on the project came to a standstill in November 2011, when the government of Balochistan summarily rejected the application by the TCC`s local operating subsidiary for a mining lease in respect of Reko Diq.
The TCC was of the view that under the Chagai Hills Joint Venture Agreement (CHEJWA) between the company and the Balochistan government, as well as under the Balochistan Mineral Rules 2002, the TCCPakistan was legally entitled to the mining lease subject only to `routine` government requirements.
To protect its legal rights, in November 2011 the TCC commenced international arbitration proceedings at two forums: one against the Pakistan government with the International Centre for Settlement of Investment Disputes, asserting breaches of the Bilateral Investment Treaty between Australia (where the TCC is incorporated) and Pakistan, and another against the Balochistan government with the International Chamber of Commerce, asserting breaches of the CHEJVA.
Reuters adds: The TCC said it had invested more than $220 million by the time Pakistan`s government, in 2011, unexpectedly refused to grant them the mining lease needed to keep operating. The ICSID ruled against Pakistan in 2017, but until now had yet to determine the damages owed to the TCC.
Tethyan board chair William Hayes said in a statement the company was still `willing to strike a deal with Pakistan,` but added that `it would continue protecting its commercial and legal interests until the dispute was over.

https://epaper.dawn.com/DetailImage.php?StoryImage=14_07_2019_001_004

ANOTHER MEGA ECONOMIC ZONE PLANNED IN FAISALABAD

By imran rana Jul.14, 2019

FAISALABAD: The Faisalabad Industrial Estate Development and Management Company (FIEDMC) will construct another mega economic zone in Faisalabad, disclosed FIEDMC Chairman Mian Kashif Ashfaq.

Talking to The Express Tribune, Ashfaq said the company, which was already running a Special Economic Zone (SEZ) in Pakistan, would build another zone, named the Allama Iqbal Industrial City, over 3,270 acres of land. The existing SEZ is called the M-3 Industrial City.

“The new industrial city will create 250,000-300,000 jobs and 350-400 mega industrial units will be set up in it,” he said. “The management has prepared a framework to accelerate work on the industrial estate,” he said, voicing hope that national and foreign investors would invest in the new industrial zone.

Ashfaq revealed that the company had received encouraging response from investors and a few international companies had also signed memoranda of understanding (MOUs) for injecting capital into the SEZ.

He was of the view that the industrial city would attract millions of dollars in foreign direct investment.

"A portion has been allocated for small and medium-sized industrial units to promote the small and medium enterprise (SME) sector," he highlighted. "This portion will not only facilitate small traders but will also promote new SMEs in the industrial estate."

He emphasised that development work was going on at a swift pace and Prime Minister Imran Khan would inaugurate the Allama Iqbal Industrial City in September this year. The other industrial estate (M-3 Industrial City) occupies over 4,500 acres of land, which has been allocated to domestic and foreign companies. "This is Pakistan's largest industrial estate and prominent Chinese spinning mills have also invested for setting up

spinning mills of 600,000 spindles," he added. "FIEDMC has completely allocated the available land and will develop another 3,270 acres under the second phase."

The federal government has planned to establish nine prioritised SEZs under the China-Pakistan Economic Corridor (CPEC) but there has been no meaningful progress on these zones so far, which are critical for attracting Chinese investment into Pakistan. FIEDMC Chief Operating Officer Aamir Saleemi said the state-of-the-art Allama Iqbal Industrial City would accelerate industrial activities in the city.

"We have massive number of investors from Pakistan and abroad and the industrial estate will meet needs of new manufacturing units," he said. "China, the UK, the UAE and many other countries are investing in these industrial estates."

However, Saleemi did not share details of prospective new investment in the Allama Iqbal Industrial City.

Car manufacturing firms like Hyundai and Renault had already set up their assembly units in the FIEDMC zone, he pointed out. "Steel, textile, engineering, chemical, plastic and pharmaceutical companies are also setting up their units here."

https://tribune.com.pk/story/2012780/2-another-mega-economic-zone-planned-faisalabad/?amp=1

ECONOMY LOSES RS25B AMID PARTIAL STRIKE

July,14, 2019

KARACHE: Pakistan's economy on Saturday suffered in estimated loss of around Rs20-25 billion due to partial shutters-down strike observed by small businessmen and traders nationwide to press the federal government to withdraw its 'anti-business' measures implemented through budget 2019-20

"Traders' turnover stands at around Rs50 billion in a day nationwide," All Karachi Tajir Ittehad Chairman Atiq Mir said while talking to The Express Tribune. Federal Minister for Economic Affairs Hammad Azhar said in a tweet that the share of retail sector in Gross Domestic Product (GDP) stands at around 20%.

Rough calculations based on Azhar's tweet suggest retailers do businesses worth around Rs30 billion a day. Trader of Karachi - which plays a crucial role in importing raw material and finished goods and supplying them throughout the domestic economy - observed partial streke after a section of traders claiming success in second PARTIAL STRIKE, PAGE 8

https://epaper.tribune.com.pk/

NEWS COVERAGE PERIOD FROM JUL 15th TO JUL 21st 2019

‘ECONOMY NEEDS STIMULATION’

Kazim Alam July 15, 2019

You know you’re interviewing a celebrity CEO when she tells you casually she’s meeting the prime minister for lunch later that day.

As head of a multinational that claims to reach 97 per cent of households nationwide, Unilever Pakistan CEO Shazia Syed has access to a gold mine of consumer spending data. Running the biggest fast-moving consumer goods (FMCG) business means she has her ear to the ground and finger on the pulse unlike the merry band of imported technocrats running the country’s economy.

So what message did she have for Imran Khan as the IMF-prescribed austerity drive curbs consumer demand and slows down economic growth?

“Our message to the prime minister is that the government should work on confidence-building. The economy needs stimulation. We need some certainty on growth,” Ms Syed told Dawn in a recent interview.

Although she would not say it in so many words, Unilever is in the kind of business that thrived under the old economic order: a consumption-led, import-driven model that ensured low inflation, high growth, cheap credit and artificially low exchange rate without caring two hoots about exports or the balance of payments. The company rolled in money by doubling its business “every few years”.

“We try and aim for double-digit (annual) growth. That’s what we have achieved in the last five years,” she said.

Unilever Pakistan had gross sales of Rs127.3 billion in 2018, up 9pc from a year ago. Its net profit surged 34.4pc to Rs17.7bn for the same period.

The company’s growth rate slid to the single-digit territory last year, Ms Syed said, partly because of the uncertainty in the build-up to the IMF programme. “Consumer is feeling the stress. They’re not in an adventurous mood. Food inflation is in double digits. Utility bills have gone up substantially,” she said.

Tough economic conditions have started changing the shopping patterns. For example, sales of big-pack items have gone down as consumers switch to mid-size and small packs, she says. “Consumers aren’t sure how much cash they’ll be left with in the next week. Austerity is driving household budgets... frills are being cut.”

As a result, she expects a lower annual turnover growth in the next five years than the past five-year average.

Unilever currently sells 30 brands in Pakistan. It’s not going to launch any new product in the foreseeable future as consumers tend to stick to trusted brands in tough economic times, Ms Syed says. “The first step for them is to go to a price point that is affordable for them. So new price points like Rs99 and Rs50 are now emerging across the market,” she says, noting that Unilever is trying to ensure its consumers find new price points within the existing product line-up.

The parent company of Unilever Pakistan considers this market a “billion-euro potential business,” according to Ms Syed. “Had this devaluation not taken place, we would have been very close to the billion-euro mark,” she says.

One of the reasons she cites as proof of the parent company’s “confidence” in this market is that it got Unilever Pakistan delisted from the stock exchange in 2013. The global holding company bought back 3.31 million shares (or 25pc of paid-up shares at the time) from local investors, thus increasing the foreign sponsor’s holding to 99.1pc.

Dismissing the view that the delisting of Unilever Pakistan was a major setback for the country’s capital market, Ms Syed insists that the one-off inflow to consolidate the sponsor’s shareholding was an “unprecedented” move reflecting high potential for growth. Unilever did not delist its local subsidiary in any other part of the world.

Had the company stayed listed on the stock exchange, it’d be the second largest publicly traded FMCG entity today in terms of both total assets and net sales.

There is no legal bar on the dollar-based repatriation of dividends and profits on foreign investment. The entire profit of Unilever Pakistan can be remitted to the foreign holding company by way of dividends every year.

This is the reason some economists view multinational companies selling consumer goods unfavourably. For example, 75pc of the raw material that Unilever Pakistan uses to produce its products is imported, the CEO says. The share of exports in its turnover is only about 1-2pc.

This means the company uses foreign exchange to import raw material, produces goods for domestic consumption, converts its rupee earnings into dollars and remits them to the foreign sponsor.

That’s why a lack of import substitution coupled with a liberal foreign exchange transfer regime is one of the contributors to the country’s chronic balance-of-payments crisis.

Downplaying the effect of the import-based consumer business on the macro-economy, Ms Syed says the resultant job creation and economic activity outweigh the downside of dollar repatriation.

“We’ve been the benchmark of quality... Multinationals teach standards and then local players come up to that mark. Then there is level playing field, the dust settles and the market evolves,” she says.

Unilever Pakistan is now gearing up for both import substitution and exports, she says. It is looking to source perfumes, flavours and tomatoes locally. It will not only use these ingredients in locally sold products but also try to grow tomato pulp exports.

The company is also trying to develop cotton seed oil as the local alternative to the imported palm oil, which is used heavily in soaps. “So a disproportionate (amount of) R&D is going into that area.”

Ms Syed says she remains highly optimistic about the potential in the Pakistani economy. “I think next 18 to 24 months will be challenging. If we get our fundamentals right, I think the situation will improve.”

https://www.dawn.com/news/1494063

FOREIGN DIRECT INVESTMENT HALVED TO $1.73B IN FY19

By salman siddiqui Jul.16, 2019

KARACHI: The Pakistan Tehreek-e-Insaf (PTI) government failed to win confidence of foreign investors in the domestic economy as foreign direct investment (FDI) halved to $1.73 billion in the fiscal year ended June 30, 2019.

FDI stood at $3.47 billion in the preceding fiscal year 2017-18, the State Bank of Pakistan (SBP) reported on Monday.

"Uncertainty regarding the (rupee-dollar) exchange rate adjustment and finalisation of IMF (International Monetary Fund) programme, country's vulnerable external and fiscal position, and downgrading of Pakistan's credit rating by Fitch in December 2018 may have dented the investors' confidence," the central bank said in its third quarterly report on the state of Pakistan's economy for fiscal year 2018-19.

Foreign investment in Pakistan failed to show an improved picture in Jul-Mar FY19 while FDI inflows remained substantially lower than last year and portfolio investment in shares at the Pakistan Stock Exchange (PSX) actually showed an accelerated outflow, it said.

The massive drop of 50% in FDI during FY19 came after a power-sector company paid off an inter-company loan of over half a billion dollars in October 2018. Moreover, telecommunication firms also paid off principal loans to parent companies abroad, according to the central bank.

"The power sector, which remained the single largest recipient of CPEC-related FDI over the last few years, witnessed an outflow of $293.7 million during Jul-Mar FY19. This was due to the repayment of an inter-company loan of around $530 million by a power entity to its parent company in October 2018," the SBP report said.

"With regard to non-CPEC FDI, an outflow from telecommunications dragged down the overall investment during Jul-Mar FY19, as telecom firms operating in Pakistan made principal loan repayments to parent companies abroad."

On a positive note, some other sectors, including chemical, beverages and automobile were on the investors' radar during the period under review.

"A few automakers have now started investing in Pakistan, following the incentives announced under the Automotive Industry Development Policy 2016-21," the central bank said.

https://tribune.com.pk/story/2014068/2-foreign-direct-investment-halved-1-73b-fy19/?amp=1

INTEREST RATE HIKED TO 13.25PE, HIGHEST IN EIGHT YEARS

By Shahid Iqbal | 7/17/2019 12:00:00 AM

KARACHI: In a tightly worded statement, the State Bank of Pal(istan on Tuesday announced a hike of one percentage point in the key policy discountrate.The action,taken by the Monetary Policy Committee (MPC), brings the key rate, on which all other interest rates in the economy are pegged, to 13.25pc. In the same announcement, the central bank dropped a broad hintthat no further rate hikes or depreciation of the exchange rate are now necessary.
`With this decision on interest rates, the MPC is of the view that the adjustment related to interest rates and the exchange rate from previously accumulated imbalances has taken place,` the statement

said.
The State Bank retained some space for itself to act again in the future, `depending on economic developments and data outturns` as well as `greater than expected softening in domestic demand and downward revision in projected inflation`.
On the exchange rate too, the State Bank tried to reassure markets. `The bulk of the needed adjustment in the real effective exchange rate toaddress the past overhang of overvaluation has been completed with the recent deprecation of the exchange rate,` the statement said. It added that foreign exchange reserves are now expected to rise, from $8 billion on July 12, `on account of additional financial inflows from other international creditors, including those related to the Saudi oil facility and continued improvement in current account deficit`.
The statement emphasised that the exchange rate remains `flexible and market determined that SBP stands ready to take action to address disorderly market conditions in the foreign exchange market`.
The State Bank also revised the growth projection for the current fiscal year, saying itexpects GDP to grow at 3.5pc by June next year, higher than the IMF projection of 2.4pc for the same period. On inflation too, the SBP projected the Consumer Price Index to rise to 11-12pc by the end of the fiscal year, lower than 13pc projected in the budget. Inflation will moderate by the middle of the fiscal year and then recede for the remaining months, the SBP projected.
`The MPC is of the view that real interest rates implied by these inflation projections and today`s policy rate decision are at appropriate levels considering the cyclical weakening of aggregate demand,` the SBP said, hinting that no further interest rate hikes should be necessary unless data down the road shows significant deviation from these projections.
All eyes now turn to the latest auction of Treasury Bills scheduled for Wednesday (today), since all previous auctions for almost a year and a half have seen weak participation by the banks. With the discount rate at 13.25pc, the government will be in a position to offer higher yields to the banks for its three, six and 12-month papers. Banks offered bids closer to 13.30pc in the last auction.
With its language, the SBP seems tobe telling the banks that this rate is here to stay and they need to step forward now. Whether or not the banks acknowledge the signal will be seen by end of the day (Wednesday) when the results of the auction will be announced. Up to Rs638.5 billion in treasury bills are maturing on Wednesday, of which the government intends to rollover Rs600bn and retire the rest.
Private sector credit (PSC) growth has started decelerating, the SBP pointed out. PSC expanded 11.4pc during July 1-June 28 FY19 as compared to 14.8pc during the sameperiod last year. PSC is sometimes used as a barometer of economic conditions, with higher credit disbursements thought to be a sign of more vibrant economic activity.
For a few months earlier this year, PSC grew and then finance minister Asad Umar took the opportunity to claim that the economy has turned the corner.

https://epaper.dawn.com/DetailImage.php?StoryImage=17_07_2019_001_001

FACTS OF A SLOWING ECONOMY

Khurram HusainJuly 18, 2019

THIS government is having an increasingly difficult time producing meaningful outcomes in areas that really matter. The thing about having an objective like revenue collection, for example, as a benchmark against which progress will be measured is that progress or failure cannot be spun. Either the revenues are coming or they are not. That’s the thing with the economy; its rewards and penalties are hard and fast, and cannot be talked into and out of existence.

The recently released third quarterly report of the State Bank gives us some food for thought when considering this. Since coming to power, the PTI government has careened from one economic message to another, until it finally found its footing by signing the IMF programme. Along the way, the finance team saw complete turnover, from minister to secretary to FBR chairman and State Bank governor.

Just before this agreement, the government was taking the line that they have put in place some measures to stimulate investment through the mini budget of January 2019, and encourage exports, through depreciation, subsidised lending, and most importantly, a large subsidy on gas pricing. The message continued that due to these steps, the economy was now recovering, and evidence of this was the modest growth seen in an indicator known as private sector credit (PSC) offtake.

But then came a State Bank report saying that the rising PSC is largely due to a hike in prices and depreciation, as companies are forced to borrow more in order to manage the large-cost escalations they were seeing. I wrote about this at the time, and the finance ministry reacted angrily, even writing a letter to this newspaper saying that I was making a "bizarre argument that defies conventional economic wisdom".

"Any student of Economics 101 can enlighten the author that a rise in private-sector credit is seen as a leading indicator of greater economic activity and growing business confidence," their letter stated. And it went on. "Business confidence is growing," it claimed, "and is reflected in recent market developments."

What were those "market developments"? That foreign investors were net buyers in the stock market, that "the largest private-sector IPO in Pakistan's history" has just been completed, that bond investors have started buying longer-tenor PIBs, and lastly that the "currency markets have stabilised" as spreads between interbank and open markets had narrowed to one per cent. "A reduction in spread is another indicator of growing market confidence."

This was back in March. Sadly, these takes on the economy, advanced by the finance ministry in writing, have not aged well. Today, the State Bank has once again said what it was saying back then, that the PSC was elevated earlier because "the increase in PSC was largely driven by higher input prices, which in turn increased the working capital needs of the businesses".

And to top it off, the PSC is now decelerating, so even if we use it as "a leading indicator of greater economic activity", in the words of the finance ministry, (which it cannot be if it is rising due to "higher input costs" of firms), it would imply that the moment of revival of business confidence that the finance ministry sought to celebrate back in March had fizzled out by July. Today, the PSC is falling in a rising cost environment, which indicates that business activity is slowing down sharply. Since July 1, several sectors have seen shutdowns and announced deceleration in output.

If the currency markets had stabilised back in March, how do we explain the devaluations that came subsequently? If stock market performance was a sign of renewed business confidence, what do we say today, when the market has fallen to near 2015 levels? If participation in long-term paper is a sign of "renewed business confidence", what do we make of the inversion in the yield curve that came in the May auctions?

As of writing this, the government has lifted Rs2.3 trillion in short-term Treasury bills, at cut-off yields of 13.75pc, 13.95pc and 14.1pc in three-month, six-month and one-year paper respectively. These are stupendous yields, up by more than 2pc since March in three-month paper. This is what it has taken to activate the government debt markets that had lain dormant for more than a year. This is the highest participation in a long time, and the banks' long wait for rates to come up to their liking has paid off.

More recently, some eager sections of the PTI have tried to pull similar rhetorical claims of triumph around the contracting current account deficit data. Last week's data showed the CAD had contracted by 30pc, and this was hailed by some as a big policy success. But once again, a closer look shows that while this may well be welcome news, it is due more to fortuitous factors than anything else.

Here is what the State Bank says: "The sizable decline in machinery imports following the conclusion of early phase of CPEC, lower quantum energy imports (excluding LNG) amid lower power generation in Q2 and Q3, and a temporary softening in global oil prices, all contributed significantly to improvement in the CAD by lowering of import payments."

Translation: the current account deficit decline has very little to do with the government's policies.

Economic outcomes, especially as reflected in key indicators, should not be celebrated or thrown in each other's face. They rarely tell a story by themselves. Indicators and data need to be looked at in the right context before they tell their story. Going forward, the government will have to produce real results, not rhetorical ones. And the ability to focus, to pull their team together around the pursuit of a shared goal, to persuade others of the merits of their chosen course of action, will all be tested to the hilt. This is called leadership, and it is high time Mr Imran Khan showed us he knows what he's doing.

https://www.dawn.com/news/1494745

CURRENT ACCOUNT DEFICIT SHRINKS 31.7PC

The Newspaper's Staff ReporterUpdated July 18, 2019

KARACHI: The crucial current account deficit (CAD) shrank by another 31.7 per cent in the July to Jun period according to latest data released by the State Bank on Wednesday. The CAD came in at $13.587 billion in this period where it was $19.897bn in the same period last year. It has now fallen to 4.8pc of GDP for July to June this year from 6.3pc last year.

The CAD has been at the heart of the erosion of the country's foreign exchange reserves that eventually forced the government to seek an IMF bailout.

But not all was good news. The data showed that exports of goods actually shrank by $500 million from same period last year, coming in at $24.217bn where they were $24.768bn in FY2018. This was a 2.2pc deceleration in exports from a 12.6pc acceleration in their growth last year. Out of this, $200mn shrinkage in exports of goods came in the month of June compared to the same month last year.

Imports of goods shrank even faster at 7.3pc or by $4.156bn, coming in at $52.436bn in July to June 2019 compared to $56.592bn in the same period last year. According to the State Bank's third quarterly report released a few days ago, a large part of the fall in imports is attributable to the end of machinery imports as the early harvest phase of CPEC draws to an end, followed by falling oil prices and restrained imports of LNG for a number of months when power generation was suppressed.

Balance of trade in services also showed a contraction of $1.803bn, entirely on the back of imports falling from $11.356bn to $9.55bn in the period being reported.

Workers remittances rose by $1.928bn in the same period, coming in at $21.842bn for the period July to June 2019.

The capital account showed rising external indebtedness of the country which incurred massive net liabilities of $12.048bn this year where the same figure was $8.855bn for the period last year. Of these, $5.495bn were incurred by the central bank and $3.904bn by the central government.Unclassified liabilities were $2.016bn, where they stood at $494 million in the same period last year.

https://www.dawn.com/news/1494756

RS43.32BN REVENUE GENERATED IN 2018-19: REPORT

18 July, 2019

ISLAMABAD: The Central Media Department of Pakistan Tehreek-e-Insaf (PTI) Wednesday released performance report of the Ministry of Communications, which says revenue of Rs 43.32 billion was generated during 2018-19 compared to Rs 28.64 billion in 2017-18, registering an increase

of Rs 14.68 billion (51.25%) during this period.
According to the details provided by party's Central Media Department, the federal government issued report of performance and expenditures of the Ministry of Communications during the last 11 months. The report said that revenue of the ministry has risen to Rs 43 billion and its income has increased by 51 percent.
Minister for Communications Murad Saeed has so far recovered Rs 7 billion and deposited the amount to the national kitty. The report said that billions of rupees were also recovered under the anti-encroachment campaign of the government; however, the recovery ratio during the last regime was nil. A new system containing facilities such as e-billing, e-tendering, and mobile app has been introduced in the ministry to enhance transparency. The report said that different projects of national highways will be completed from three to six months.
During the previous government, the minister and parliamentary secretary received Rs 3,591,000 and Rs 4,852,000 respectively in terms of TA & DA(s); however, Saeed did not spend a single penny of the national exchequer to cover the fuel or transport expenses and has not even claimed the TA&DA allowances.
The Ministry of Communications and National Highway Authority (NHA) issued performance details for the period of August 2018 to June 2019, according to which, total revenue of Rs 43,326.30 million was collected during 2018-19. While in 2017-18 revenue of Rs 28,645.46 million was generated thus a total increase in revenue of Rs 14,680.84 million was recorded (51.25% increase) as compared to the previous year.
Likewise in the accountability head, total audit recoveries of Rs 7,015.42 million were made in 2018-19 while in 2017-18 no audit recoveries were made. It is to recall that during 2008 to 2018 for the offices of minister and parliamentary secretary, total expenditures of more than Rs 9.8 million were made on TA/DA and Rs 25.73 million were spent on vehicles and petrol from the NHA's budget. While in 2018-19 expenditures of the minister's office in TA/DA, vehicles and petrol heads were not made from the NHA's budget.
The NHA actively launched an anti-encroachment drive in 2018-19 and 3,347 encroachments were removed and resultantly recaptured 448.25 kanals of land. The cost of vacated land is Rs 2,503 million. It is noteworthy to mention here that under Clean and Green Pakistan Programme, the NHA has planted 757,926 trees along motorways and national highways during 2018-19, and this drive will continue.
In 2018-19, the NHA (NHA-is friendly highways) and National Highways & Motorway Police (HUMSAFAR) launched mobile applications for sharing of information of all ongoing projects as well as live information for commuters' facilitation. The geo-graphic information system is another step forward initiated to prepare digital data of entire NHA's right of way (RoW) that will be completed by December 11, 2020.
The E-Billing project to convert payments of development projects through electronic mode has also been initiated. Hakla-DI Khan Motorway Project (CPEC western route) will come on e-billing mode as a pilot project on July 30, 2019. With the view to maintain transparency in the road building schemes, system for e-tendering/bidding of NHA's procurement has been started that will be completed and launched by December 2019. The road projects having total length of 1,188 km have also been realized.

https://epaper.brecorder.com/2019/07/18/3-page/791873-news.html

GOVT EXEMPTS IMPORT OF NEW FSRUS FROM DUTIES

By Zafar BhuttaPublished: July 19, 2019

ISLAMABAD: The government has exempted from duties and taxes the import of new floating storage and re-gasification units (FSRUs) for liquefied natural gas (LNG) terminals, which will pave the way for Engro Elengy Terminal Pakistan to replace the existing unit with a new one with additional capacity.

The current LNG terminal has a handling capacity of 690 million cubic feet per day (mmcfd) whereas the new FSRU would have capacity of 790 mmcfd.

Earlier, Engro had brought an old vessel, which had been used in Kuwait for five years, since it had a lower cost and established the first LNG terminal in the country.

"Engro will import a new FSRU with additional capacity to replace the existing one," an official said. The Federal Board of Revenue (FBR) has issued a Statutory Regulatory Order (SRO) for waiving taxes and duties on temporary import of floating LNG units.

According to officials, Bangladesh had followed that model and set up a floating LNG terminal. Later, it shifted policy and turned towards setting up an onshore LNG terminal.

They suggested that Pakistan should follow the same model by setting up onshore LNG terminals for future imports.

The government wants to add an additional LNG capacity of 200 mmcfd to the system and has floated a tender in this regard. Bids will be opened next week.

It may also utilise the additional capacity of the new floating unit. Second LNG terminal has handling capacity of 790 mmcfd, of which the government has dedicated capacity of 600 mmcfd.

At present, the two LNG terminals in the country are handling over 1,100 mmcfd of gas. Of this, the power sector is consuming 790 mmcfd and the fertiliser industry 180 mmcfd.

Pakistan State Oil (PSO) is currently importing 500 mmcfd of LNG from Qatar. Pakistan LNG Limited (PLL) has short and long-term contracts for import of 200 mmcfd whereas the remaining 400 mmcfd is being purchased through spot contracts.

"We are targeting to secure LNG supply contracts of 400 mmcfd by the end of December this year," an official told The Express Tribune.

He said the government would look into the future scenario of gas prices as Australia and the United States would emerge as potential LNG suppliers in coming years, which would hit global prices.

Officials said the government was also focusing on exploration of oil and gas reserves in the country. It put on auction 10 exploration blocks but did not receive encouraging response. Now, it wants to auction 20 more oil and gas blocks.

However, before offering these blocks, the government wants to conduct road shows in different countries in a bid to woo foreign investors.

“Before pushing ahead with the road shows, the government desires to amend the petroleum policy in order to offer incentives for hydrocarbon exploration in high-risk areas,” the official said, adding that the government had also drafted a model petroleum concession agreement.

“At present, exploration companies are to follow 34 initiatives and the government wants to reduce them by half to facilitate acceleration of exploration activities in the country,” the official added.

https://tribune.com.pk/story/2016417/2-govt-exempts-import-new-fsrus-duties/

FBR SETS TAX COLLECTION TARGET AT RS300B FOR JULY

By Our CorrespondentPublished: July 19, 2019

ISLAMABAD: The Federal Board of Revenue (FBR) has set the tax collection target at Rs300 billion for July 2019.

However, it is likely to report revenue shortfall in the very first month of current fiscal year 2019-20.

According to sources within the FBR, the tax collection in the first 17 days of July stood at Rs170 billion while the remaining Rs130 billion has to be collected in 14 days.

Sources said the FBR had fixed July 3 as the deadline for the tax amnesty scheme and the three-day extension brought remarkable revenues for the tax collection agency.

However, the FBR could only collect Rs170 billion despite receipts under the scheme. Officers and employees working for the FBR and the departments under its umbrella have been under immense pressure as they anticipate more reshuffling.

Consequently, work at FBR’s field formations has slowed down while revenue collection has been adversely affected.

On the other side, the FBR, while taking notice of widespread uncertainty and fear among its employees, on Thursday issued an office order, informing all officers that no transfers and deputations would take place on a large scale after the beginning of new fiscal year. Transfers would only be made based on the need for departmental reforms and corrective measures for revenue collection, the FBR order stated.

The order asked all senior officers and staff of the tax collecting agency to put maximum possible focus on revenue collection. They were advised to utilise all resources at their disposal and ensure collection of taxes in their designated areas and territories.

They were also asked to assist taxpayers in all possible ways and pave the way for broadening the tax base through support for business and economic activities.

https://tribune.com.pk/story/2016405/2-fbr-sets-tax-collection-target-rs300b-july/

NEWS COVERAGE PERIOD FROM JUL 22nd TO JUL 28th 2019

PAKISTAN DISCUSSES ECONOMIC RECOVERY PLANS WITH WB, IMF

Anwar IqbalUpdated July 26, 2019

WASHINGTON: Senior managers of the Pakistani economy engaged with the officials of the World Bank and the International Monetary Fund (IMF) in Washington this week, exchanging views on plans for an economic recovery.

The group included Dr Abdul Hafeez Shaikh, Adviser to the Prime Minister on Finance and Revenue and Dr Reza Baqir, Governor State Bank of Pakistan.

A government press release said that the Pakistani officials spoke at length with the members of World Bank-IMF Pakistan Staff Association and heard their suggestions for reforming the economy.

They also spoke at an event “Pakistan: This Time it’s Different” hosted by Masood Ahmed, President Centre for Global Development (CGD), which was attended by a cross section of individuals from the think-tanks, government, academia and Pakistani diaspora.

A CGD statement noted that “faced with a deepening financial crisis, the recently elected government of Imran Khan has embarked on an ambitious economic reform programme,” and this programme is supported by a $6 billion IMF loan and $32bn of associated financing.

The statement, however, warned that “Pakistan has a long history of embarking on such reforms but not of seeing them through.”

A recent IMF statement says that Pakistan has been facing long-standing economic challenges, including low revenue mobilisation, high fiscal deficit and indebtedness, low spending on education, health, and social programs, and a weak external position.

The IMF believes that the situation “reflects the legacy of uneven and pro-cyclical economic policies in recent years,” which aimed to boost growth, but at the expense of rising vulnerabilities and lingering structural and institutional weaknesses.

The IMF, however, also notes that the Pakistani authorities have "already started implementing difficult but necessary measures" aimed at helping Pakistan revive its economy and create the foundation for lasting change and inclusive growth.

The IMF believes that such policy reforms and measures "mark a positive and significant turning point in Pakistan's economic prospects for the population at large."

The statement urged Pakistan to strengthen their efforts because "decisive policies and reforms, together with significant external financing are necessary to reduce vulnerabilities faster, increase confidence, and put the economy back on a sustainable growth path, with stronger private sector activity and job creation."

The IMF has also suggested specific policy actions that it wants Pakistan to undertake.

The suggested measures include the adoption of a market determined exchange rate that will help the functioning of the financial sector and contribute to a better resource allocation in the economy.

The IMF reminds Pakistan that a comprehensive plan for cost-recovery in the energy sectors and state-owned enterprises will help eliminate or reduce the quasi-fiscal deficit that drains scarce government resources. This will free up resources for spending in priority areas such as health, education, human capital development and reducing poverty.

Another measure suggest improving public finances and reducing public debt through tax reforms to strengthen revenue mobilisation and ensure a more equal and transparent distribution of the tax burden.

"Provinces are committed to contribute to these efforts by better aligning their fiscal objectives with those of the federal government," the IMF notes.

https://www.dawn.com/news/1496279/pakistan-discusses-economic-recovery-plans-with-wb-imf

PAKISTAN'S BUDGET HAS LOST CREDIBILITY: WORLD BANK

By Shahbaz Rana Published: July 26, 2019

ISLAMABAD: Pakistan's budget has further lost its credibility and the public finance management system has also deteriorated, according to a draft report of the World Bank that has downgraded the country's ranking on almost all 31 fiscal management-related indicators.

The Washington-based lender shared the final draft of the Public Expenditure and Financial Accountability (PEFA) report with the Ministry of Finance in June. The report carries an objective assessment of Pakistan's public finance management system and its budgets from fiscal year 2015-16 to 2017-18.

But the findings reflect extremely poor performance of the Ministry of Finance that failed to carry out its responsibility and let the fiscal rules violated.

The World Bank was facing pressure from the Ministry of Finance to soften its report but a senior official of the World Bank told The Express Tribune that on the lender's part the report was final.

Sources said various wings of the Ministry of Finance were putting responsibility on each other but so far no action had been taken in that regard.

When compared with a similar assessment that the World Bank carried out in 2012, the country fared poorer on almost all indicators and seven key pillars. There were hardly two indicators where the score improved while on the other two the score remained unchanged.

In 2012, the country had secured five A grades – the highest score – but in the 2019 assessment there was not even a single indicator where it got A. Pakistan lost the highest score on critical indicators like classification of budget, comprehensiveness of budget information, transparency in inter-governmental fiscal operations, participation in budget process and predictability of direct budget support.

The lowest score is D plus and D. In 2012, the country got only six Ds and D plus but the lowest score reached a staggering 13 in 2019, reflecting extremely poor performance of the finance ministry. In 2012, there were 10 Cs, average score – a figure that stood at eight in 2019.

The final draft of the report showed that Pakistan was assigned the lowest score ‘D’ on the indicators of reliability of budget due to higher-than-budgeted expenditures and low revenue collection, extent of unreported government operations, public access to key fiscal operations, effectiveness of internal audit, lack of information about service delivery, poor quality and timeliness of annual financial statements, public assets and investment management, and revenue administration.

In 2012, the country fared well on eight indicators and secured B and B plus and in 2019 it got 10 Bs and B plus. These included budget classification, transfer of resources to provinces, fiscal risk reporting, debt management, macroeconomic and fiscal forecasting, fiscal strategy, budget preparations, procurement management and financial data integrity.

“Despite the progress achieved in different areas, there are still challenges in making the public finance management framework at the federal level a fully effective and efficient component of Pakistan’s system of governance,” said the report.

The report acknowledged the importance of the 18th Constitutional Amendment that “re-asserted the federalist character of the Pakistani state”, which set the stage for provincial governments to improve local-level participation.

The Ministry of Finance declined to comment on the report's findings, saying, "The PEFA report has not been finalised yet, therefore, the ministry cannot comment on it at the moment."

The public finance management performance has been gauged on the basis of seven pillars of budget reliability, transparency of public finances, management of assets and liabilities, policy-based fiscal strategy and budgeting, predictability and control in budget execution, accounting and report and external scrutiny and audit.

The World Bank has completed the assessment in collaboration with the federal government and the European Union. The assessment started in December 2018 and it covered three financial years 2015-16, 2016-17 and 2017-18 when the Pakistan Muslim League-Nawaz (PML-N) was in power.

The issues identified in the report remained unaddressed even in the last fiscal year 2018-19, which was the first year of the Pakistan Tehreek-e-Insaf (PTI) government.

There are "inadequacies in fiscal discipline evidenced in expenditure and revenue overturns", said the final draft report. The report found that internal audit control functions were very weak, there was poor revenue estimation and expenditure estimates were based on "inflated revenue targets".

The Public Accounts Committee has repeatedly observed lack of interest of the executive to comply with its directions, underlined the report. The report recommended making the office of the Auditor General of Pakistan "independent" from the executive for an effective oversight of expenditures.

Pakistan had not developed an effective cash management system, which allowed government entities to keep public money in private commercial bank accounts, said the report.

As of the end of 2017, Rs2.3 trillion had been parked in 450,000 accounts, maintained in private commercial banks. This money could not be audited, according to the draft report.

https://tribune.com.pk/story/2021443/2-pakistans-budget-lost-credibility-world-bank/

NEWS COVERAGE PERIOD FROM JUL 29th TO AUG 4th 2019

RS200BN TO BE RAISED FOR CIRCULAR DEBT PAYMENT

Khaleeq KianiUpdated July 29, 2019

ISLAMABAD: Amid ongoing probes into dollar-based tariff indexations, 'unnatural profits' in the power sector and last year's capacity payments of over Rs466 billion, the government will be raising about Rs200bn through Islamic bonds next month to reduce circular debt after securing about Rs11bn relief from independent power producers (IPPs).

The finance ministry has called a meeting of presidents of 10 commercial banks in the country on Monday (today) to finalise a term sheet for Pakistan Energy Sukuk-II amounting to Rs200bn for power sector liquidity through Power Holding (Pvt) Limited — an assetless shell company of the power division. Finance Secretary Naveed Kamran Baloch will lead the government side.

The consortium, led by Meezan Islamic Bank, comprises nine other commercial banks — Habib Bank, Bank Alfalah, Bank Islami, Dubai Islamic Bank, Bank Al-Habib, Bank Albaraka, National Bank of Pakistan, United Bank and Faisal Islamic Bank. This will be the second Sukuk financing worth Rs200bn for the power sector in less than six months.

The government had raised Rs200bn through Pakistan Musharqa Sukuk in March this year to bail out the power sector after the IPPs started international arbitrations to secure their overdue unpaid bills. The consortium at the time consisted of six banks — Meezan Islamic Bank, Bank Islami Pakistan, Faysal Bank Limited, MCB Islamic Bank, Dubai Islamic Bank and Al-Baraka Bank.

MCB Islamic Bank has stayed away this time.

The government had lost a case in the London Court of International Arbitration (LCIA) to about 10 IPPs, creating about Rs35bn liability, including interests and other costs, against taxpayers' money.

Power division secretary Irfan Ali had last month told the Senate Standing Committee on Power that the government was in talks with the IPPs to get some concessions, particularly on late-payment surcharges.

The government has now finalised those negotiations under which the 10 IPPs, which had won international arbitration against the government, have agreed to reduce their mark-up payments on overdue arrears from Kibor plus 4.5 per cent to Kibor plus 2pc. They have also agreed to apply mark-up after 90 days of non-payment instead of the existing 35 days, while the mark-up will now be payable on the outstanding amount once instead of compound interest rate.

As a result, the government is estimated to get a financial relief of about Rs11bn against the original cost of about Rs34bn awarded in favour of the IPPs by the LCIA. The two sides are expected to sign the settlement agreement over the next couple of weeks.

On the directives of Prime Minister Imran Khan, the power division had started negotiations with the 10 IPPs set up under the 2002 power policy for out-of-court settlement of originally Rs16bn award allowed by the LCIA. The arbitration cost had increased to Rs34bn on account of interests and other costs.

An official in one of the IPPs said the government might be overestimating the relief because the negotiations were limited to the extent of interest payments. It might be a couple of billions of rupees and nothing like Rs11bn, he said, adding that the out-of-court settlement would be a time-bound discount and in case of non-clearance of dues within 45 days, the original mark-up would get revived.

Simultaneously, officials are expecting that Rs200bn Sukuk financing will also be approved by the Economic Coordination Committee (ECC) of the cabinet later this week to ensure timely clearance of not only the arbitration liability to the litigants but also other outstanding dues to all the IPPs and fuel suppliers suffering cash flow problems because of around Rs1.4 trillion circular debt.

An official said the ECC had approved in principle up to Rs400bn Islamic financing for the power sector in February this year in two phases, but a fresh approval by the ECC as well as the cabinet was required for the second tranche because of changed financing costs arising out of more than 500 basis points increase in the central bank's policy rate to 13.25pc under the IMF programme.

The Islamic financing for the power sector has already been declared statutory liquidity ratio eligible by the government and the State Bank of Pakistan.

The assets belonging to a number of public sector power companies have been mortgaged in favour of the financiers as well as the previous bond backed by a government guarantee with a 10-year maturity at a rental return of Kibor plus 80 basis points. The bonds entail half-yearly rental repayments from the date of draw-down and repayments are made directly by the central bank on the basis of a budgetary allocation by the finance ministry on its standing instructions to direct debit for return and maturity repayment at the SBP counter.

The boards of directors of all power distribution and generation companies have agreed to pledge the properties/assets in the trust for banks. Some additional properties and assets have been selected in the distribution and generation network as collateral against rental payments.

At present the National Electric Power Regulatory Authority, National Accountability Bureau and newly created Inquiry Commission on Debt are probing the IPPs financials for purported higher than normal profits. The government is also considering appointing a specialised commission comprising international engineering, legal and financial experts on the issue.

https://www.dawn.com/news/1496787

TEMPORARY FACTORS WEIGH ON LATAM ECONOMIC GROWTH: IMF

ReutersJuly 30, 2019

NEW YORK: A sharp decline in IMF estimates for Latin American economic growth in 2019 largely resulted from “temporary factors” including adverse weather, while policy uncertainty in the largest economies also weighed.

Alejandro Werner, director of the IMF’s Western Hemisphere department, wrote on Monday that output suffered as weather reduced mining output in Chile and agricultural output in Paraguay, while mining activity in Brazil slowed after a dam disaster.

An under-execution of the budget, labor strikes, and fuel shortages dragged Mexico’s economic growth lower, Werner wrote.

Last week, the IMF slashed its 2019 economic growth expectation for Latin America by more than half to 0.6 per cent, from its 1.4pc increase estimate just three months earlier.

Brazil, now expected to grow only 0.8pc from 2.1pc three months ago, is seen accelerating to 2.4pc in 2020, “assuming a robust pension reform is approved, confidence returns, investment recovers, and monetary policy remains accommodative,” according to Werner.

Mexico, seen now growing 0.9pc this year from 1.6pc percent in the previous estimate, is expected to accelerate to 1.9pc in 2020 “as conditions normalize.” The IMF said it is key for Mexico to stick to its fiscal deficit target in 2019 and pass a “prudent” budget for next year.

Argentina’s 2019 economic contraction is seen slightly deeper at -1.3pc from -1.2pc, but the sharper cut came in the 2020 estimate, which fell to 1.1pc from 2.2pc.

“With inflation proving to be more persistent, real interest rates will need to remain higher for longer, resulting in a downward revision to GDP growth in 2020,” Werner wrote about Argentina.

The IMF said last week that as a region it expected Latin America to grow 2.3pc in 2020, compared with the 2.4pc estimated in April.

https://www.dawn.com/news/1497027

PM FOR SETTING UP NEW ECONOMIC ZONE

By Irshad Ansari Published: July 30, 2019

ISLAMABAD: Prime Minister Imran Khan has sought a detailed report containing legal, financial and procedural minutiae for the establishment of Naya Pakistan Economic Zone by September 1, 2019. Along with the economic zone, Naya Pakistan Islamabad Expressway Project will also be established.

To look into the effects of the project on environment and other sectors, six separate committees have been established. Adviser to the Prime Minister on Finance Dr Abdul Hafeez Shaikh, federal law minister, housing and works secretary, Capital Development Authority (CDA) chairman and others are members of the committees.

The committees have been ordered to complete their work and submit a report.

Member of the Punjab Assembly and Pakistan Tehreek-e-Insaf leader Aleem Khan has been included in the committees tasked with devising the financial models of the projects.

According to the documents available with The Express Tribune, Prime Minister Imran was given a detailed briefing about the projects, after which, the PM directed all ministries and divisions to complete their work on the projects and submit their reports with the PM Office.

According to the copy of the report available with The Express Tribune, an 11-member high-level committee, headed by Finance Adviser Dr Abdul Hafeez Shaikh, has been constituted for reviewing the financial aspects of the projects. The members of the committee include federal minister for law and justice, federal minister for water resources, attorney general for Pakistan, special assistant to the prime minister on overseas Pakistan and human development, housing and works secretary, State Bank of Pakistan governor, Federal Board of Revenue chairman, Naya Pakistan Housing Authority chairman, CDA chairman and MPA Aleem Khan.

Apart from other aspects, the committee will prepare the financial models of the projects.

Further, the committee will also prepare suggestions regarding special incentives package for the overseas Pakistanis so that they may invest heavily in the projects.

The documents stated that a committee comprising housing and works secretary and CDA chairman has been constituted to determine the environmental impact of the project.

The committee has been directed to work in close coordination with the Environmental Protection Agency and submit a report by September 1, 2019.

For the legal aspects of the projects, a separate six-member committee, headed by Federal Minister for Law and Justice Farogh Naseem, has been constituted.

The members of the committee include Federal Minister for Housing and Works Tariq Bashir Cheema, attorney general for Pakistan, housing and works secretary, Naya Pakistan Housing Authority chairman and CDA chairman.

The committee will ascertain all the legal amendments required for the projects and compile a report within one month and after that it will be decided if any amendments need to be made and if necessary then how will they be done.

According to the documents, after the committee submits its suggestions, it will be determined whether the legal amendments will be made through a presidential ordinance or an act or just through amendment in the relevant rules and regulations.

Apart from this, a committee, headed by the CDA chairman, has been set up to review the Islamabad Master Plan. The committee will work on the plan on a fast-track basis and submit its report.

The documents stated that a three-member committee, headed by housing and works secretary and comprising Naya Pakistan Housing Authority chairman and CDA chairman, has been set up to review the procedural aspects of the projects.

The committee has been tasked with completing consultation, servicing, concept, plan and NOC within six weeks and submit a report so that as soon as the legal aspects of the projects are complete, the projects could be launched.

For the Naya Pakistan Housing Programme, the documents stated, a six-member committee, headed by the finance adviser, has been established.

https://tribune.com.pk/story/2024101/1-pm-setting-new-economic-zone/

US HINTS AT GREATER ECONOMIC ENGAGEMENT WITH PAKISTAN

Anwar IqbalUpdated July 31, 2019

WASHINGTON: The United States and Pakistan can further enhance bilateral trade if strategic ties between the two countries continue to improve, said a White House factsheet released on Tuesday.

The factsheet “Working toward Peace and Stability: Building Economic Prosperity” notes that the United States and Pakistan enjoy a strong economic partnership that benefits both countries.

The official document points out that Pakistan and the US traded $6.6 billion worth of goods last year, setting a new record of bilateral trade.

While the document recognises Pakistan’s role in the Afghan peace process, US officials recently also urged Islamabad to encourage transit trade between India and Afghanistan, noting that it would benefit all by enhancing trade between South and Central Asian regions.

President Donald Trump also expressed his desire to increase trade with Pakistan when asked at his July 22 news briefing what his administration was willing to do to help boost the Pakistani economy.

“Yes, I see great trade with Pakistan. And I’m not talking about a little bit more. I’m talking about — we could go 10 and even 20 times what we’re doing right now,” he said.

“You know, Pakistan is a big country. It’s actually a very big country, and they have tremendous product. They make great product,” he added.

“I’ve bought from Pakistan over the years when I was in the private sector. They make incredible product. They’re brilliant people. They’re hard-working people.”

He said that he believed the US and Pakistan could “have a fantastic trade relationship. I don’t mean we’ll increase it by 20 per cent. I mean, I think we can quadruple it. I think it could go — I mean, literally, it sounds crazy — you could go 10 times more. You could go 20 times more.”

He said he believed in multiplying trade with Pakistan because he felt “what we do right now is not much, and we should do a lot.”

Trump’s statement and the White House factsheet endorse Islamabad’s claim that Prime Minister Imran Khan’s US visit was a success, although it also highlights the key issues that need to be resolved to further enhance this relationship.

The document notes that Pakistan also purchased extensive amounts of American liquefied natural gas during the same period, about 22.8 billion cubic feet.

ExxonMobil re-established its presence in Pakistan in 2018 after 27 years and is working to increase LNG imports.

It lays greater emphasis on economic relations than did recent statements by US officials, who focused more on Pakistan’s cooperation in restoring peace to Afghanistan.

American energy producers are seeing more and more business opportunities with Pakistan and American companies are incorporating cutting-edge technologies into energy projects throughout Pakistan, the document adds.

https://www.dawn.com/news/1497206

INFLATION HITS DOUBLE DIGITS AFTER NEARLY SIX YEARS

Mubarak Zeb KhanUpdated August 02, 2019

ISLAMABAD: Inflation has entered double digits in the first month of the new fiscal year, the biggest increase in five years and nine months.

Inflation, measured by the Consumer Price Index (CPI), rose to 10.34 per cent in July this year from 8.9pc the preceding month, the Pakistan Bureau of Statistics said on Thursday. During the same month last year, inflation stood at 5.84pc.

The last time inflation entered the double digits was in November 2013 and recorded at 10.9pc.

The upward adjustments in prices of petroleum products over the past few months, followed by an increase in electricity and gas tariffs fuelled the total inflation. The government also introduced certain tax measures, the cumulative impact of which dragged the overall inflation to double digits. The rupee depreciation also led to an increase in prices of imported consumer and non-consumer items, especially raw material used in manufacturing of industrial products, over the past few months.

The government has projected an inflation target of 11pc to 13pc for the fiscal year 2019-20, compared to 7.3pc recorded in 2018-19. Price levels, perked up in the first month of the current fiscal year, appear to have been driven by a spike in non-food inflation in July.

The CPI tracks the prices of around 480 commodities every month in urban centres across the country.

Food inflation was up 9.2pc on an annual basis, but surged 1.5pc on a monthly basis. Prices of non-perishable food items rose by 7.85pc and those of perishable products by 8.06pc in July.

Food items whose prices increased the most in July were: potatoes 16.84pc, pulse moong 5.41pc, eggs 5.06pc, gur 4.80pc, pulse mash 4.50pc, wheat flour 3.58pc, fresh vegetables 3.56pc, pulse masoor 2.83pc, vegetable ghee 2.49pc, bakery and confectionary 2.45pc, rice 1.77pc, milk fresh 1.41pc, pulse gram 1.31pc, tomatoes 1.17pc, sugar 1.09pc and meat 0.93pc. In the same category, however, prices of chicken declined by 8.26pc, fresh fruit 7.95pc, onions 1.73pc and betel leaves & nuts 0.65pc.

On the other hand, non-food inflation increased 11.1pc on a yearly basis and 2.8pc on a monthly basis. The increase is mainly driven by higher oil prices over the past few months and the combined impact of the depreciation of the exchange rate. The government passed on this increase to domestic consumers.

Non-food prices also remained under pressure on account of education index, which increased to 6.9pc. Clothing and footwear went up by 7.4pc, housing, water, electricity, gas and other fuels by 12.74pc, furnishing and household equipment by 10.17pc, health by 8.97pc, transport by 14.67 pc and recreation and culture by 7.67pc.

Core inflation, measured by excluding volatile food and energy prices, was recorded at 7.8pc on a yearly basis and 1.7pc on a monthly basis.

On July 16, the State Bank of Pakistan has raised its main policy rate by 100 basis points to 13.25 per cent, citing increased inflationary pressures and a likely near-term rise in prices from higher utility costs.

The gradual build-up of domestic demand is evident in the rising core inflation. Of the 89 commodity groups of CPI, it covers the price movement of 43 items. Due to a continuous increase in education and healthcare costs, core inflation remained higher on average, compared to the same period last year.

Average inflation measured by the Sensitive Price Index crawled up 12.16pc in July as against 3.58pc the previous year, while the Wholesale Price Index was up 13.46pc, compared to 10.50pc in 2018-19.

https://www.dawn.com/news/1497596

INFLATION SKYROCKETS TO 68-MONTH HIGH AT 10.3%

By Shahbaz Rana Published: August 2, 2019

ISLAMABAD: Inflation skyrocketed to 10.3% in July – the highest in the past five and a half years – due to surge in prices of housing, transport and food items, which are the driving factors but are difficult to control by increasing interest rate.

Measured by the Consumer Price Index (CPI), the average rate of increase in prices of 40 dozen items stood at 10.34% in July, reported the Pakistan Bureau of Statistics (PBS) on Thursday.

It was the highest inflation rate in the past 68 months. Last time in November 2013, the inflation had soared 10.9%. In July last year, the pace of inflation was 5.83%.

Increase in prices of petroleum products, food and beverages, utility charges, housing and devaluation of rupee against the US dollar fuelled inflation in the country. But these elements may not be neutralised by the State Bank of Pakistan (SBP) through monetary tightening.

On the demand of the International Monetary Fund (IMF), the SBP Monetary Policy Committee raised the policy rate by one percentage point to 13.25% with effect from July 17, 2019. In its statement, the central bank said the decision was taken while keeping in mind the upside inflationary pressures from exchange rate depreciation and likely increase in near-term inflation from the one-off impact of recent adjustments in utility prices and other measures in the budget.

The central bank expects average inflation to stay in the range of 11-12% in the current fiscal year, which is higher than the previous projection. Core inflation, measured by excluding food and energy goods from the basket, picked up slightly to 7.8% in July, according to the PBS. But this level of core inflation did not warrant 13.25% interest rate.

The central bank targets core inflation while taking decision on the monetary policy. After the recent increase in interest rate, the core inflation-adjusted interest rate has become positive by 5.45%, which is probably one of the highest in the world.

“Majority of the central banks keep the real interest rate positive by around 2%,” said Dr Ashfaque Hasan Khan, a member of the government’s Economic Advisory Council.

The government did not introduce the new base year to measure the rate of inflation as the PBS Governing Council had not yet approved it. The Economic Coordination Committee (ECC) of the cabinet did not give the go-ahead for introducing the new methodology and referred the matter to the governing council.

Pakistan has been using an 11-year-old base year to calculate the pace of inflation. There has been a significant change in spending patterns over the past 11 years but the government is still using the 2007-08 base year.

The CPI is calculated by reviewing prices only in urban centres. The PBS has promised that the new inflation basket will comprise 600 items including 244 in rural areas.

However, the PBS on Thursday released the inflation reading on the basis of old methodology.

There was an increase in prices of both food and non-food items. Of the 12 groups, the prices of five groups surged into double-digits in July over a year ago.

The maximum increase of 35.8% was recorded in the alcoholic beverages and tobacco group. Prices of the housing, water, electricity, gas and fuel group rose 12.8% in July over a year ago.

Prices of the furnishing and household equipment group increased over 10%, transport group 14.7% and miscellaneous group 11.6% in July. Prices of the clothing and footwear group increased 7.4%.

Gas tariffs surged 142%, garlic prices 74.9%, onion 58.83%, pulse moong 47.6%, gold 36%, CNG 33.3%, sugar 30.7%, cars 25.54%, cigarettes 24.7%, pulse mash 22.3%, petrol 22.5%, potatoes 21%, pulse gram 12.3%, high-speed diesel 12.3%, beef 12%, electricity 11.33%, motorcycles 10.7%, wheat flour 10.4%, bread plain 9.33%, cement 10.1%, kerosene oil 9.9% and rent 6.2%.

https://tribune.com.pk/story/2026253/2-inflation-skyrockets-68-month-high-10-3/

ECONOMY LIKELY TO GROW BELOW 4PC: ADB

TAHIR AMIN AUGUST 3rd,2019

ISLAMABAD: Pakistan is expected to grow below 4 percent in 2019 and 2020 as it reins in domestic demand and continues to address macroeconomic imbalances, says the Asian Development Bank (ADB).

The ADB in a report ‘How South Asia can continue as world’s fastest growing sub-region’ stated Pakistan and Sri Lanka, meanwhile, have built up persistent and large current account deficits, as well as borrowing from overseas to finance infrastructure, in recent years.

To meet its balance of payment needs, Sri Lanka entered an International Monetary Fund programme in June 2016. Pakistan has followed suit. Subsequently, as they rein in domestic demand and continue to address macroeconomic imbalances, both countries are expected to grow below 4 percent in 2019 and 2020.

The experiences of Pakistan and Sri Lanka confirm the importance of macroeconomic stability in sustaining economic growth. South Asian countries need to watch for macroeconomic imbalances and take preemptive actions. Current account deficits are desirable. Yet, a fast-rising deficit may indicate an economy is growing above its potential and needs to take precautions.

The ADB stated that since 2014, South Asia has been the fastest growing sub region in the world, with its eight economies collectively boasting average annual growth of 7.0 percent. This is higher even than East Asia (6.2 percent), which includes China; Southeast Asia (4.9 percent); and the Pacific (4.7 percent). To carry on this impressive performance beyond the next couple of years will require reforms and investments.
Strong growth in South Asia has been largely driven by the performance of Bangladesh and India, with growth averaging above 7 percent in the past five years. Domestic demand in terms of consumption and investment has been strong.
Major reforms such as the introduction of a goods and service tax in India and measures to make it easier to do business across the sub-region have helped promote private investment. In next two years, India is expected to continue to grow above 7 percent, while Bangladesh's growth is around 8 percent.

https://epaper.brecorder.com/2019/08/03/1-page/794563-news.html

STOCKS PLUMMET TO 52-WEEK LOW AS ECONOMIC WORRIES WEIGH

Our Equities CorrespondentUpdated August 04, 2019

KARACHI: The stock market maintained its despondency for the fourth consecutive week with the KSE-100 index contributing losses of 437 points (1.4 per cent) to close at 52-week low of 31,666.

The investors' attention shifted to surge in headline inflation for July hitting six-year high of 10.34pc; delay in the launch of state enterprise fund which was expected to support the market; and expectations of poor financial results particularly from cyclicals for the quarter ended June 30.

The traders' announcement of protest strike and generally poor economic indicators kept the market on tenterhooks.

The problems were exacerbated by the flare up in political activities as the government-backed Senate Chairman Sadiq Sanjrani surprisingly survived no-confidence vote on Thursday, despite opposition's majority in the upper house.

Investors ignored the US administration resuming $125 million military sales for Pakistan; the government reported to be planning to issue another Rs200 billion energy sukuk after Eid (third week of August) in a bid to reduce outstanding energy sector's circular debt and the government raising $500m through an Islamic syndicated loan by a consortium of 12 banks.

The Federal Board of Revenue reported collection of Rs227bn (95pc of the set target) for July which also was a positive development that failed to impress investors.

According to the data released by the National Clearing Company of Pakistan Limited, foreign investors remained net buyers picking up stocks worth $3.4m during the week. Major foreign portfolio inflow was noted in Cement of $3.1m and All Other Sectors combined $1.2m.

On the local front, mutual funds continued to dump stocks worth $4.8m, followed by selling by companies in the sum of $1.7m. Average daily volumes for the outgoing week stood down by 25% to 57m shares while the traded value declined 21pc to $13m.

During the week, commercial banks dragged the index down by 239 points, followed by exploration and production and the tobacco companies cumulatively eroding 109 points from the index. Oil and gas marketing companies shed 32 points.

Scrip-wise, major losers were Pakistan Petroleum, lower by 69 points, MCB 62 points, Pakistan Tobacco 57 points, United Bank 56 points, and Bank Al Habib 44 points. Top gainers were Pakistan Oilfields, higher by 37 points, Engro Corporation 17 points and Packages Ltd 15 points.

Going forward, most gurus expect the market to remain range-bound, mainly in concert with the declaration of quarterly financial results where cyclical sectors are expected to make a poor showing. Other principal negatives include the economic concerns on account of high current account deficit and slowdown in large scale manufacturing.

The uncertainty on Pakistan’s success in avoiding the placement on the Financial Action Task Force black list and the unsavoury developments on the political front are other concerns that could keep investors on the sidelines.

On the positive side, earnings surprises and multi-year low valuations at 5.5 times the forward earnings could trigger a rally.

https://www.dawn.com/news/1498039

STOCK MARKET FUND WORTH RS20B FACES HURDLES

By Salman Siddiqui Published: August 4, 2019

KARACHI: The creation of the government-approved stock market fund worth Rs20 billion to arrest a persistent slide at the Pakistan Stock Exchange (PSX) is facing hurdles as the government is unable to issue sovereign guarantee under the International Monetary Fund (IMF) loan programme.

“Creation of the market support fund has been delayed…due to the limitations put by the IMF [loan programme worth $6 billion for Pakistan],” said a high official of the federal finance ministry, who spoke on condition of anonymity.

The Economic Coordination Committee (ECC) of the cabinet approved the establishment of the fund, called the State Enterprise Fund (SEF), on May 30, 2019.

The delay occurred as the government faced constraints to issuing the sovereign guarantee. State-owned institutions – which confirmed their capital contribution to the fund – have sought sovereign guarantee to cover the risk of losing money.

“I am not sure whether the fund will still be set up. I have to check it with the officials concerned,” the ministry official added.

Adviser to Prime Minister on Finance and Revenue Dr Abdul Hafeez Shaikh said at a meeting with stockbrokers some three weeks ago in Karachi that the fund would be launched in the next four to five days.

Meanwhile, the PSX's benchmark KSE 100-share Index dropped 12%, or 4,308 points, and closed at the 41-month low at 31,666 points on Friday compared to the three-year low of 35,975 points hit on May 30 when the ECC approved the fund.

Securities and Exchange Commission of Pakistan (SECP) Chairman Farrukh Sabzwari had been hopeful that the fund would be launched within a week or 10 days following the ECC's approval.

Arif Habib Limited Chief Executive Officer Shahid Ali Habib pointed out that the IMF, under the loan programme, set a limit on the issuance of sovereign guarantees by the government at Rs1,611 billion.

The government has fully utilised the capacity as it has issued guarantees, among others, for the Sukuk (Islamic bond) floated to reduce circular debt in the energy sector and commercial loans taken by public-sector enterprises (PSEs) like Pakistan International Airlines (PIA) and Pakistan Steel Mills, he said.

"The government may create the fund as and when a sovereign guarantee (worth around Rs20 billion) is vacated," he voiced hope. "It all depends on the government's intentions."

Some of the stockbrokers, including those who remain in contact with Federal Minister for Economic Affairs Hammad Azhar, have completely lost hope in the fund.

PSX Stockbrokers Association General Secretary Adil Ghaffar is among those stockbrokers. "The market may drop by another four to five thousand points until the faltering economy shows signs of recovery," he said.

State Bank of Pakistan (SBP) Governor Dr Reza Baqir expressed the hope the other day that some of the economic indicators, including inflation and fiscal and current account deficits, would be in better positions in second half (January-June) of the current fiscal year 2019-20.

Seasoned stockbroker Aqeel Karim Dhedhi, however, said there was no need for creating the Rs20-billion fund.

Some of the state-owned institutions, which have confirmed their contribution of capital, have hundreds of billions of rupees in their hands individually. If the institutions really want to support the market, then what are they waiting for, he asked.

"It is the best time to invest in the PSX. Shares across the board are at historically low prices these days," he said.

He held some of the state-owned institutions responsible for the massive drop at the PSX, saying they had sold stocks worth billions of rupees.

"A state-owned institution alone has sold shares worth Rs150 billion under the current cycle of depression at the PSX," he claimed.

The institutions which have confirmed their participation in the fund, but waiting for the sovereign guarantee, include National Bank of Pakistan (NBP), State Life Insurance Corporation, Employees' Old-Age Benefits Institution (EOBI) and National Insurance Company Limited.

Dhedhi, however, voiced hope that the market may see the launch of the fund but without the sovereign guarantee.

https://tribune.com.pk/story/2027562/2-stock-market-fund-worth-rs20b-faces-hurdles/

APBF CALLS FOR ECONOMIC UPLIFT BY BOOSTING SKILLS

By Our Correspondent Published: August 4, 2019

LAHORE: The All Pakistan Business Forum (APBF) has stressed the need for promoting skills development according to the private sector's demand, saying that skilled youth can fulfil the industrial human resource needs, besides uplifting the national economy.

APBF President Syed Maaz Mahmood said that the employability rate of graduates from the formal technical and vocational education and training (TVET) system is very low due to lack of quality and relevance of the training content. He said that about three million youth enter the labour market, while the formal TVET system can only accommodate 0.5 million trainees annually. He said the gap between demand and supply of skilled workforce is due to limited cooperation between the public and the private sectors in TVET planning and its implementation.

Sharing experiences of EU countries, he said the EU countries mitigated their economic woes through skill development as skilled human resource was the key to surmount economic efficiency challenges of the country. He termed skill development as key priority to provide maximum jobs.

He remarked that Pakistan, having about 65% population of 30-year olds, has an opportunity to grow its industry through promotion of quality vocational training and technical education.

Mahmood said one of the main issues is the mismatch between the skills provided by the TVET institutes and the needs of the market. So the major challenge is to make sure that there are good linkages between the needs of the industry and what the TVET sector is producing in terms of skills.

He said the APBF had also organised a forum to discuss the key economic issues, including development of a better skilled workforce to cope with the emerging trends and need for global competitiveness.

https://tribune.com.pk/story/2027569/2-apbf-calls-economic-uplift-boosting-skills/

AUGUST, 2019

NEWS COVERAGE PERIOD FROM AUG 05th TO AUG 11th 2019

ECONOMIC CRISIS RESULT OF PAST GOVTS' POLICIES, SAYS QAISER

A CorrespondentAugust 05, 2019

SWABI: National Assembly Speaker Asad Qaiser has said that the opposition parties, which are now pointing accusing finger at the Pakistan Tehreek-i-Insaf government, had failed to serve people when they were in power.

Addressing a function here on Sunday, he said those who were now sitting on opposition benches in the national and provincial assemblies and criticising the government had ruled the country for decades but utterly failed to deliver. "The economic decline which the nation experiences today is the result of flawed and self-centred policies of past governments," he said.

Coming down heavily on Jamiat Ulema-i-Islam-F chief Maulana Fazlur Rehman for criticising the incumbent government for bad governance, he said the Maulana had been part of every government during the last few decades but the people had rejected his party in the 2018 elections. "Now he should wait for completion of the five years constitutional term of PTI." Mr Qaiser said.

About increased prices of commodities, he said it was the result of policies of previous governments. "We hope that economic stability will be achieved within a year and the current economic decline and increasing prices of commodities will be reversed," he said.

Mr Qaiser claimed that they had brought result-oriented reforms in the education sector, which were appreciated widely.

He said gas facility would be provided to every village of the Swabi district, adding electricity low voltage problem had been resolved to a great extent. He said the main problem was old transmission lines which caused disruption in power supply. "We will overhaul the entire transmission system in the district," he said.

TWO KILLED ON ROAD: Two persons were killed in different incidents on Sunday, said police.

Abdul Malik of Chota Lahor was electrocuted when he touched a live wire. He was taken to tehsil headquarters hospital where the doctors pronounced him dead.

Also, Salamullah of Dalori village was hit and killed by a speeding coach on Topi-Utla road. He was taken to nearby hospital where he succumbed to injuries.

https://www.dawn.com/news/1498117/economic-crisis-result-of-past-govts-policies-says-qaiser

SERIOUS ISSUES IN CURRENT PROGRAMME WITH IMF

DR OMER JAVED AUG 8TH, 2019 ARTICLE

Falling among a select list of countries, Pakistan has been a prolonged or frequent user of International Monetary Fund (IMF) resources. Research has indicated that such countries form a strong inclination to approach the IMF to deal with recurring balance of payments of crises, as an easy way, rather than going for hard economic choices or reforms.

Although some call them 'tough conditionalities', yet in reality IMF programmes are highly imbalanced reform packages, since they are strongly tilted in focusing on the aggregate demand-side of the economy, with little policy prescription dealing with any reform on the aggregate supply-side. Hence, programmes more often than not have left recipient countries with a stagflationary condition - simultaneous increase in both inflation and unemployment, along with reduction in economic growth rate.

Policy negotiated under the Extended Fund Facility (EFF) programme with Pakistan, along with both in terms of the country meeting pre-conditions to the IMF programme - as alluded to in the programme document recently produced - and the one earlier being pursued, all are perpetuating the stagflationary phenomenon in the country in the light of the above.

At the same time, as the EFF programme with Pakistan goes underway, it is important to highlight a related aspect, whereby, the IMF has been criticised for following this pattern of 'adverse selection' in terms of negotiating frequent programmes with countries that have a poor completion rate - as is the case of Pakistan. This attitude on the part of the IMF has apparently allowed political and economic leadership of recipient countries to adopt a 'moral hazard' situation, whereby they have preferred to postpone carrying out needed institutional, organizational and market reforms on both the aggregate-demand and supply sides, since they somewhat easily got bailed-out time and again through IMF programme funding.

Economic history in Pakistan of relationship with IMF is quite similar since the late 1980s, when for the first time the country got into negotiating relatively bigger IMF programmes in terms of conditionalities and funding. Will the current government be able to discontinue this moral hazard concern, is yet to be seen; although the current programme being the usual run of the mill kind, this appears to be highly unlikely, especially if the government does not bring in parallel some sort of home-grown supply-sided, institutional reform and economic stimulus-providing package.

What is more worrisome to see is that even in the current IMF programme, the focus is on the same The Washington Consensus/Neoliberal style of structural-adjustment policies: squeeze the aggregate demand side especially through primarily a) adopting tight monetary policy and within it by increasing the policy rate basically, b) adopting some form of a flexible exchange rate, and c) pushing for austerity (or lack of development spending primarily) to overall reduce inflation.

At the same time, not much focus is laid on improving the supply-side, which together with the above means that growth rate is sacrificed disproportionately to achieve gains on reducing inflation. Yet, data has amply indicated that in developing countries like Pakistan- with significant market failures in the real and financial markets, weak regulatory and institutional arrangements, and high levels of information asymmetry and transaction costs- where inflation is at least equally a fiscal phenomenon (and not just monetary), means overall that inflation has continued to remain stubborn, and growth has been falling. Macroeconomic data of the country since at least January 2018 clearly indicates this, along with highlighting the situation of very limited role of policy rate, since there has been a lack of strong negative correlation between policy rate and inflation.

Moreover, unlike what a developing country like Pakistan needs- where markets are weakly positioned and require active governance/regulation- the negotiated programme with the IMF

considerably plans to limit the role of government through for example such measures as follows.
Firstly, preparing state-owned enterprises for privatization predominantly, which takes PTI-led government away from its stated desire to learn from the Scandinavian model where under the social-democratic thought process- and that has been gaining currency since the global financial crisis of 2008, not to mention the tremendous success it has brought for these countries in terms of poverty and inequality- the government has successfully run state-owned enterprises.
Secondly, giving even more independence to State (or central) Bank of Pakistan through an act of parliament due to be passed by end of this calendar year. This will further weaken the control of government over two very important channels affecting both growth and inflation- policy rate and exchange rate- and in turn will lead to further disenfranchisement of electorate from policy.
Thirdly, virtually disallowing the government to borrow from the central bank, where the programme intends to use this to reduce crowding-out of the private sector, which is contradictory since high policy rate deters private sector borrowings anyways.
There is another serious issue with the programme: there is not much focus on the 'equity' concerns facing the economy, even when as highlighted in the programme document that not only is poverty level around one-third of the population, but that the labour force participation rate is also low. The demand-side over-emphasis in the programme, along with high policy rate and market-determined exchange rate all leading to keeping the economic growth rate depressed- expected valued of which for FY19 is virtually equal to the population growth rate- means that lack of supply-side spur and with lesser employment opportunities and stubborn inflation, will all impact adversely on the poverty and inequality levels.
Add to it the limited focus of the programme to deal with the weak institutional framework- including the extractive nature of institutional design, otherwise called elite capture in the Ehsaas (or welfare) programme document- and the situation of lacking governance and incentive structures, is being only slightly challenged through curtailing the role of SROs (Statuary Regulatory Orders) by requiring parliamentary backing for allowing them. This in turn means that the programme lacks on both adequately meeting efficiency and equity concerns in the economy. One wonders then, how the economy will be put on sustainable growth trajectory that delivers for most. At the same time, the imbalanced programme will have future economic costs, for which the government should plan for in advance.
The programme limits the role of government, lowering both direct prospects of public-private partnership, and also indirect ones at the back of programme persisting with policy rate on the higher side only adding to the cost of private sector borrowing and future domestic debt repayments. Without economic activity and needed market and institutional reforms, it will be difficult to reduce inflation, or raise much tax revenue, improve exports, or reduce poverty. What's more: higher policy rates would also mean greater mortgage rates for the PM's housing scheme. Lastly, the programme lacks focus on labour market reforms, and also falls short of introducing ingenuity in the shape of social protection policies like social credit.

https://fp.brecorder.com/2019/08/20190808505108/

REMITTANCES RISE 2.8PC IN JULY

The Newspaper's Staff ReporterUpdated August 10, 2019

KARACHI: Foreign remittances during the first month of this fiscal year clocked in at $2.04 billion, up 2.8 per cent compared to $1.98bn in the same period last year, reported the State Bank of Pakistan (SBP) on Friday.

However, on a monthly basis, remittances surged 24pc over $1.65bn recorded in June this year.

The country-wise data showed that Saudi Arabia remained as the leading source of inflows as overseas workers in the peninsula sent back $470.95 million during July, higher by 7.65pc from $437.48m in corresponding month last year.

The United Arab Emirates came in second as inflows from the country were recorded at $427.33m. This shows a decline of 4.24pc over last year’s $446.25m and is in stark contrast to the massive growth of 33.04pc posted in 1MFY19.

Meanwhile, inflows from the United States climbed 13.88pc to $332.37m during July, as against $291.87m in same month last year. On the other hand, remittances from the United Kingdom posted a meagre increase of 0.25pc to reach $299.27m, as compared to $298.51m.

Malaysia continued to give a health performance as remittances rose by 19.95pc to $160.36m in July, up from $140.73m. This is line with last year’s trend when inflows from the Southeast Asian country had surged by 70.28pc over the July FY18 level.

However, figures from other Gulf Cooperarion Council were disappointing as inflows edged lower by 0.62pc to $198.06m during the period, from $199.3m. Similarly, remittances from the European Union fell to just $58.30m, down 10.25pc over $64.96m in July FY19.

The latest data is not going to go down well with the government which has been trying to gather foreign inflows from all possible sources, including attempts at boosting exports and turning to friendly countries, in addition to the $6bn International Monetary Fund package. However, most importantly, Prime Minister Imran Khan has tried to encourage overseas Pakistani to send more money back home and recently even held a massive public rally in Washington to appeal to them.

https://www.dawn.com/news/1499097/remittances-rise-28pc-in-july

TEXTILE INDUSTRY: SBP CHIEF VOWS TO ENCOURAGE INDUSTRIALISATION IN COUNTRY

RECORDER REPORT AUG 10TH, 2019 LAHORE

All Pakistan Textile Mills Association (APTMA) delegation, led by its management and senior members including Senior Vice Chairman Naveed Gulzar, Chairman APTMA Punjab Adil Bashir and others from Karachi, Multan, Faisalabad and Lahore chapters, held meeting with Governor State Bank of Pakistan (SBP) Dr Reza Baqir. Governor SBP gave patient hearing to the representation of the premier textile industry association and assured of providing all possible facility to encourage industrialisation in the country.

The industry representatives appreciated the economic managers for achieving zero current account deficit for the month of July and hoped that this trend would continue in future as well.

APTMA made presentation on the state of the industry and envisaged investment and export targets for the industry to catch up its lost ground in the international marketplace. Appreciating policies of the government for making the industry regionally competitive and resolving issues arising out of the federal budget, the delegation pointed out that the government has issued promissory notes (bonds) against outstanding sales tax refunds to claimants against their RPOs, which are not being discounted by the banks. They further said that discounting of promissory notes be at market-based rate.

On the LTFF facility, they said it is not currently available to indirect exporters like it was in case of the LTF-EOP Scheme..

They further pointed out that the liquidity requirement of industrial units has increased 40% on account of devaluation and 17% on account of imposition of sales tax. Banks should be directed to

enhance credit limits accordingly.
Governor SBP, on the occasion, assured of considering the industry representation in the larger interest of the economy and take appropriate steps to support the industrial growth and exports.
He said the current account deficit has been successfully managed and the economic sustainability would soon be achieved, as the worst is over. He said the government would extend full support to the exporting industry soon a space is available amidst the fiscal constraints. He also assured of regular engagements with the industry representatives in future.

https://fp.brecorder.com/2019/08/20190810505802/

NEWS COVERAGE PERIOD FROM AUG 19th TO AUG 25th 2019

ECONOMY, ONE YEAR ON

| 8/20/2019 12:00:00 AM

NE year into its term in power, and the PTI government has much to answer for. Take the management of the economy.
There is little doubt that the new government that took power after the July 2018 elections inherited an economy with severe stresses that had to be addressed rapidly and decisively as they were propelling the country towards a balance-of-payments crisis. At the heart of it were the rapidly depleting foreign exchange reserves that at one point fell to a level barely sufficient to cover a month`s worth of imports. If that level had continued to drop, Pakistan would have entered a financial crisis of the sort that we saw in 1998 and in 2008. Averting the slide was the top priority as was bringing the fiscal deficit under control. The deficit was touching 6.5pc of GDP, pushing government debt up, and complicating the effort to build up reserves.
This was a very serious situation, undoubtedly, and left to itself, the country was drifting dangerously close towards a crisis point.
The government`s response took long to take shape, giving rise to protracted uncertainty. There was resort to emergency financing measures worth just over $7bn from countries including Saudi Arabia, the UAE and China. On almost all fronts it seemed as if the government was in a state of policy paralysis, with the circular debt continuing to rise, the stock market plummeting, the debt markets frozen, CPEC in limbo, key decisions on more LNG terminals left dangling, revenue collection falling to historic lows despite two mini budgets, no major legislation on any subject, and so on.
Meanwhile, the government`s indebtedness shot up and net reserves plummeted to negative $16.8bn by May 2019, despite the emergency support provided by Saudi Arabia, the UAE and China.
Given the numbers, it is not possible to argue that the delay in formulating a robust policy direction was in any way beneficial to the economy. Ultimately, the decisive step of removing the PTI`s core point man on the economy was taken in order to put policymaking on stronger rails. Nevertheless, many have questioned the appointment of Hafeez Shaikh as finance adviser to the prime minister, arguing that he represents the thinking of `purana` and not `naya` Pakistan. Aside from a ferocious macroeconomic adjustment, the budget brought no new ideas. The result is now there for all to see skyrocketing inflation, rising unemployment and collapsing investment and growth. Meanwhile, the economic managers are averse to disclosing the reality and continue to insist that things are moving in the right direction. It took one whole year for the PTI government to find its feet amid a sinking economy. In the year ahead, it must find the rest of its body too, and realise that running the economy requires more than slogans and loud claims.

https://epaper.dawn.com/DetailImage.php?StoryImage=20_08_2019_008_001

ONE YEAR OF 'NAYA PAKISTAN': CIRCULAR DEBT ISSUE REMAINS UNRESOLVED

ZAHEER ABBASI AUG 20TH, 2019 ISLAMABAD

The government has been unable to resolve the issue of circular debt during the last one year and consequently it continues to pose a challenge to the sustainability of the sector despite some reduction in line losses. The major achievements of Ministry of Power during the one year of Pakistan Tehreek-e-Insaaf government has been a decline in line losses of power sector by 1.4% with an impact of about Rs 16 million and recovery of Rs 121 billion old receivables by Discos.

However, background interaction with some officials revealed that the decline in line losses is not sufficient enough to reduce the monthly flow of circular debt. Additionally, capacity payments have risen during the last one year as additional capacity could not be utilized owing to slowdown of economic activity. They added that these are major problems of the power sector and if these remain unresolved, sustainability of the power sector would remain a challenge. The officials added that there is a need for considerable reduction in system losses- transmission and distribution - if the objective of a sustainable power sector is to be achieved.

The government claims that the flow of circular debt has been reduced from Rs 38 billion per month to Rs 26 billion per month and by June, 2020 would be brought to Rs 8 billion per month while by December 2020 the growth will be brought to zero. However this data is not independently verifiable, sector experts told Business Recorder.

Adviser to All Pakistan Textile Mills Association (APTMA), Shahid Sattar when contacted said that the increase in electricity prices has little impact on export sector because their tariff was fixed at 6.5 cent per unit; however, the input cost of other industries has increased significantly owing to tariff adjustment. However, Chairman Council of All Pakistan Textile Association Zubair Motiwala told this newspaper that gas price has increased by 31 percent, water by 29 percent, while the government has withdrawn subsidy on electricity for industrial sector.

An official further revealed that average tariff for general industry B-I category has been raised to Rs 15.30 per unit from Rs 13.30 per unit, reflecting an increase of Rs 3 per unit during the last one year of the PTI government while tariff for peak hour was increased from Rs 18 per unit to Rs 19 per unit. The increase in power tariff has increased input costs of the industry, making them uncompetitive.

Ministry maintained that it took administrative and technical measures pertaining to system augmentation and upgradation. A campaign was launched across Pakistan against overbilling and corruption. As many as 36,000 FIRs were registered, 5318 persons were arrested and Rs 1368 million was recovered from the anti-theft campaign. The distribution companies were tasked to recover Rs 80 billion from old receivables but DISCOs recorded the amount of Rs 121 billion under this head from October, 2018 till June, 2019. Additionally, a project of Advanced Metering Infrastructure (AMI) is being launched in Lesco and Iesco areas with assistance of $ 400 million from Asian Development Bank.

https://fp.brecorder.com/2019/08/20190820507307/

FOREIGN INVESTMENT DOWN 22PC

Shahid Iqbal Updated August 22, 2019

KARACHI: The total foreign investment plunged by 22 per cent in the first month of this fiscal year, reported the latest data from the State Bank of Pakistan (SBP) on Wednesday.

The total investment fell to $107.2 million during July, lower by 21.64pc over $136.8m recorded in same month of the previous year. This could possibly be a worrying sign for the government which has been met with a severe shortage of dollars since coming into power, thanks to the massive current account deficit.

This was led by net foreign direct investment (FDI) of $73.4m during the period under review, plummeting by 57.79pc, from $173.9m. On the other hand, portfolio investment was down 19.66pc to $33.9m, as against a net outflow of $42.2m in July last year.

2018-19 proved to be a dismal year for inflows as annual FDI dipped 61pc to a modest $1.251 billion, down from $3.23bn in FY18.

This massive decline paints a negative picture for investors who are cautious about their investment which has been on a downward trajectory for several years.

Perhaps the most noteworthy element of the data is the continued downward trend of Chinese investments to Pakistan, which in the wake of China-Pakistan Economic Corridor reached record highs. In July, there was a net outflow of Chinese investment at $4.5m, as compared to an inflow of $90.6m in same month last year.

Recently, Prime Minister Imran Khan iterated that all CPEC projects will be completed in time but there is a growing feeling among the business circle that China has slowed down its economic activities here.

United States was the biggest source of inbound investments during the month, registering net FDI of $16.6m in July, as against $14.4m in same period last year. Malaysia came in a close second with net inflows of $14.6m, compared to just $2.5m in same period last year.

Meanwhile, net from the United Kingdom plunged by 78.9pc to $11.1m, from $52.7m in July last year. The biggest outflow was noted from Kuwait at $16.7m, which continued July 2018 trend when the figure stood at $13.8m.

Sector-wise, oil and gas exploration recorded the highest net FDI of $13.2m in July, down from $19.6m in same month last year. This followed by textile where net investments were recorded at $10.7m and pharmaceutical and OTC products at $10.3m. On the other hand, power sector posted an outflow of $14.4m.

https://www.dawn.com/news/1500966

CURRENT ACCOUNT IN CONTROL

BR Research August 22, 2019

The current account deficit is down to $579 million in July19; almost one fourth of what was in the July18 – just before PTI assumed power. The good news is that imports are coming down consistently – in 7MCY19, average monthly imports are down by 18 percent – from $5 billion to $4.1 billion. The demand compression policies are working, at the cost of employment, high inflation and low growth.

A few optimists are excited on the exports number picking up to $2.2 billion in July – up by 24 percent from Jun19; but it is lower than May number – so last three months' export is averaged at

$2.1 billion – only $100 million monthly addition of past three years' average monthly export. In 7MCY19, the monthly average exports are down by 2 percent year-on-year.

The story within trade balance of goods is that imports are down and the trend is visible while there is no change in exports as such. It has been 20 months since the currency adjustment started and it should be good enough time for results to start showing– which come with a lag of 6-18 months. The REER is at 90.5 which is clearly showing an undervalued currency and that could help exports pick up.

However, International cotton prices are down by 30 percent in last 12 months and more than 55 percent of Pakistan's exports are textile. Thus the gains of undervalued currency in value terms of exports could be offset by decline in prices. Thus, attaining IMF projection of $26.8 billion exports in FY20 is a difficult task.

The fall in commodity prices is across the board as Sino-US trade war has resulted in global economic slowdown and shrinking cross border trade. Since Pakistan is a net importer, the benefit of oil and other commodities and chemical prices ought to be higher than the loss due to falling cotton prices.

Thus, the CAD target of $6.7 billion (monthly average- $558mn) is likely to be achieved as imports could be less than projected $51.7 billion. The government's focus is on curbing imports and it is yielding results. Apart from currency and interest rates movement, some non-tariff barriers are imposed on food items imports, crackdown on smuggled goods is on the rise and domestic final goods consumption is low to lower the raw material and intermediate goods imports – such as lower sales of automobiles resulting in lower imports of parts.

A positive element of imports becoming expensive is initiation of import substitution – there are opportunities of making goods cheaper at home. There are some signs of it – (read "Micro silver linings in macro abyss").

The detailed trade numbers are yet to be released, but higher benefit in import reduction is to come in petroleum imports (in Jul18 it was $1.8bn); the lower oil prices and better weather has resulted in both lower value and volume imports. In case of motor fuel, the consumption is falling as well. In other areas, the food imports are likely to have a higher hit – based on June numbers –tea, palm oil and dairy products are the key categories.

The goods trade deficit gains in July are partially offset by higher import in services and lower primary income credit. These numbers fluctuate, and may come better in August, but the gain is to be mitigated by lower exports. The workers' remittances were up by 24 percent on monthly basis as Eid related flows were there. This may adjust in August.

The overall CAD may hover around $500-600 million monthly for FY20. In case of financial account, due to flow from IMF, the toll is increased by $883 million. Going forward, the financial accounts are likely to remain positive. The SBP's goal is to keep CAD to a level where it can be financed – it did in July; as long as this continues, there is no rationale to further depreciate an already undervalued currency or to jack up interest rates.

https://www.brecorder.com/2019/08/22/519148/current-account-in-control/

FDI PLUNGES TO NINE-MONTH LOW AT $73.4M

By Salman Siddiqui Published: August 23, 2019

KARACHI: It has been over a year now since the Pakistan Tehreek-e-Insaf (PTI) government came to power, but it has failed to win the confidence of foreign investors in the national economy due to a prolonged phase of rupee deprecation and slowdown of the economy.

This was reflected in statistics of foreign direct investment (FDI) which plunged to a nine-month low at $73.4 million in July 2019, the first month of the current fiscal year 2019-20, according to the State Bank of Pakistan (SBP).

The FDI was 59% lower than the $178.9 million received by different sectors of the economy, particularly construction and power, in the same month of previous fiscal year. The FDI had dropoped to half at $1.66 billion in the last fiscal year compared to investment of $3.47 billion in FY18.

"Pakistan has remained a potential market for foreign investors. They still have plans to make fresh investment in the country, but they have continued to wait for the return of economic stability," said Overseas Investors Chamber of Commerce and Industry (OICCI) Secretary General Abdul Aleem while talking to The Express Tribune.

He highlighted uncertainty in the rupee-dollar parity as one of the major concerns of foreign investors. “Now, it seems that the rupee has become stable,” he said.

The central bank let the local currency depreciate 32% to Rs160 against the US dollar in the fiscal year ended June 30, 2019. Since then, it has remained stable at around the same level.

An industry source, who spoke on condition of anonymity, said a slowdown in the economy had badly impacted business confidence.

“It is a must for the authorities concerned to first create an enabling environment for the local businessmen desiring to make new investment. Foreign investors may follow suit,” he pointed out.

https://tribune.com.pk/story/2039917/2-fdi-plunges-nine-month-low-73-4m/

FOREIGN EXCHANGE: SBP RESERVES DIP $26M TO $8.2B

By Our Correspondent Published: August 22, 2019

KARACHI: The foreign exchange reserves held by the central bank decreased 0.31% on a weekly basis, according to data released by the State Bank of Pakistan (SBP) on Thursday.

Earlier, the reserves had spiralled downwards, falling below the $7-billion mark, which raised concern over Pakistan’s ability to meet its financing requirements. However, financial assistance from the United Arab Emirates (UAE), Saudi Arabia and other friendly nations helped shore up the foreign exchange reserves.

On August 17, the foreign currency reserves held by the SBP were recorded at $8,238.7 million, down $25.7 million, compared with $8,264.4 million in the previous week. The decrease in reserves was mainly due to external debt servicing and other official payments, the statement added.

Overall, liquid foreign currency reserves, held by the country, including net reserves held by banks other than the SBP, stood at $15,604.7 million. Net reserves held by banks amounted to $7,366 million.

Pakistan received the first loan tranche of $991.4 million from the International Monetary Fund (IMF) on July 9, which helped bolster the reserves. Previously, the reserves had jumped on account of $2.5 billion in inflows from China.

Over time, the declining reserves have forced the central bank to let the rupee depreciate massively, sparking concern about the country’s ability to finance a hefty import bill as well as meet debt obligations in coming months.

In April last year, the SBP's reserves increased $593 million due to official inflows. A few months ago, the reserves surged due to official inflows including $622 million from the Asian Development Bank (ADB) and $106 million from the World Bank.

The SBP also received $350 million under the Coalition Support Fund (CSF) earlier.

In January last year, the SBP made a $500-million loan repayment to the State Administration of Foreign Exchange (SAFE), China.

https://tribune.com.pk/story/2039791/2-foreign-exchange-sbp-reserves-dip-26m-8-2b/

GOVT PROCURES $494.56M EXTERNAL LOANS IN JULY: EAD

TAHIR AMIN 2019/08/24

ISLAMABAD: The government procured $494.56 million external loans in July including $173.3 million from foreign commercial banks, at high rates of return and short amortization period, which is 35 percent of total assistance.
According to Economic Affairs Division (EAD) data released here on Friday, the country received $494.56 million foreign assistance in the first month of current fiscal year 2019-20 compared to $468.31 million during the same period of last year.
The government has budgeted foreign assistance of $12.957 billion for the current fiscal year including $2 billion foreign commercial loans. The country received $221.82 million from multilaterals and $99.43 million from bilateral in July 2019.
According to EAD, the government borrowed $173.3 million from foreign commercial banks compared to $70 million during the same period of last year, $123.31 million from Dubai Bank out of total committed amount of $325 million and $50 million from a consortium of Credit Suisse out of its total commitment of $250 million in the first month of the current fiscal year.
China disbursed $54.23 million in July including $4.67 million for the Orange Line Metro project and $49.55 million for the Havelian-Thakot Road project of China Pakistan Economic Corridor (CPEC). The Islamic Development Bank disbursed $137.07 million in July out of the total of $1.1 billion budgeted for the current fiscal year. Asian Development Bank (ADB) disbursed $15.87 million in July out of $1.681 billion budgeted for current fiscal year. United Kingdom (UK) disbursed $37.18 million, IDA $41.53 million, International Fund for Agricultural Development (IFAD) $17.48 million, USA $6.04 million and Japan $1.99 million in the first month of current fiscal year.

https://epaper.brecorder.com/2019/08/24/3-page/797678-news.html

NEWS COVERAGE PERIOD FROM AUG 26th TO Sep 1st 2019

A WICKED TRADE-OFF BETWEEN DEVELOPMENT AND REFORMS

By Ali Salman Published: August 26, 2019

ISLAMABAD: The first-year of the Pakistan Tehreek-e-Insaf (PTI) government is over, but is the crisis over also? Let's look at the claims of both critics and admirers of the PTI administration.

The critics cite economic downturn, high inflation, high-interest rate, high unemployment, low level of exports, higher debt and now deceleration in large-scale industrial growth as main indicators of a failed economic policy. None of this can be denied.

The supporters, however, cite curtailment of current account deficit, correction in the exchange rate, considerable expansion in the number of tax filers, the revival of privatisation on the agenda and withdrawal of tax exemptions from various sectors as indicators of better economic policy. None of this can be denied too.

Depending on what indicators one chooses, one can reach opposite conclusions. Without being selective in the selection of measures of performance, what is the big picture?

Looking back, the word “reforms” was largely missing in the Pakistan Muslim League-Nawaz (PML-N) government’s tenure and it heavily depended on infrastructure-induced growth thanks to both China-Pakistan Economic Corridor (CPEC) and the Public Sector Development Programme (PSDP).

It did not introduce any tax reforms and did not undertake any privatisation. True to its demand-side policies, the PML-N relied on infrastructure spending, whether tax-financed or debt-financed.

That helped in boosting some business confidence and encouraged domestic economy, including the automobile and construction sectors. That policy translated into higher growth, more jobs and a generally upbeat mood.

Exports, however, remained sluggish. Growth did take place in the absence of reforms. That also meant that Pakistan’s economy was growing despite the deterioration in the business environment, at least when measured by the ease of doing business. Development, through infrastructure, certainly lifted growth to an extent.

To the contrary, in the PTI government narrative, the word “development” is largely missing. Its provincial government has miserably failed earlier to finish the Peshawar Metro Bus project according to the budget and schedule. Its federal government has cut down on PSDP and shelved CPEC.

Its mantra is reformed and one should admit that reforms have taken place, both in the exchange rate management and tax policy. Its hope is that an improvement in these structural measures can provide impetus to growth eventually.

It is banking on reforms to deliver. But the private sector, by and large, is accustomed to subsidies and exemptions. While this cannot be generalized, this can be confidently said of the main export sector.

Thus, when the export sector is not supported by exemptions and subsidies, it is not sufficiently competitive on its own to win orders. The industrial and trade policy has only pampered the sector and never disciplined it.

Long-term economic growth, as everyone agrees, is about productivity. This can be easily measured by answering these questions.

Can our farmers increase yields? Can our labour produce more? Can our factories produce more at a lower cost? Can teachers improve learning outcomes? This also applies to the government. Can it control less and facilitate more? Can it make tax payment easier and cheaper? Can it reduce the time needed to enforce contracts?

The real measure of reforms is the answer to these questions as well. Reforms are not just about sitting in the central bank and increasing interest rate to curb inflation or to let the exchange rate be determined by the market. This is reform by the knee jerk. This is reform under compulsion.

The sign of real reform is when as a result of reforms, the farmers, the labour, teachers, and businessmen will become more competitive. Only such reforms will bear the seeds of long-term growth.

Pakistan's economy is faltering on the transition from development to reforms. It has stopped development because the state determined corruption as the main obstacle to growth and prosperity. It saw all development as corruption.

Obviously, this is the wrong diagnosis. It is not about corruption, it is about competence and competitiveness, which cannot be implanted by infrastructure or by superficial reforms.

The economy is not faltering because of the corruption of leaders. It is faltering because of a general decline in the level of competence and a steep decline in competitiveness. Pakistan's economic policy is badly stuck between a very wicked trade-off between development and reforms.

The writer is the founder of PRIME Institute, an independent think tank in Islamabad

https://tribune.com.pk/story/2042163/2-wicked-trade-off-development-reforms/

FISCAL BLOWOUT

Editorial Updated August 29, 2019

All last fiscal year, the government careened from one policy priority to another like a child in a dodgem car while then finance minister Asad Umar talked one day about an inherited crisis, the next day about industrial revival packages, and the third day about borrowing from friendly countries.

All the while the fiscal deficit grew rapidly, and the data from the latest quarter that has just been released, covering the period April to June 2019 — which completes the full year's picture — shows that the growth in the government's expenditures accelerated throughout and revenue growth stagnated.

Not only that, in rupee terms, the FBR actually collected slightly less revenue in FY2019 than in the previous year, despite a raft of regulatory duties, two mini budgets, and a massive devaluation which usually boosts recoveries under custom duties.

But none of that helped, and perhaps for the first time ever, we had slower revenue collection in rupee terms than in the preceding year.

This is nothing short of a blowout.

One might have to travel more than four decades back in time to find another year in which the fiscal deficit — the gap between revenues and expenditures of the federal government — was larger than 8.9pc of GDP, which is where it landed by end of FY2019.

The brunt of the curtailment in expenditures during this year was borne by development spending, which is one big reason why economic growth ground to a near halt as well.

And the major portion of the budget deficit increase came in the fourth quarter.

Where the total deficit came in at Rs3.445 trillion, almost Rs1.5tr of that was accumulated in the last quarter.

This shows the massive pressure that had built up in the economy throughout the year was released in one go towards the end of the fiscal year.

All through the year the government reminded us incessantly of the difficult economic situation it had inherited, often describing it in apocalyptic terms, such as the "worst economic crisis in history".

But at the end of the fiscal year, the blame for the dismal outturn lies in one place only: with the government in power.

There was a lack of focus on economic priorities throughout, repeated entreaties for more time, repeated reminders that tough choices lie ahead followed by repeated U-turns on whether or not to approach the IMF, and even rhetoric of some sort of revival underway from February onwards.

All that now lies in ruins.

The record setting fiscal deficit is the cost of losing focus on the economy.

It results in higher borrowing, higher debt service costs, and further crowding out of the private sector from the country's debt markets.

In short, it has cascading consequences that can take years to pay off.

The rhetoric must now end.

https://www.dawn.com/news/1502347/fiscal-blowout

DEPRESSING FY2018-19

WAQAR MASOOD KHAN AUG 30TH, 2019 ARTICLE

Just when one thought the FY2018-19 had ended and the focus should exclusively turn to the new year, some new information about its performance emerges that pales all previous shocks. The fiscal operations data released by the Ministry of Finance a few days ago has left many in complete awe. It looks there was nobody minding the shop.

It was evident at the time of the revised budget that a disorder has gripped the economic management. Against an original target of Rs 5.7 trillion for gross revenue receipts, the revised target was down to only Rs 5.0 trillion, shaving off nearly 2% of GDP worth of revenue receipts. The actual has come out to be Rs 4.1 trillion, a reduction of 28% from the original budget and 18% from the revised budget. Compared to Rs 4.7 trillion in 2017-18, it was down by nearly 13%. This has not happened before.

The primary reason is the FBR tax collections. Against an original target of Rs 4.4 trillion for FBR collections, the revised target was down to only Rs 4.15 trillion, reducing some 6% of revenue receipts. The actual has come out to be Rs 3.8 trillion, a reduction of 14% from the original budget and 8% from the revised budget. Compared to Rs 3.867 trillion in 2017-18, it was down by nearly 1%. So we have the first ever when the collections were down relative to previous year.

This is not all. We have done even more poorly, relatively speaking, on the non-tax revenues (NTR). In the budget, NTR receipts were shown at Rs 772 billion, which were reduced to Rs 638 billion in the revised budget, a 17% reduction. The actual number is an astonishing Rs 364 billion, which is 53% less than the original target and 43% less than the revised target. Compared to Rs 630 billion in 2017-18, it was down by 42%. Again, it is hard to find another year when such a massive reduction in NTR was observed.

The most significant reduction has come in SBP profits, which have magically vanished. The original budget target for SBP profits was Rs 280 billion which was reduced to Rs 147 billion in the revised budget. The actual has come out at mere Rs 12.5 billion. This is a jaw-dropping outcome. It has never happened in the past. Clearly, this has to do with the exchange losses suffered by the bank. But most curiously, the fiscal operation until Jul-Mar had shown an actual receipt of Rs 138 billion, whereas the revised estimate of Rs 147 was drawn in mid-June at the time of the budget, so how it was dawned on authorities, in the closing days of the fiscal year, that not only the target would not be met but the amount remitted to government would have to be withdrawn.

There are surprises on the capital receipts also. Net capital receipts (domestic loans) were budgeted at Rs 443 billion but massively revised upward, in view of revenue shortages, to Rs 1 trillion. The actual has come at a staggering Rs 3.22 trillion. Net foreign loans were budgeted at Rs 478 billion and then reduced to Rs 425 billion in the revised estimates. The actual has come at Rs 417 billion, which is close to the revised estimates.

On the provincial surplus side, things were bad as many had expected. The surplus was budgeted at Rs 286 billion but was massively reduced to Rs 59 billion in the revised estimates. Mercifully, the actual has been recorded at Rs 138 billion. This was a windfall that limited the deficit to under 9% which it would have been otherwise. There is also a caveat or two to understand here. In all likelihood, this was the result of tax revenue transfers on the last day of June (which is the normal practice). The provinces didn't get an opportunity to spend them. Also, the provincial governments, especially Punjab, were slow to spend and thus there was room to build up surplus. Punjab contributed Rs 122 billion out of Rs 138 billion.

On the expenditure side, total expenditures were budgeted at Rs 5.9 trillion which were increased to Rs 6.4 trillion in the revised budget. The actual has come at Rs 5.6 trillion. So there is some saving in

the overall expenditures relative to the original budget. The current expenditure was budgeted at Rs 4.2 trillion which was revised upward to Rs 4.7 trillion. The actual has come at Rs 4.8 trillion. The biggest over-run is in debt servicing. Originally, interest payments were budgeted at Rs 1,620 billion, which were raised to Rs 1,987 billion in the revised budget. The actual have come out at around Rs 2,100 billion, an over-run of Rs 480 billion compared to the original and Rs 113 billion from the revised budget. The defense expenditure was budget at Rs 1,100 billion but was revised to Rs 1,137. The actual is at Rs 1,146, which is not a major over-run. It seems that compared to budget estimates there is not much increase in the current expenditure in heads other than interest payments.
The development expenditure was originally budgeted at Rs 800 billion and was scaled back to Rs 500 billion in the revised estimates. Actual has come out at Rs 562 billion including development grants to provinces of Rs 60 billion. Development expenditure outside PSDP (BISP etc.) was budgeted at Rs 180 and revised to Rs 163 billion and actual was Rs 170 billion. So compared to the original budget, significant cuts were applied on the development side.
We finally look at the fiscal deficit and its financing. The deficit was budgeted at 4.9% or Rs 1,891 billion which was raised to 7.2% or Rs 2,779 billion. The actual has come out at 8.9% or Rs 3,435. Compared to the original, we have incurred an additional deficit of 4% or Rs 1,544 billion. As we noted at the outset, the gross revenue receipts were down by Rs 1,600 billion. After accounting for shortfall in provincial surplus and savings in overall expenditures (and rounding offs), we find the entire deficit was on account of revenue shortfall both in tax as well as non-tax receipts. This most unhelpful as all this deficit would go to swell the primary deficit, which stood at 3.5% compared to IMF assessment of 1.8%.
On the financing side, a whopping Rs 2,455 billion was financed through borrowing from the central bank and Rs 763 billion from national savings, which is unprecedented also. Provincial surplus was Rs 138 billion. Net external financing was Rs 417 billion. The share of domestic financing, therefore, was nearly 88%.
These results are quite disheartening. It is difficult to believe if anybody was watching with concern as this situation was unfolding. The state of fiscal affairs is not such that it suddenly emerges on managers' faces after two months of the close of the fiscal year. The financing data is appearing on a daily basis and even revenues and expenditures are available within few days of the closing of each month, though in a large measure, they are available to selected officials on a daily basis. This state is reflective of a deep malice afflicting fiscal management, which has to be addressed before any meaningful hopes of economic revival can be developed.
Under the circumstances, it looks difficult to successfully conclude even the first review with the IMF. The base-line data shared with the Fund is grossly out of line with the actuals. The extra adjustment in primary deficit (to achieve 0.6% of GDP) is nearly of the order of 2% of GDP. A tax target of Rs 5,500 billion is monumental and to expect any further revision would be an impossible task. Independent economists are warning that to push the economy for the present tax target would further slow it down and make it harder to achieve reasonable growth in revenues.

https://fp.brecorder.com/2019/08/20190830513621/

UNDP, SMEDA JOIN HANDS FOR ECONOMIC UPLIFT OF MERGED DISTRICTS

RECORDER REPORT AUG 30TH, 2019 PESHAWAR

Economic Cooperation and Development Forum (ECDF) for economic revitalization of the newly merged districts (NMDs) of Khyber Pakhtunkhwa formally launched here on Thursday. The project is

part of USAID funded Fata Economic Revitalization Programme (FERP), which means to provide sustainable livelihoods, and income opportunities leading to long-term economic growth and contributing to resilience and economic revitalization of the newly merged districts of KP.
It would be jointly implemented by the United Nations Development Programme (UNDP) and Small and Medium Enterprises Development Authority (SMEDA) Pakistan. Special Assistant to the KP chief minister on Industries and Commerce, Abdul Karim Khan was the chief guest on the occasion. Besides, Chief Executive Officer (CEO), SMEDA, Faud Hasham Rabbani, General Manager Out-Reach (GMOR) SMEDA, Javed Iqbal Khattak. provincial Chief SMEDA, Rashid Aman, presidents of various chambers of commerce, representatives of UNDP, USAID and a large number of experts from public and private sectors participated in the event.
The overall objective of the forum is to facilitate collaboration and partnership between different institutions/organizations and to reflect on ways to enhance investment of private sector companies (businesses and financial institutions) into the tribal districts of KP.
The forum will be comprised of 40 experts on economic development and private sector investment including representatives from the government, the business community, banks and micro-finance institutions, think-tanks, policy makers, academia as well as develop partners.
Addressing the function, the Special Assistant to KP CM, Abdul Karim Khan appreciated the joint forum established by the SMEDA and UNDP and assured full cooperation to the initiative.
He proposed that beside, English, the draft of the document to be prepared by the forum should also be compiled in Urdu. He assured that the provincial government will also provide resources for the purpose.
Zahidullah Shinwari, a former president of Sarhad Chamber of Commerce and Industry (SCCI) and prominent businessman from tribal area also appreciated the formation of the forum for the economic development of merged districts.
He was of the confident that the economic recovery will automatically resolve 90 percent problems of the merged areas and termed the formation of the forum as a step in right direction.
Earlier, the CEO SMEDA Faud Hasham Rabbani highlighted in details the steps and initiatives taken by the authority for the development of SME sector in the country.
Briefing the participants regarding different SMEDA implemented projects in the Khyber Pakhtunkhwa, he said that the authority under the Multi-Donors Trust Fund (MDTF) funded project Economic Revitalization of KP and FATA (ERKF) has grants to the tone of millions of rupees for the rehabilitation of SMEs in both KP and erstwhile Fata. He said that in future they will initiate more projects for sustainable development in the Fata
Earlier, GM-Out-Reach SMEDA, Javed Iqbal Khattak thanked both UNDP and USAID for expressing confidence in SMEDA by making it implementing partner of the project. Similarly, he also thanked both federal and provincial organizations for their sincere steps for sustainable development of the merged districts.
He said that under the Letter of Agreement (LoA) signed with UNDP, SMEDA will provide technical assistance in evaluating Business Development Plans of 4,350 entrepreneurs from NMDs. These entrepreneurs will receive the business support through the provision of in-kind grants.
These grants will help returnees re-establish their businesses, expand their existing businesses or establish new business in Khyber, South Waziristan and North Waziristan districts.

https://fp.brecorder.com/2019/08/20190830513712/

PROVISIONAL FIGURES: TWO-MONTH COLLECTION SHOWS RS 68 BILLION SHORTFALL

SOHAIL SARFRAZ AUG 31ST, 2019ISLAMABAD

The Federal Board of Revenue (FBR) has provisionally collected Rs 576 billion in first two months of 2019-20 against the target of Rs 644 billion, reflecting a shortfall of Rs 68 billion. According to the provisional data compiled by the FBR here on Friday night, the FBR has provisionally collected Rs 292 billion in August 2019 (up to August 30) against the target of Rs 352 billion, reflecting a shortfall of Rs 60 billion.

Sources said that the FBR is trying its level best to cross the figure of Rs 600 billion during July-August 2019 period. Revenue is still in the pipeline and revenue collection would further increase on compilation of final figures. The FBR intended to achieve 19 percent growth in revenue by end of first quarter (July-September) 2019-20. The long Eid-ul-Azha vacations during August 2019 also had negative impact on revenue collection.

However, the FBR witnessed net growth of 17.5 percent in revenue collection during August 2019. Domestic taxes including sales tax, income tax and federal excise duty achieved growth of 30 percent during this period. On the other hand, taxes collection including customs duty at the import stage registered a negative growth of 16 percent during August 2019 having negative impact on overall collection of the FBR during this period, sources added.

https://fp.brecorder.com/2019/08/20190831514071/

ECONOMY NOW CAPABLE OF ABSORBING SHOCKS: SBP CHIEF

By Salman Siddiqui Published: August 31, 2019

KARACHI : Pakistan has achieved the most crucial milestone of economic stability. Improvement in foreign currency reserves, achieved through structural reforms under the International Monetary Fund's (IMF) loan programme, has helped create a buffer for absorbing internal and external financial shocks, says the central bank chief.

"The State Bank's policy and our outlook is that we are preparing…for any (financial) shocks," State Bank of Pakistan (SBP) Governor Reza Baqir said while addressing the business community at the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) on Friday.

He said the improvement had allowed the creation of a financial buffer so that the nation could deal with unexpected events like low revenue collection and volatility in the rupee-dollar parity.

"Similarly, in case we encounter any external shock tomorrow like (international) oil prices suddenly start soaring, which is not the case at present, but we should be prepared for… or any other external shock is encountered as the Kashmir issue these days," he said.

He defended the policy of letting the rupee depreciate massively against the US dollar and a significant hike in the key interest rate.

The rupee depreciated 32% to Rs160 to the US dollar in the fiscal year 2018-19 while the key interest rate has risen 7.5 percentage points since January 2018 to an eight-year high at 13.25%.

The steps taken had started paying little dividend since a record high current account deficit of around $2 billion a month in FY18 halved to $1 billion in FY19, while foreign currency reserves not only stopped depleting but also started improving, Baqir added.

"A notable drop of 73% in the current account deficit in July is part of the trend," he pointed out.

The SBP governor said the fixed rupee-dollar exchange rate had caused depletion in the reserves, adding "the market-based exchange rate system works as a shock absorber."

Baqir differed with the business community which was of the view that the hike in interest rate had caused a reduction in private-sector investment in the country. "The private-sector investment has remained in the range of 9-10% of GDP (gross domestic product) in the past eight years irrespective of the fact that the interest rate shot too high (14%) and dropped low (5.75%) in the period," he said.

He said the stagnation in investment was linked with the unfriendly environment for doing business in the country. The cumbersome procedure for acquiring a licence for doing business and the difficult procedure to acquire power and gas connections were the root causes of stagnation in private-sector investment, he pointed out.

The governor said the country had no other option but to go to the IMF for a bailout package of $6 billion. He elaborated that the exorbitantly high foreign debt repayment and import payment had consumed a portion of the foreign currency reserves and the soft loans acquired from friendly countries like China, Saudi Arabia, the UAE and Qatar had remained insufficient to continue to finance the deficit part of international payments.

The central bank governor said data suggested that subsidised credit to the private sector had improved over the past few years irrespective of the tough economic conditions. "The improvement came under the central bank strategy to support the private sector," he said.

Credit flow increased Rs150 billion over the past one year under the two subsidised credit schemes including the Long-term Financing Facility (LTFF) and Export Finance Scheme (EFS).

Besides, such financing to small and medium-sized enterprises (SMEs) increased by Rs200 billion in the past couple of years.

He asked the FPCCI to play its role in convincing the business community to increase the number of taxpayers, collect computerised national identity card (CNIC) copy at wholesale and retail levels and help document the SME sector.

He also asked them to use formal banking channels for making financial transactions instead of doing business in cash. “Doing business in cash remains a hurdle in the way of documenting the economy. This (business in cash) has the highest ratio in Pakistan,” he said.

https://tribune.com.pk/story/2046093/2-economy-now-capable-absorbing-shocks-sbp-chief/

REVENUE SHORTFALL WIDENS TO RS70B IN JUL-AUG

By Shahbaz Rana Published: August 31, 2019

ISLAMABAD: The shortfall in tax collection has widened to Rs70 billion despite a decent growth of 15% – a ratio that reflects ground realities but is three times lower than what the government needs to meet the annual revenue target of Rs5.5 trillion.

The provisional revenue collection results for July-August 2019 once again indicate that the Rs5.503-trillion target is unrealistic, which has to be revised downwards.

From July through August of the current fiscal year, the Federal Board of Revenue (FBR) received Rs574 billion in taxes against the target of Rs643.7 billion, according to provisional official statistics. This resulted in a revenue shortfall of Rs70 billion, even after ignoring the Rs10-billion discrepancy in July.

Overall, the collection in first two months of the current fiscal year was higher by Rs70 billion or 15% when compared with the collection of Rs498 billion in the same period of previous fiscal year.

The FBR received a hit of Rs60 billion in August alone as it could collect only Rs292 billion against the monthly target of Rs352.2 billion, said the officials. Still the collection in August was up 18% or Rs45 billion compared with receipt of Rs247.4 billion in August last year.

The government’s drive to broaden the tax base is not yielding desired results. Although the number of tax return filers has jumped from 1.8 million to 2.6 million, the actual tax contribution by these additional 800,000 filers is just Rs2.4 billion, said the sources. Of that amount, Rs1.5 billion was contributed by the companies.

FBR Chairman Shabbar Zaidi has also found fault in the tax machinery which, according to him, is not effectively utilised to collect maximum revenues. He has sought a new action plan from field formations to increase income tax collection.

The entire income tax force is collecting only 7% of the total income tax and the rest is being generated automatically, according to a note that Zaidi sent to the field formations on Friday, asking them to redeploy the workforce.

Out of the Rs574 billion collected in July and August, the customs duty collection stood at Rs96 billion, registering a negative growth of 10% over the same period of previous year.

The Customs Department missed its two-month target by Rs24 billion, which pointed out the problem – compression of imports.

The International Monetary Fund (IMF) has given Rs5.503-trillion annual tax collection target to the FBR. The tax machinery requires 44% growth to achieve the target as it closed the last fiscal year at Rs3.829 trillion. In its history, the FBR has achieved maximum annual growth of 21% in any fiscal year.

The shortfall in revenue collection has become a challenge for the government of Prime Minister Imran Khan, who has declared tax collection as his top priority.

The Rs574-billion collection is only 10.4% of the annual target of Rs5.5 trillion. The revenue collection target is the lynchpin of the IMF programme and the government's inability to achieve quarterly targets could result in introduction of another mini-budget.

The FBR missed the two-month target despite the fact that the government imposed a record Rs733.4 billion in additional taxes in the budget. A majority of these taxes are direct taxes, yet the FBR has struggled to achieve sales tax and customs duty targets.

The most aggressive inflationary taxation measure was the 17% sales tax at the manufacturing stage of textile, leather, carpets, sports and surgical goods. The FBR has claimed that it has launched new software to automatically pay sales tax refund to exporters in 72 hours. However, the sources said practically no new system had been made operational.

"Customs duty collection in first two months is the outcome of economic policies and also reflects prevailing economic situation," Zaidi said while talking to The Express Tribune.

He added that the effective customs duty rate had come down to 7.4% from 9.3% due to the abolition of duty on 1,600 tariff lines.

The government has also targeted to curb imports to contain the current account deficit, which has jeopardised the FBR's revenue collection on account of withholding tax, sales tax and custom duty at the import stage.

The IMF has set the first-quarter (Jul-Sept) revenue target at Rs1.070 trillion and it will assess the progress in its first review of the $6.2-billion loan programme likely to be held in November or December.

The FBR now needs to collect Rs496 billion in September at 29% growth rate to hit the IMF-determined ceiling. However, it seems an uphill task given the overall economic slump and negative business sentiment.

https://tribune.com.pk/story/2046031/2-revenue-shortfall-widens-rs70b-jul-aug/

FBR MISSES AUGUST REVENUE COLLECTION TARGET BY RS50BN

Mubarak Zeb Khan Updated September 01, 2019

ISLAMABAD: The Federal Board of Revenue (FBR) has missed revenue collection target by a whopping margin of Rs50 billion for August, second month of the new fiscal year, despite introducing several revenue and administrative measures in the last budget.

This shortfall is in addition to the one recorded in the first month (Rs14bn in July) of the current fiscal year, taking the total shortfall in revenue collection to Rs64bn in just two months of the current fiscal year.

As against the target of Rs352bn projected for the month of August 2019, the FBR has managed to collect provisionally Rs302bn, which is much below the government expectation in view of their claim to make record collection.

Prime Minister Imran Khan removed the then FBR chairman in May as it became clear to him that the revenue collection was heading towards a record shortfall. To achieve the ambitious revenue target of Rs5.55 trillion, Mr Khan on May 10 appointed Shabbar Zaidi from the private sector as FBR chairman to reverse the downward trends in revenue collection.

The customs collection has fallen short of target by Rs13bn, as the collection amounted to Rs52bn in August against the target of Rs65bn. In the first month (July) of this fiscal year, the customs shortfall was recorded at Rs9bn.

When compared with last year's figures, the collections in customs fell by 1.88pc as it was Rs53bn in the last year.

Inland Revenue Tax — income tax, sales tax and federal excise duty (FED) — collection reached Rs250bn against the target of Rs287bn, indicating a decline of Rs37bn or 12.58pc short of the target.

While income tax collection rose to Rs92bn, it was still Rs18bn or 16.36pc short of Rs110bn target projected for the month. Sales tax collection reached Rs141bn as against the target of Rs158bn projected for the same month, indicating a decline of Rs17bn or 10.75pc short of target.

Similarly, the FED collections clocked in at Rs17bn as against the target of Rs19bn, showing a decline of Rs2bn or 10.5pc short of target.

However, some improvement has been seen in the month of August this year in Inland Revenue Tax collection as compared to last year's collection. It posted a growth of 26pc with Rs250bn revenue collection in August against Rs198bn over the corresponding month of last year.

Further analysis shows that the domestic Inland Revenue Tax, which was Rs110bn in August 2018, increased to Rs152bn in August 2019, showing an increase of 39pc. This growth is mainly achieved by a 39pc increase in income tax collection, 43pc in sales tax and 46pc in FED. Contrary to this, the collection of Inland Revenue Tax through import was recorded at Rs98bn in August as against Rs88bn in the second month of last fiscal year, indicating a growth of 11pc. This was mainly achieved by 17pc growth in sales tax, as income tax at import stage posted a negative growth of 16pc.

https://www.dawn.com/news/1502853

AHSAN SLAMS PTI GOVERNMENT FOR 'ECONOMIC MISMANAGEMENT'

RECORDER REPORT SEP 1ST, 2019 LAHORE

Slamming the 'economic mismanagement' on the part of PTI-led government, PML-N senior leader and former interior minister Ahsan Iqbal on Saturday said that the PTI government had been exposed on economic front.

"National security is linked with the economy and there are serious threats to national security with the presence of this government," he said while talking to media after a party meeting here at the PML-N Secretariat Model Town on Saturday. PML-N Lahore President Mohammad Pervaiz Malik and secretary general Khawaja Imran Nazir and a large number of party activists were present on the occasion.

Ahsan Iqbal said the incumbent government has created the highest ever deficit in the country's history. He said inefficiency and political victimization of the opponents at the hands of incumbent government has totally exposed and the people are looking towards for the PML-N for salvation.

Criticising the PTI government for running its affairs in fascist manner, the PML-N leader said they would strive for mid-term polls in 2020 and instructions have been issued for preparations in this regard. Had the PTI government remained in power for further one year, the country would push towards serious situation.

To a question, the PML-N leader said a meeting of the heads of opposition parties will be held soon in which decision would be taken for launching a movement against the government.

Answering another question, he said, the PML-N leaders were not behind bars, if there is any truth in news of a deal. The PML-N is practicing politics of resistance and that was the reason its leaders were behind bar.

Expressing complete solidarity with the Kashmiris, Ahsan said the PML-N was the first party which took the case of Kashmir in the parliament while the incumbent government is not doing serious diplomacy for the cause of Kashmiris. He said there should be OIC summit apart from serious diplomacy. The PM should visit different countries around the globe to press India to lift curfew from occupied Kashmir. He urged the US, UK and other countries to play their role for lifting curfew from the occupied Kashmir.

https://fp.brecorder.com/2019/09/20190901514709/

SEPTEMBER, 2019

NEWS COVERAGE PERIOD FROM SEP 2nd TO 8th 2019

ECONOMIC ANXIETY

Editorial September 02, 2019

TWO months into the ongoing economic adjustment and there are signs emerging of growing anxiety within the government. The IMF programme that the government signed on to in June carried some of the steepest and most challenging targets ever seen, and the task of meeting them is proving to be a herculean feat. Already there is clamour within industry circles about the rising cost of doing business coupled with collapsing demand, and reports from industry leaders suggest many manufacturing outfits are seeing an approximately 30pc decline in sales. At this rate, it will take three months before inventory levels pile up to a point where production lines could be forced to close, resulting in massive lay-offs across the economy. This comes after the large-scale manufacturing sector posted a near 54pc contraction last fiscal year, the first such massive contraction in a decade, so an intensification of the trend is hardly something the economy can afford. Coupled with this is the aggressive revenue collection drive that the government has no choice but to pursue to meet a historic 30pc hike in the revenue target for this fiscal year. This pursuit has pushed the government into a confrontation with retailers countrywide, as well as vigorous entreaties from industry because the documentation measures are resulting in a severe disruption of their distributor networks.

There are good reasons for there to be anxiety at the highest levels in times such as these, with people reeling from the multiple impacts of exchange rate depreciation, rising inflation, aggressive taxation measures, collapsing market demand, erosion of purchasing power and sales, high interest rates, to name just a few of the elements that mark today's malaise. Meanwhile, the State Bank governor appeared before a large gathering of industry leaders in Karachi to underline the importance of building reserves, stabilising the external sector and to remind them of the pressures that built up in the economy over the previous five years, pressures that need to be released before there is any talk of growth. And the adviser to the prime minister on finance issued a rare recorded statement trying to reassure the public that some sort of plan is in the works to address people's concerns.

Even as the disquiet in government circles is understandable, it must not yield to panic, nor should it lead to any backtracking from the tough measures adopted for stabilisation. More focus is needed to protect the poor from rising inflation and find ways to better target the adjustment onto those who can afford it. But the government now needs to signal resolve as well as a firm sense of purpose. Better communication is key to this, and the financial adviser as well as the State Bank governor need to ramp up their outreach efforts with the business community as they move forward down this difficult path.

https://www.dawn.com/news/1503069

SINDH'S ECONOMY - CHALLENGES AND SOLUTIONS

By Tehreem Husain Published: September 2, 2019

NORTHAMPTON: The field of microeconomic analysis within the broader domain of economics attempts to explain the behaviour of individuals and organisations in a given economy.

Taking the same philosophy and projecting it on a country level, regional studies explain the underlying economic and social trends of regions under the wider national fabric.

A recent book, “The Economy of Modern Sindh: Opportunities Lost and Lessons for the Future” by Ishrat Husain, Aijaz A Qureshi and Nadeem Hussain, offers a comprehensive overview of different aspects of Sindh’s economy from education to public finance.

Each of the authors has vast experience in public finance, development practice and research. This makes the book and the suggestions it offers very valuable for the policymakers. This article reviews the book, focusing on the challenges that the Sindh economy has faced over time and some of the solutions that the authors propose to address them.

Sindh is one of the richest provinces of the federation. Its share in the national gross domestic product (GDP) is estimated at around 30% while its share in the population is around 23%.

On the other hand, Punjab is the most populous province with a share in the population of around 53% while it contributes 54% to the national economy. These two provinces account for more than four-fifths of the national income.

Various reports including the Sindh Growth Strategy by the World Bank have shown that the per capita income of the province has been declining over time. The book shows that the main reason for weak economic growth and falling per capita income has been declining productivity.

It also narrates other factors for the falling productivity such as concentration in low productivity activities such as retail and wholesale trade, therefore depressing the overall productivity, and poor outcome in education and health, leading to an adverse impact on the quality of human capital, underemployment and lower-than-minimum wage in informal activities.

Further disaggregating Sindh’s economy into urban and rural areas gives more clues to the fall in per capita income over time. Rural Sindh has experienced negative growth while urban Sindh has enjoyed positive growth.

The main reason behind the rural-urban divide is its congruence with the ethnic and linguistic divide. Rural Sindh with 38% literacy rate, 62% immunisation rate and 58% enrolment rate at the primary level is worse than many countries in sub-Saharan Africa.

Some other areas of the economy have been highlighted in the book which needs immediate attention of the policymakers.

First is the issue of water. Acute water shortages due to mismanagement have hit small farmers, depriving them of adequate and timely availability of water for their crops. Influential landlords, in collusion with officials of the irrigation department, have tampered with water modules as a means of water distribution to their lands.

Another area of immediate concern is how to provide employment opportunities to the ever-increasing population. The youth bulge can pose social and economic challenges if they were not given adequate opportunities for employment.

Moreover, Sindh's social indicators have also stagnated and not moved in tandem with other provinces. Literacy rate remains poor with gender disparity stark and health outcome showing no improvement.

The authors have proposed some key growth strategies that the policymakers should employ to solve the multiple issues that have beset the province over the years.

The first and the foremost one is to improve governance and institutional capacity of the province and district governments, thus enhancing accountability, transparency and the rule of law. The second issue involves making the urban economy more competitive and efficient by removing infrastructural bottlenecks and removing distortions in land, labour and goods markets.

Third, the productivity of water, agriculture, and livestock must be enhanced. Fourth, provincial revenues must be increased by reforming the urban property tax, agriculture income tax and charges on irrigation water.

Fifth, service delivery must be improved through better provision of basic services such as education and health. The province must implement these steps in order to enter a new era of progress and prosperity.

The writer is a doctoral candidate at The Bartlett, UCL

https://tribune.com.pk/story/2047169/2-sindhs-economy-challenges-solutions/

PML-N SAYS COUNTRY'S ECONOMY IN DANGER ZONE

By Waqas Ahmed Published: September 3, 2019

ISLAMABAD: Pakistan Muslim League-Nawaz (PML-N) on Monday accused Prime Minister Imran Khan led federal government of jeopardising the country's economy and said the only solution to the current economic crisis is to send the government packing.

The PML-N also claimed that the government has failed to address the crisis that emerged after India on August 5 revoked special status of Indian Occupied Kashmir (IOK) and has shown confusion in its foreign policy, failing to rise to the occasion.

“The economy has entered the danger zone and the only solution to the current economic crisis is to remove the government,” said PML-N leader Ahsan Iqbal while addressing a press conference together with PML-N spokesperson Marriyum Aurangzeb and former Sindh governor Muhammad Zubair.

“The claim of Naya Pakistan has proven to be a fraud. The government does not have any plan,” he said.

Iqabl said devaluation of the rupee by 40 per cent added trillions of rupees to the pile of debt and the budget deficit reached 8.9 per cent within a span of a year.

“The policies of the current government have halted our economic growth. The government seems to be helpless in collecting taxes. A country is bound to rely on loans if it fails to collect taxes,” he added.

He said there was no example of a country losing its growth rate by 3.5 per cent within a year.

“The foreign direct investment has shrunk by 50 per cent in just one year. The government is increasing its expenditures while the revenue remains stagnant.

“Industrial sector has stopped to grow and factories are closing down. We are no more dealing with a selected prime minister; we are dealing with a ‘rejected’ prime minister.

“The policies of the government are a threat to national security. It appears that the only solution is to send the government home,” he said, adding that the opposition parties have started to chalk out a plan to oust the government.

Iqbal censured the prime minister and the foreign minister for their lack of seriousness in dealing with the Kashmir issue. “Imran Khan should visits to world capital. Why the premier is not visiting Islamic countries to call an emergency session of the Organization of Islamic Cooperation?”

PML-N leader Marriyum Aurangzeb said the government is celebrating its own incompetence.

“Over two million people have been rendered jobless. The facilities for free medicines at public hospitals have been withdrawn. The ministers want to stage a new drama by waving documents. The judges of the courts are changed upon instructions arriving through WhatsApp.

Sindh former governor Zubair said the country could not sustain the ongoing situation.

"The economy is on the brink of collapse while the government is foolishly celebrating collection of taxes. Imran Khan neither has any team nor any plan to revive the economy, "he said.

https://tribune.com.pk/story/2047774/1-pml-n-says-countrys-economy-danger-zone/

BETTER REVENUE COLLECTION MUST TO RECTIFY ECONOMIC IMBALANCE

By DNA Published: September 4, 2019

ISLAMABAD: With the government borrowing over Rs3 trillion from the central bank last year to bridge revenue shortfalls, economic experts on Tuesday suggested that the government must focus on improving its revenue stream, particularly through more efficient taxation policies.

This was emphasised by participants of a routable conference titled 'Mechanism for Effective Revenue Collection in Pakistan: Ways and Means'. The roundtable had been organised by the Islamabad Policy Research Institute (IPRI) on Tuesday.

The roundtable was chaired by former federal secretary for the finance division Dr Waqar Masood Khan, while Federal Board of Revenue (FBR) former chairman Nisar Muhammad Khan, Pakistan's former ambassador to the World Trade Organisation (WTO) Dr Manzoor Ahmad, State Bank of Pakistan former governor Tariq Bajwa and former FBR chairman Ali Arshad Hakeem were speakers at the occasion.

The speakers said that Pakistan has not had a surplus budget for many years and there was a consensus amongst the participants that revenue collection was one of the best remedies for several economic maladies which plague the country, including the poor tax-to-gross domestic product (GDP) ratio and debt servicing — all of which have marred its already stunted economy.

Good governance, uninterrupted social service delivery, robust infrastructure development and controlled inflation can materialise by broadening the tax base.

In Pakistan's case, the mounting fiscal deficit was identified as the 'mother of all evils'. On this end, it was stated that the incumbent government is trying to slash its expenditure but it desperately needs to shore up its revenue collection — which has fallen by a percentage since the last fiscal year — to fully address the budgetary deficits.

Moreover, the targets set for growth are no close to materialisation.

The speakers also highlighted that direct taxes make up only around 34 per cent of the country's total revenues compared to indirect taxes which were not only generally regarded as regressive but also contribute to low economic growth as it leads to multi-dimensional poverty because it typically impacts the middle and lower strata of society the most.

The challenges the country faces in boosting revenues also stem from its inability to attract investment. The World Bank ranks Pakistan 173 out of 190 countries with regards to ease of doing business. This, however, can be significantly enhanced by incorporating simplicity in the taxation policies, providing a level playing field, especially to small and medium-sized enterprises and cut down on tariffs which can also make goods competitive in the international market.

Analogies were drawn to Chile, Turkey and Vietnam which have faced similar challenges in their economic growth and tax collection structures but were able to bring about a major turnaround to the extent that at the moment Vietnam alone has exports worth $200 billion.

The speakers further suggested that the cash economy must be capitalized upon while sectors such as agriculture and the services ought to contribute much more to the tax base.

Concessionary tax cuts should not only be confined to specific industries but the burgeoning internet economy, which has the potential to add $100 billion to our economy, must be included as well.

The speakers stressed upon the Federal Board of Revenue's (FBR) capacity constraints to meet the Rs5.5 trillion tax target, largely because FBR has not evolved in line with the country's financial policy.

It was suggested that the tax body introduce a fiscal register for taxpayers and there is a need for officers to be up-to-date with modern methods of tax collection.

Another recommendation put forward was to conduct data mining to locate new taxpayers with the assistance of NADRA.

The speakers recommended that the modus operandi of tax registration ought to be streamlined and made hassle-free by the FBR, to address the trust deficit between the taxpayer and the tax collector or the government for that matter. The government also needs to modernise the entire process of tax collection and tax refunds, along with limiting discretionary powers of the tax collector and enhancing transparency in the process.

When the average citizen is confident that their tax is not slipping through the crevices in the system, and that they will reap the benefit in the shape of improved infrastructure, healthcare, employment opportunities, there will be behavioural changes in the public, it was stressed.

Enhancement of tax-to-GDP ratio which currently stands at around 10% to 13%, increased revenue collection free of corruption, widening of the tax base was highlighted as key areas of interest to redress Pakistan's shrinking economy.

https://tribune.com.pk/story/2048653/1-better-revenue-collection-must-rectify-economic-imbalance/

GOVT RULES OUT ANY MINI-BUDGET IN NEAR FUTURE

The Newspaper's Staff Reporter Updated September 05, 2019

ISLAMABAD: Amid criticism from both government and opposition members of the National Assembly over price hike and other monetary and fiscal policies, the government on Wednesday ruled out any mini-budget in the near future, saying the improvement in revenue collection would be made through technological and administrative measures.

This was the crux of a meeting of the National Assembly's Standing Committee on Finance and Revenue presided over by Asad Umar, who wished the PM's adviser on finance and governor of the State Bank of Pakistan (SBP) to attend such sessions in the interest of the government.

The committee was informed that change in base year from 2007-08 to 2015-16 reduced the inflation measured by Consumer Price Index from 11.6 per cent in August to 10.5pc. Asad Umar wondered which inflation rate might be considered by the SBP for policy rate. He said the CPI was showing rising trend for the last few months and the government should take steps to find reasons and address them.

He said the Competition Commission of Pakistan had reported apparent collusion in sugar and wheat flour rates, while the prices of onions, chicken and sugar increased by 66pc, 65pc and 7pc, respectively.

Pakistan Peoples Party's Hina Rabbani Khar said inflation was now affecting majority of the people and regretted that fiscal and monetary policies were contracting salaries and incomes and increasing inflation.

Ramesh Kumar of the Pakistan Tehreek-i-Insaf said he had alerted the government six months ago about looming increase in wheat prices. He said the factories in Sindh were filled with wheat and large quantities were being exported. He criticised the government for banning import of medicines from India in the wake of recent tensions and said it was unrealistic and would have to be changed.

PTI's member Faizulla, former chairman of the committee, said Ramazan and Sasta bazaars established under the current government had become a source of corruption instead of benefiting the common man and subsidy being given by the government was going into a few pockets. "The people did not get the relief through these bazaars during our government that we and our party had promised," he said.

Dr Aysha Ghous Pasha of the Pakistan Muslim League-Nawaz said government's steps to address problems of the poor were ineffective.

PPP's Naveed Qamar said the SBP's monetary policy was resulting in closure of factories but not impacting the prices because increase in interest rates was leading to industrial and economic contraction.

Finance Secretary Naveed Kamran Baloch conceded that he and his team could not arrange adequate briefing on prices and promised to come up in the next meeting with a strategy to counter inflation. He regretted that the national price control committee headed by the adviser to the PM on finance had held its meeting a few months ago instead of every month.

Asad Umar said the economic team should be ready to explain macro policy steps through fiscal and monetary policy on inflation and agreed with the members that no issue was bigger than inflation at present. "The adviser and governor [SBP] should take out time [for the finance committee] as it will be helpful to them and the government," he observed.

He also questioned the surge in fiscal deficit and expenditure overrun last year even though the budget was announced on June 10 and asked how Rs800 billion expenditure could exceed revised estimates in the last 20 days. "Somebody has goofed up the system somewhere. It is a big item. Somebody should be held accountable," he said, adding that increase in fiscal deficit was another thing but how budget estimates could go wrong in such a short period.

He said the basic idea behind discount to the industry when he was finance minister was to reduce fertiliser prices in the wake of increase in gas prices, but he was unaware about the latest ordinance. He said the government believed the act passed by the PML-N in 2015 on the Gas Infrastructure Development Cess (GIDC) would stand ground in court scrutiny, though the earlier attempt by the PPP in 2012 could not survive.

Ramesh Kumar demanded that the matter of the GIDC amendment ordinance be referred to the National Accountability Bureau.

https://www.dawn.com/news/1503616

ECC OKAYS TAX CONCESSIONS TO ATTRACT HOT MONEY

By Shahbaz Rana Published: September 5, 2019

ISLAMABAD: In its pursuit for risky hot foreign money to inflate foreign currency reserves, Pakistan approved sweeping tax concessions for non-resident companies on Wednesday to attract their investments in the government debt.

On the recommendation of the State Bank of Pakistan (SBP), the Economic Coordination Committee (ECC) of the Cabinet "approved proposals for simplification of tax regime for non-resident companies investing in the local debt market with a view to deepening the country's capital markets", according to a handout issued by the finance ministry.

The changes have been made to facilitate some foreign commercial banks, mainly Citi Bank, to invest in the government's securities. These banks had also invested in the Egyptian government debt when SBP Governor Dr Reza Baqir was the country head of the International Monetary Fund (IMF) in Egypt.

Some of these changes will require legal amendments in the Income Tax Ordinance 2001 and these will be vetted by the Cabinet Committee on Legislative Changes.

The government has approved to cut withholding tax rate from 30% to 10% for non-resident companies having no permanent business establishment in Pakistan, being charged on the profit made on disposal of the securities, according to the decision. The 10% tax will be treated as final liability of the foreign company. These foreign companies will be given special treatment on their investments in treasury bills and Pakistan Investment Bonds acquired through Special Convertible Rupee Accounts.

The finance ministry said that the new tax regime as approved by the ECC would apply to the non-resident companies having no permanent presence in Pakistan. The government remains the largest borrower due to a yawning budget deficit that in the last fiscal year hit a new record of Rs3.444 trillion. The IMF has already slapped a complete ban on the government's borrowings from the central bank, which means all financing needs will be met by commercial banks and foreign companies.

The government has also approved to abolish the 100% penalty, which is meant for non-filers, on these foreign companies. These foreign companies will also be exempted from 0.6% banking transactions tax. The foreign companies will not be liable to pay advance income tax and these have been exempted from filing income tax returns.

The step has been taken to attract the hot foreign money, which the central bank government wants to lure to inflate the official foreign currency reserves, currently standing at $8.27 billion. The SBP governor has already taken an aggressive monetary stance by raising the key interest rates to 13.25%, which is 5.05% higher than the core inflation rate of August. The high interest rate is also meant to chase foreign money.

However, the hot foreign money starts flying out once the interest rates are brought down, which exposes the country to additional external sector risks.

In the second last monetary policy minutes, the SBP noted that relatively larger monetary tightening was aimed at uncovering interest rate parity viz-a-viz US economy.

The central bank governor has also floated another proposal of launching a new US dollar-based saving scheme, which will entitle people to claim profits and encash saving instruments at future exchange rates. The experts have said that this move could further weaken people's trust in local currency.

The ECC also approved payment of outstanding amount of Rs5.85 billion as gas subsidy to the fertiliser industry. The ECC doled out the money to the fertiliser companies despite the fact that these firms have withheld billions of rupees of the government that they recovered from the farmers on account of GIDC but did not deposit in the kitty.

The ECC was also briefed on the wheat situation in the country and it was pointed out that while prices were stable in the most parts of the country, there were certain areas and places such as Karachi where the wheat and flour prices had escalated. The ECC directed the Ministry of National Food Security and Research to sit down with all stakeholders and ensure that the situation does not get out of hands and supply of wheat and flour at regular prices is ensured.

The ECC deferred a proposal to waive off special electricity charges against the industrial consumers. On a summary of the Ministry of Energy, the ECC considered to write off the financial cost surcharge, Neelum-Jhelum Surcharge, taxes and positive fuel adjustments only for the industrial consumers.

The proposal was that the federal government should pay this cost from the budget and should not burden the industrial consumers.

“The committee discussed the pros and cons of the proposal in view of its financial implications and asked the Finance Division to hold a meeting with the stakeholders, including the Power Division, Commerce Division and Industries & Production Division and resubmit the case to ECC with solid proposals,” according to the finance ministry. The ECC also took up a proposal for extension and rehabilitation of gas network in the oil and gas producing districts of Khyber-Pakhtunkhwa and referred the matter to the Development Working Party headed by the petroleum secretary for an appropriate decision.

https://tribune.com.pk/story/2049357/2-ecc-okays-tax-concessions-attract-hot-money/

AMID LACK OF STRATEGY TO CONTROL, INFLATION SOARS TO 10.5%

ISLAMABAD: Inflation rose to 10.5% in August due to economic stabilisation policies amid disclosure that the federal government did not have an adequate strategy to curb the inflation.

The National Assembly Standing Committee on Finance on Wednesday set up a special panel to look into the reasons for the increase in inflation and suggest measures to curb it after the finance ministry could not share its strategy with the standing committee.

Standing committee Chairman Asad Umar said that it was in the interest of the government if the State Bank of Pakistan (SBP) Governor Dr Reaz Baqir and Adviser to Prime Minister on Finance Dr Abdul Hafeez Shaikh appear before the committee and inform how they will contain inflation.

The Pakistan Bureau of Statistics (PBS) on Wednesday released the first inflation bulletin on the basis of new methodology and a new base year for calculating the increase in prices of goods and services.

Based on the new methodology and base year 2015-16, the national Consumer Price Index rose to 10.5% – up from a month earlier level of 8.4%, said Behrawer Jan, Member National Accounts of the PBS. There was an increase of 2.1% in the inflation in a single month, which is a quite high ratio.

On the basis of old methodology and old base year of 2007-08, the rate of inflation in August was 11.63% as against 10.3% a month before, said the member national accounts.

However, on the basis of both the methodologies, the trend of inflation was going north.

The national core inflation rate was 8.2% according to the new methodology – up from 7.7%. The central bank determines the key policy rate on the basis of the core inflation rate. The discount rate is currently 13.25% – far higher than the core inflation rate. The central bank would announce a new monetary policy this month.

It will be very interesting to see whether the SBP will use the new base year numbers or the old base year numbers for its interest rate decision, said Umar during the standing committee meeting.

The rebasing exercise had started in 2014 that continued for four years. The new base year was initially supposed to be introduced from the fiscal year 2017-18 but the last Pakistan Muslim League-Nawaz (PML-N) government deferred it without giving reasons. The methodology has been changed while keeping in mind the consumer spending patterns, to include 27 rural markets in the inflation basket, introduce consumer weighted approach to determine gas and electricity tariffs and incorporate population weight.

The Urban CPI with the base year (2015-16) recorded an increase of 10.64% while Rural CPI with the base year (2015-16) recorded an increase of 10.27%. The CPI with the old base year (2007-08) recorded an increase of 11.63%.

The governing council of the PBS directed that the CPI for new base year 2015-16 will be published along with CPI for old base year 2007-08 for some time.

The government has also changed the weights of various groups of commodities. The weights of food group, housing, water, electricity & gas group, household equipment, transport, communication, recreation, and education have been reduced. The clothing & footwear group, health, restaurants, and other goods groups' weights in overall CPI basket have been increased.

As compared to 487 items that were monitored under the old base, the government would now monitor 600 items on a monthly basis to work out the inflation number. Out these 356 items will be monitored in urban centres and 244 in rural markets.

The standing committee took a briefing from the finance ministry about the status of inflation and measures that are needed to curb it.

The standing committee constituted a sub-committee that will look into the reasons for increase in inflation and recommend ways to contain it. The special panel will be headed by PML-N's MNA Dr Ayesha Pasha and comprise Hina Rabbani Khar of the Pakistan Peoples Party and Dr Ramesh Kumar of the Pakistan Tehreek-e-Insaf (PTI).

The committee also directed the finance ministry to inform it about the measures that have been taken to break the cartels operating in the sugar and wheat flour trading.

There was a rapid increase in inflation indices during the past few months and the committee wanted to know what steps had been taken to contain it, said Asad Umar.

The finance ministry would come out with a strategy to contain inflation and I concede that we do not have an adequate answer, said Finance Secretary Naveed Kamran Baloch.

To a question about future inflation path, Economic Adviser to the Ministry of Finance Dr Imtiaz Ahmad said that the inflation would go up in the first half of the year but would start easing out in the second half – a reply that Umar termed an anecdote that showed the finance ministry did not have an answer.

There is no bigger issue than inflation for the PTI government and it will be in the interest of the government if the SBP governor and adviser to the prime minister on finance personally come and give a briefing to the standing committee, said Umar.

Imtiaz said that the currency devaluation, increase in utility prices, increase in international commodity prices and additional taxation led to higher inflation during the past few months. He did not mention the role of collusion in the increase in prices of wheat flour and sugar.

The government has not addressed the question about how it will reduce the pace of inflation that has started killing people, said Dr Ayesha Ghuas Pasha of the PML-N. She said that it was cost-push inflation in the country but the central bank was applying policies that are meant to curb demand.

The PTI government in Punjab failed to provide relief to the people during the holy month of Ramazan and money meant for giving subsidies went into the pockets of few people, alleged PTI's MNA from Faisalabad Faizaullah.

https://tribune.com.pk/story/2049332/2-inflation-soars-10-5-august-amid-lack-strategy-control/

TAX BASE IS GROWING, FBR TEAM TELLS PM

Mubarak Zeb Khan Updated September 06, 2019

ISLAMABAD: The tax base has been broadened significantly in the first year of the PTI-led coalition government, according to a presentation given by the Federal Board of Revenue (FBR) to Prime Minister Imran Khan on Thursday, as the number of new tax return filers has more than tripled during the period.

The data showed that as many as 783,039 new taxpayers filed returns with the tax department as a result of various schemes, including tax amnesty schemes. The government also facilitated people to file their returns by extending the filing deadline a record eight times. In terms of revenue, FBR received Rs2.583bn from these new return filers.

For comparison, the premier was showed data reflecting that in the last year of PML-N government, only 190,391 new taxpayers were added to the total number. Similarly, the revenue collection with those returns remained low — Rs717 million during tax year 2017.

The total return filers in the first year of PTI government has reached 2.561 million in tax year 2018 as against 1.514m over the previous year, reflecting an increase of 69.1pc.

However, the presentation given by the FBR officials made no mention of the large revenue shortfall of Rs580 billion in the same year despite a significant downward revision of the target.

The FBR chairman was replaced once the shortfall began to become apparent. In the first two months of the current fiscal year, the FBR has seen a shortfall in revenue collection of almost Rs64 billion.

FBR chairman Shabbar Zaidi and his tax team briefed the premier over the performance of the tax department.

At the outset, the premier made it clear that his government's top priority is to eliminate corruption from the FBR and bring about reform. He said the revival of public trust in the FBR is the key to help broaden the tax net.

The briefing covered three main areas — broadening of tax base, revenue collection performance in July-August 2019 and facilitation measures for the taxpayers.

Mr Zaidi briefed the premier over the first two months (July-August) revenue performance in comparison with the last year. The revenue collection was recorded at Rs579bn between July and August 2019 as against Rs505bn collected over the same months last year, showing an increase of 14.65pc.

The overall growth was achieved despite 5.83pc negative growth in customs collection, which fell to Rs97bn this year as against Rs103bn over the same months last year. The contraction came on the back of falling imports.

The income tax collection has reached to Rs188bn this year as against Rs172bn over the last year, showing an increase of 9.3pc. The growth in the collection of sales tax has been recorded at 26.92pc to Rs264bn as against Rs208bn over the last year.

The Federal Excise Duty collection was recorded at Rs28bn as against Rs21bn over the last year, showing an increase of 33.33pc.

Mr Zaidi informed the premier that the collection of domestic taxes recorded overall growth of 28pc mainly led by a growth of 16pc growth in income tax collection, domestic sales tax collection up by 53pc, and domestic FED growth of 39pc, respectively. However a significant portion of this increase would be explained by 10pc inflation from the same months last year.

For taxpayers' facilitation and automation, FBR chairman said that all steps are being automated related to registration of taxpayers, issuance of certificates, return filing, audit and minimizing personal interaction to exclude the involvement of the FBR officials in these processes.

On the issue of visiting markets from September 1, PM Khan asked FBR that the tax officials will have to ensure the on-spot-recording of all of their official interactions during visits to different markets.

Mr Zaidi said FBR teams are visiting markets to help raise awareness in the people about online registration of mobile phones brought from abroad, currency declaration system at airports and advance passengers information system besides public awareness on smuggled goods.

He said FBR in collaboration with NADRA has introduced Sahulat Web Portal so that everyone could have access to information online. He said online system of FBR would be made more effective. He insisted that the FBR is facilitating businessmen in the country.

The chairman said tax refunds worth Rs16bn have already been made and another Rs17bn would be refunded by end of the current month.

https://www.dawn.com/news/1503806

SBP FEARS FURTHER ECONOMIC SLOWDOWN

RIZWAN BHATTI SEP 6TH, 2019 KARACHI

The State Bank of Pakistan (SBP) on Thursday said that the necessary stabilization measures may further slow down the pace of economic activity and the external account imbalances and related uncertainties are likely to have repercussions for the financial markets.
According to Financial Stability Review (FSR), issued by SBP, for the calendar year 2018, the CY18 was challenging for the financial sector of Pakistan as macroeconomic vulnerabilities emerging from twin deficits and elevated inflation level have necessitated the stabilization measures that have slowed down the pace of economic growth.
The financial markets, particularly the forex and equity markets, have trended downwards with increased volatility. However, financial institutions and market infrastructure have largely remained resilient and performed steadily. The growth of the financial sector has moderated to 7.5 percent in CY18.
"The necessary policy measures for the stabilization of the economy such as rationalization of taxes in the budget FY20 and adjustment in utility prices may further slow down the pace of economic wheel," SBP predicted.

The real GDP is expected to rise modestly in FY20. The average CPI Inflation has remained within the range of 6.5-7.5 percent in FY19 but is anticipated to be considerably higher in FY20.
SBP said that there are considerable uncertainties around the projected path of the financial vulnerability index. External account imbalances may have strong repercussions for the financial markets.
The uncertainty surrounding the equity market may continue to strain the performance of mutual funds and insurance sector, which are more dependent upon the capital market. In addition, the monetary tightening may affect the debt repayment capacity of borrowers with some lag, the report said.
SBP projected that in the backdrop of this challenging economic outlook, the corporate sector could perform below its full potential. Therefore, improvement in macroeconomic conditions and successful implementation of the IMF program will be the key drivers in ensuring stability of the financial sector.
The report said that SBP is aware of these emerging challenges to the financial sector and has taken steps to foster risk management practices and enhance transparency in its regulated sectors. SBP is also working in collaboration with other stakeholders for formulating and implementing a comprehensive and well-structured Macroprudential Policy Framework to ensure stability of the financial sector.
Further, the risks related to AML/CFT and cyber security need continuous attention for mitigation. Encouragingly, resilience analysis indicates that the banking sector has the capacity to absorb adverse domestic and global stress in the medium-term.
The report said that post CY18, the macroeconomic imbalances, particularly the fiscal deficit, have widened. The current account deficit, though narrowing gradually, remains at elevated level putting pressure on foreign exchange reserves. While, SBP has raised the policy rate by 325 basis points post-CY18 (until July 2019) to address these macroeconomic challenges.
The assessment of resilience of banking sector to probable future domestic or global stress event in the medium term is of paramount importance. This year's stress testing results indicate that the banking sector can withstand for three years the severe and protracted downturn induced by hypothetical adverse global macroeconomic conditions. The large banks, however, carry sufficiently higher capital buffers and are able to sustain the impact of hypothesized shocks for around four years.
The 3rd wave of SBP Systemic Risk Survey (conducted in Jan-2019), reveals that foreign exchange rate risk, balance of payment pressures, widening fiscal deficit and increase in domestic inflation would remain the key risks to financial system stability for the next six months.
The consolidated picture thus reveals that, amid rising macro-financial challenges, risks to financial stability have somewhat increased during CY18. The tightening domestic financial conditions along with rising uncertainty among the market participants have put the financial markets under stress.
The bearish trend in the equity markets has accentuated risk-averse sentiments and flight to safety as investors have preferred money market and fixed income funds over stocks.
Due to higher volatility in the financial markets, risk averseness in equity market linked NBFIs, like Mutual Funds, has increased, that has led to contraction in assets under management and flight to safer money market instruments.
In addition, the financial institutions have tilted their investments in government securities towards short-end of the maturity structure i.e. MTBs and retired long-term.
In CY18, the operations and risk profile of the domestic financial markets have been largely influenced by the growing external account vulnerabilities, tighter monetary policy response, and uncertainty among the market participants.
While Government has succeeded in raising sizeable bilateral financial support, these flows could partially finance the high current account deficit. As a result, the SBP FX reserves depleted by around

USD 7 billion and the PKR, cumulatively, depreciated by 23.61 percent against US dollar, leading to higher volatility in the FX market.

Besides, uncertainties associated with the political transition and future economic direction led to bearish sentiments in equity market that pulled down the KSE-100 index by 7.58 percent (on average) during the year. However, volatility in the money market has remained contained due to interest rate corridor mechanism in place and prudent management of market liquidity by SBP.

Banking sector, the backbone of the financial sector, has generally weathered the challenging macro-financial conditions and performed steadily. The financing growth has increased, profitability remains reasonable, liquidity buffers stayed high, and solvency of the banking sector has remained adequate.

The FSR has also highlighted few challenges facing the banking sector. The deceleration in deposit growth that is continuing over the last few years may pose funding risk for asset expansion.

The concentration of banks' exposure to public sector, though reduced due to net retirement in PIBs in CY18, remains significant. Further, the risks related to AML/CFT and cyber security need continuous attention for mitigation. Encouragingly, resilience analysis indicates that the banking sector has the capacity to absorb adverse domestic and global stress in the medium-term.

Similarly, the financial depth, as measured by financial assets to GDP ratio, has subsided to 73.0 percent in CY18 from 74.5 percent a year earlier. However, the financial institutions and financial market infrastructure have largely remained resilient and performed steadily during the year under review.

Among the financial institutions, banking sector has remained resilient, with strong Capital Adequacy Ratio (CAR) of 16.2 percent well above the minimum regulatory level of 11.9 percent and high fund-based liquidity.

Among various factors, rise in rating culture in the corporate sector has facilitated enhancement in CAR. The financial intermediation has improved with a rise in advances to deposit ratio to 55.8 percent, highest in the last eight years.

Growing advances have helped reduce the gross loans to NPLs ratio, but other asset quality indicators have slightly deteriorated due to rise in the quantum of NPLs during CY18. The banks have posted reasonable profits; however, higher provisioning expense along with rise in administrative cost and one-off extra ordinary expense has kept the profitability slightly below the last year's level.

https://fp.brecorder.com/2019/09/20190906515759/

0.6 PERCENT PRIMARY DEFICIT AGREED WITH IMF: GOVERNMENT BANKING ON RS 800 BILLION NON-TAX REVENUE

WASIM IQBAL & ZAHEER ABBASI SEP 7TH, 2019 ISLAMABAD

The government is banking on Rs 800 billion non-tax revenue from renewal of cellular licenses, privatization of two power plants and State Bank of Pakistan (SBP) profit to get close to 0.6 percent primary deficit agreed with the International Monetary Fund (IMF) under $6 billion extended fund facility (EFF). Providing details, Finance Ministry officials stated that it expects Rs 300 billion from privatization of two RLNG power plants, Rs 200 billion from cellular companies and Rs 300 billion as State Bank of Pakistan profit while non-tax revenue projected from other accounts would be in addition to this.

Sources added that the government is expected to hire financial advisor (FA) to issue $ 1 billion to $ 2 billion bond in the international capital market as availability of liquidity in the capital market makes issuance of bonds very attractive at this point in time.

Sources in the International Monetary Fund (IMF) and Ministry of Finance told Business Recorder that the (IMF) mission's visit to Pakistan on 16 September was previously scheduled.
"This is a routine visit of the IMF mission to Pakistan" said an official of IMF on condition of anonymity while spokesman Finance Ministry Omer Hameed, when contracted, maintained that "no one can stop IMF mission visiting but this has nothing to do with budget deficit or primary deficit for the last fiscal year". He added that Pakistan would meet the 0.6 percent primary deficit target agreed with IMF by the end of fiscal year 2019-20.
He further stated that the video-conference with the IMF a few days ago was also a routine matter since the time of the then finance minister Asad Umar.
Sources in Finance Ministry further stated that a number of factors notably a decrease in revenue by a Rs 321 billion, Rs 276 billion decline in other revenue and increase in expenditure by Rs 286 billion, led to a higher budget deficit for last fiscal year as opposed to revised estimates in the budget documents.
They, however, insist that the economic situation has begun to show some positive signs with 14 percent growth in revenue collection during the first two months likely to be further consolidated with administrative measures by the federal board of revenue (FBR) in coming months.
Sources added that against the target of Rs 291.5 billion for the month of July 2019, (FBR) collected Rs 281.7 billion while revenue collection in the month of August 2019 was Rs 297.7 billion against the target fixed at Rs 352.1 billion, reflecting a shortfall of Rs 50 billion.

https://fp.brecorder.com/2019/09/20190907516008/

‘FURTHER TAXES WILL BE DETRIMENTAL TO ECONOMY’

By Our Correspondent Published: September 7, 2019

KARACHI: Another mini-budget or imposition of additional taxes to overcome the yawning deficit would be greatly detrimental to the economy, said Karachi Chamber of Commerce and Industry Acting President Khurram Shahzad.

Industries and businesses are already underperforming due to the imposition of exorbitant taxes and they would be unable to sustain the impact of any additional taxes, he remarked in a statement issued Friday.

“The business and industrial community is not in a position to bear any more shocks as this would lead to the closure of many businesses and massive unemployment,” he said.

The government must strictly refrain from such anti-business and anti-industry moves, he advised.

In reference to a forthcoming visit of the International Monetary Fund (IMF) team to discuss fiscal issues with special focus to restrict target of primary deficit within the desired limits, he pointed out that under the IMF conditions, the primary deficit was to be brought down from 1.8% of GDP to

0.6% of GDP in the current fiscal year but instead of declining, the deficit has gone all the way up to 3.6%.

“This means that the government will have to carry out massive adjustments of Rs1,300 billion to reduce primary deficit to 0.6% of GDP, which many experts believe will be done through another mini-budget and would lead to additional taxes being imposed,” he added.

He warned that this decision would plunge the country into further economic crises and the economy may reach a point of no return.

He said that the Federal Board of Revenue (FBR), on one hand, has been claiming that the tax base has improved to 2,561 million taxpayers and the overall growth was also achieved.

However, the State Bank of Pakistan (SBP) has forecasted further economic slowdowns while the International Monetary Fund (IMF) has also expressed deep concerns over worsening fiscal front.

https://tribune.com.pk/story/2051173/2-taxes-will-detrimental-economy/

ECONOMY ON THE MEND: SBP GOVERNOR

The Newspaper's Staff Reporter Updated September 08, 2019

LAHORE: State Bank Governor Reza Baqir told an audience of business leaders in Lahore on Saturday that the reasons behind the increasing trade deficit in recent years was the absence of a market-based exchange rate, and tried to reassure them that the economy is gradually improving.

“In previous years, whenever the trade deficit increased, the exchange rate did not adjust as it was kept fixed. And it led to increase in the deficit since there was an intervention in the system,” Mr Baqir said while talking to the business community here at the office of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI).

“We have brought the exchange rate in the market system by devising a policy that ensures monitoring of supply and demand movements,” he added.

The SBP chief claimed that due to a sustained policy focus, the country’s exports had increased by 10 to 20 per cent. The government, he said, desired increase in profitability of private business and to promote employment. And if the private sector still has some issues with the public sector, the government would make all out efforts to remove hurdles.

“We believe in competition, as without this we cannot progress. So the private sector must come forward and do its part for the prosperity of this country,” he said.

He said the country’s economic condition was gradually improving as reforms are introduced. Not that long ago, he reminded his audience, the foreign exchange reserves of the country were inadequate to meet its external debt service obligations. “So we brought reforms, entered into an agreement with the IMF and devised effective policies” he said, adding that the situation is better now than it was 6 months ago.

https://www.dawn.com/news/1504180

NEWS COVERAGE PERIOD FROM SEP 9th TO 15th 2019

NEED STRESSED FOR REVIVING COUNTRY'S ECONOMY

RECORDER REPORT SEP 12TH, 2019 LAHORE

Central Chairman, United Business Group (UBG) of the Federation of Pakistan Chambers of Commerce and Industry Iftikhar Ali Malik has said that all policies should be focused on economic revival of the country to make Pakistan an attractive place for the foreign investors. Talking to a traders' delegation, he said that at this point, country is not there where it should be despite having all kind of resources.

He said that lack of research culture is the major reason for economic ills of the country. The promotion of research culture will also help overcome various internal issues like decline in exports, energy crisis, lowest tax-to-GDP ratio, inefficiency of public sector entities, brain-drain, shortage of skilled human resources and low industrial production, he added.

He said that lack of knowledge and research is one of the biggest reasons of our economic ills. He said that unavailability of authentic data is coming in the way of Pakistan's external trade. Our exports falling short of target which is not a good omen for the economy at all. Our exports are limited to a few merchandise and dependent on a few countries which was the biggest reason of decline in exports, he added.

He urged the government to conduct market research to find out new destinations for the Pakistani products which are best in the world as far as quality and price is concerned. The Pakistani Missions abroad should be duty bound to introduce Pakistani products to the foreign buyers and also ensure dissemination of trade related information so that Pakistan entrepreneurs could avail trade opportunities to the maximum.

"It is time to diversify our businesses and have to add new products to attract maximum foreign buyers for Pakistani products", he added.

Malik said the government will have to introduce "Knowledge & Research" culture in all sectors of economy including energy. Promotion of research in energy sector would suggest best solution of power shortfall being experienced by the country since long.

He said that developed countries are researching and finding out new ways of power generation while we are playing the role of silent spectators. "Only public-private partnership could make a big breakthrough in the field of knowledge & research" therefore the government should take business community on board at all economic matters", he demanded.

https://fp.brecorder.com/2019/09/20190912516823/

PAKISTAN MAY FACE SERIOUS FINANCING ISSUES: MOODY'S

By Salman Siddiqui Published: September 13, 2019

KARACHI: Moody's credit rating agency has placed Pakistan among countries that may face serious financing issues in the extreme scenario under the ongoing US-China trade tensions as Islamabad's reliance on foreign currency borrowing and thin reserve coverage of external debt payments have weakened its debt affordability.

While Moody's assumes generally stable financing conditions with slowing global growth, ongoing US (AAA stable) and China (A1 stable) tensions and global flashpoints of political risk, sovereigns in emerging markets (EM) and frontier markets (FM) face a material risk of a period of heightened financing stress.

“To gauge exposure to broad or idiosyncratic financing pressure beyond our base case, we have developed a stress test assuming a severe but plausible shock,” the agency said. “We quantify the direct effects of such a stress on core credit metrics and the rating ranges they imply to determine the most affected EMs and FMs.”

Although second-round effects and policy responses would determine the full implication of any shock, the results highlighted a range of exposure among lower-rated sovereigns and those further up the rating scale, the agency said.

“Greatest exposure is among B-rated sovereigns in Asia-Pacific (APAC), Middle East and North Africa (MENA) and Latin America (LatAm), which see the sharpest deterioration in credit metrics when stressed due to weak debt affordability, reliance on foreign-currency borrowing and thin reserve coverage of external debt payments,” Moody’s Investors Service said in its sector in-depth report on “Sovereigns – Global: B-rated sovereigns in APAC, LatAm and MENA most exposed to financing stress.”

“Jamaica (B3 positive), St Vincent and the Grenadines (SVG, B3 stable), Tunisia (B2 negative), Egypt (B2 stable), Ghana (B3 stable), Angola (B3 stable), Pakistan (B3 negative) and Sri Lanka (B2 stable) are particularly exposed to a shock,” it said.

In terms of debt affordability, Sri Lanka, Pakistan, Egypt, Angola, and Ghana would see the most significant deterioration in their interest payments-to-revenue ratios compared to the baseline 2019-20 forecasts.

“This is driven by large gross borrowing requirements of between 15% and 30% of GDP annually as a result of relatively short average maturities of around five years and short-term treasury bills, on average, comprising over 30% of outstanding domestic debt,” it said.

Pakistan’s external financing gap has been alleviated by a $6 billion, 39-month IMF agreement, along with other bilateral and multilateral borrowings providing an external buffer, “however, external vulnerability remains high following years of wide current account deficits and a lack of substantial non-debt-creating foreign exchange inflows.”

“While we expect that a more market-determined exchange rate and import compression will bolster foreign exchange reserve adequacy against external debt repayments, still low levels threaten the ability of the government to refinance foreign currency debt at affordable costs," it said.

Pakistan's fiscal profile has been weakened further by higher interest rates following the central bank's cumulative 750-basis-point hike over the last two years in response to external imbalances.

With the frequent rollover of short-term treasury bills, these higher domestic interest rates have rapidly increased the government's borrowing costs.

The External Vulnerability Indicator (EVI) increases the most among sovereigns with the widest current account deficits and lowest foreign exchange reserve adequacy.

Turning to the direct impact of lower capital flows, among B-rated sovereigns, Pakistan, Belarus, Turkey (B1 negative), Sri Lanka and Papua New Guinea (PNG, B2 stable) see the largest increase in their EVI under Moody's stress scenario, the report said.

In the stress scenario, Belarus, Ethiopia (B1 stable), Pakistan and SVG experience a two-notch rating range shift by the second year of the shock on account of changes in both fiscal strength and external vulnerability risk, while Turkey, Kenya (B2 stable), the Maldives (B2 negative), PNG and Ghana experience a one-notch rating range shift on account of both factors.

https://tribune.com.pk/story/2055203/2-pakistan-may-face-serious-financing-issues-moodys/

TRADE DEFICIT NARROWS

Editorial September 14, 2019

ONE of the two big deficits at the heart of the government's problems — as well as the main target of its economic policy — is the trade deficit that in the past few years has devoured the country's foreign exchange reserves, to the point where an emergency appeal had to be made to the IMF.

Last year, the trade deficit came in at $31bn, showing some decline from preceding years, but still far higher than what the country could afford. The latest provisional data now shows that the declines are gathering pace as the first two months of the fiscal year — July and August — have seen a rapid contraction of up to 38pc in the size of the trade deficit, compared to the same months last year.

The numbers will no doubt be received with relief by the country's economic managers who have a tough target to meet to bring down the full year's trade deficit to $27.5bn. This means on average the economy can afford to run a deficit of just above $2.2bn per month.

The provisional data shows that the first two months of the fiscal year have managed to stay within that monthly average.

The trade deficit for July and August, on a provisional basis, appears to be less than $4bn.But now comes the hard part of keeping it there.

What is not known at the moment are the factors driving this decline.

Oil prices have fallen slightly since July, and imports of industrial raw material could also be seeing declines. As per indications being put out by those invested in the data, the declines owe themselves to reductions in non-essential luxury items. This claim needs to be scrutinised because the size of the reduction at $2.4bn is too large to be driven solely by luxury items.

A closer look yields other important caveats.

The biggest of these is that the decline in the deficit number has been achieved entirely on the basis of a contraction in imports. Compared to the same months last year, exports have been stagnant, which is a very worrisome sign because it comes after a massive depreciation of the exchange rate of almost 30pc since last July.

If despite this, the dollar value of our exports has not changed, it means the decline in the trade deficit may help meet a target, but is otherwise an unhealthy development.

The trade deficit must be narrowed to restore health to the economy, but how this is done is also a critical ingredient in the mix of the economic policies being followed.

The provisional data suggests that the target is being met for the moment, but other than that it points towards signs of growing ill health in the economy. Celebrations must be muted once the final data is released.

https://www.dawn.com/news/1505093/trade-deficit-narrows

WORKERS' REMITTANCES: INFLOWS DECLINE BY 17 PERCENT IN AUGUST

RECORDER REPORT SEP 14TH, 2019 KARACHI

Inflows of workers' remittances sent by overseas Pakistanis have posted a notable decline of 17 percent during the month of August 2019. According to State Bank of Pakistan (SBP), overseas Pakistani workers have remitted $1.691 billion in August 2019 as compared with $2.039 billion received during July 2019, showing a decline of $348.4 million on month-on-month basis, reflecting the usual one-off post Eidul Azha effect.

The received inflows are also some 19 percent lower than August 2018, in which some $2.089 billion home remittances were received. On cumulative basis, inflows of workers' remittance also fell 8.38 percent during the first two months of this fiscal year. Home remittances amounted to $3.73 billion arrived in Jul-Aug FY20 compared with $4.07 billion recorded in the same period last year.

Among three major corridors of home remittances, inflows of home remittances from Saudi Arabia and UK registered a decline of 6 percent and 7.4 percent respectively, while inflows from US surged by 1.21 percent. Overseas Pakistani workers remitted $848.53 million from Saudi Arabia in first two months of this fiscal year down from $903.02 million in corresponding period of last fiscal year. Similarly, inflows from US stood at $629.79 million and $549.47 million from UK. Works' remittances from UAE also fell 15.61 percent to $775.84 million in July-Aug FY20 compared to $919.36 million in same period of last fiscal year. Inflows from EU countries stood at $116.45 million, down 6.58 percent. The country wise details for the month of August 2019 showed that some $356 million home remittances received from GCC countries (including Bahrain, Kuwait, Qatar and Oman). Remittances received from Malaysia Norway, Switzerland, Australia, Canada, Japan and other countries during August 2019 amounted to $200.42 million together as against US$272.62 million received in August 2018.

Bankers said that overseas Pakistanis sent extraordinary funds to their relatives in Pakistan during

July 2019 for Eidul Azha expenditures, of which August inflows are on decline. However, they are expecting some surge in home remittances in coming months.

https://fp.brecorder.com/2019/09/20190914517643/

ECONOMIC TARGETS PROGRESS REVIEWED AT BANIGALA MEETING

Mubarak Zeb Khan Updated September 15, 2019

ISLAMABAD: Prime Minister Imran Khan on Saturday reviewed progress on the targets set for the first quarter of the current fiscal year and directed his economic team to evolve a clear timeline for achievement of quarterly economic targets.

At the second meeting held with a gap of two weeks at his Banigala residence to assess the health of economy and its direction, the premier was informed that economic policies were giving results citing almost 38 per cent reduction in trade deficit during the first two months of this fiscal year owing to sharp drop in imports.

A senior official, who is privy to the meeting, told Dawn that the premier had convened the meeting to assess the overall economic activities especially to see the progress on extending the outreach of social safety nets to real beneficiaries.

The prime minister directed the departments concerned to work out a clear and time-based roadmap to examine the achievements of the quarterly targets.

Secretary Finance Naveed Kamran Baloch briefed the meeting over the quarterly targets of various economic ministries.

The premier was informed that the first quarterly IMF review will be successful. “We have almost achieved our quarterly targets,” an official in the Ministry of Finance told Dawn.

On Friday, IMF Director Communications Gerry Rice said that an IMF staff-level team would be visiting Islamabad in the next few days to hold talks on fiscal matters.

The meeting was informed that the reform agenda signed with IMF was on track and the progress so far on nearly all the performance and structural benchmarks for the first quarter of the current fiscal year were very encouraging with strong indication that all the targets will be met.

As part of the IMF package, the government has made no borrowing from the State Bank, no supplementary grant was made and expenditures are under control during the first quarter. “The exchange rate volatility is almost over. Owing to these achievements and others, the government is almost on track in terms of first quarterly fiscal target,” the official said.

The premier was also briefed about the steps taken for the betterment of the agriculture sector.

On the revival of sick industrial and closed down units, the premier said there is a need to focus on their revival. He said that Corporate Industrial and Restructuring Corporation has to play an active role in this regard especially for better coordination among all departments, including National Bank of Pakistan, SBP and others, besides formulation of a strategy for revival of the sick units.

Regarding construction sector, the premier said that a proposal was being finalised to give an industrial status to this sector and to introduce a fixed tax regime in bigger cities. In this connection, the prime minister asked Naya Pakistan Housing Authority chairman retired Lt Gen Anwar Ali Haider to submit an incentive package to promote the construction of residential apartments and attract investments in the sector.

FBR chairman Shabbar Zaidi told the meeting that the first two months revenue collection target is almost achieved in the range of 90pc. “Owing to the government’s efforts, the tax net has been widened which is a positive sign for the economy,” he added.

Planning Minister Khusro Bakhtiar briefed the premier about the progress on the development projects being executed under the China-Pakistan Economic Corridor (CPEC).

SBP governor Dr Reza Baqir said the exporters have not only expressed their full satisfaction over the government’s policies, but also presented various proposals to boost the export-related industries.

The premier was informed that exports will pick up in the next few months following the settlement of issues that may have arisen due to discontinuation of zero-rated status for the five export-oriented sectors.

Mr Khan asked his economic team to come up with some unconventional and out-of-box solutions for economic uplift and hold consultation with all stakeholders to ensure timely implementation of the proposals.

https://www.dawn.com/news/1505278

PM SEEKS OUT-OF-BOX ECONOMIC SOLUTIONS

By Irshad Ansari Published: September 15, 2019

ISLAMABAD : Prime Minister Imran Khan has directed his finance team members to come up with unconventional and out-of-box solutions for economic uplift of the country and urged them to make all stakeholders part of the consultation process to ensure timely implementation of the proposals.

Chairing a meeting in the federal capital on Saturday, PM Imran said making the country economically viable and facilitating the business sector were the top priorities of the government.

Minister for Economic Affairs Hamad Azhar, Minister for Planning Khusro Bakhtiar, Adviser on Finance Abdul Hafeez Sheikh, Adviser on Institutional Reforms Dr Ishrat Hussain, special assistants Dr Firdous Ashiq Awan and Yousuf Baig Mirza, State Bank of Pakistan (SBP) Governor Reza Baqir, Federal Board of Revenue (FBR) Chairman Shabbar Zaidi, officials of Board of Investment (BoI), Naya Pakistan Housing Authority and Ehsaas Programme, and senior officials of other departments were in attendance.

The premier asked the participants to present a comparative study of past and present economic situation before the people. He called upon the participants to counter negative information being propagated by certain quarters.

Finance Secretary Naveed Kamran Baloch told the meeting that a media cell had been established at the finance ministry and Special Finance Secretary Umar Hameed Khan had been made the focal person for all the economic-related ministries to provide correct information on economic matters.

The meeting was told that during the first two months of the current fiscal year, trade deficit had reduced by 38 per cent, besides witnessing growth in exports, improvement in tax collection, widening of the tax net and increasing trend in trade activity.

The prime minister directed different ministries to work out a clear and time-based roadmap to examine the achievement of the quarterly targets.

The premier said that the government had formulated a comprehensive policy for uplifting all sectors related to agriculture.

He noted that strengthening small and medium enterprises (SMEs) was the government’s priority and it was committed to extending all-out facilities to the sector.

PM Imran reiterated that special focus was required to revive the sick industrial units and those which had been closed down due to maladministration.

“All this requires an active role of CRIC, better coordination among all departments, including National Bank of Pakistan, SBP and others, besides formulation of a strategy for revival of sick units,” he said.

The premier told the meeting that a proposal was being finalised to give industrial status to the construction sector and impose a fixed tax on construction in big cities.

He asked the Naya Pakistan Housing Authority chairman to submit a report on an incentive package to promote construction of residential apartments and investment in the sector.

The FBR observed that a considerable improvement had been witnessed in the tax collection as compared to the previous month.

“Owing to government’s efforts, the tax net has been widened, which is a positive sign for the national economy,” he said.

The prime minister lauded the performance of the FBR chairman.

Planning Minister Khusro Bakhtiar apprised the prime minister of the progress on development projects being executed under the China-Pakistan Economic Corridor (CPEC).

Expressing satisfaction over the CPEC progress, PM Imran said besides being the manifestation of Pak-China friendship, CPEC would also have positive impacts on the national as well as the regional economy.

The SBP governor gave a briefing on the growth in exports.

Baqir said the exporters had not only expressed their full satisfaction over government's policies but also presented various proposals to boost exports.

https://tribune.com.pk/story/2057019/1-pm-seeks-box-economic-solutions/

NEWS COVERAGE PERIOD FROM SEP 16th TO 22nd 2019

ECONOMY NOW ON PATH TO STABILITY, SAYS HAFEEZ

ZAHEER ABBASI & ZULFIQAR AHMAD SEP 16TH, 2019 ISLAMABAD

Adviser to Prime Minister on Finance Dr Abdul Hafeez on Sunday maintained that the Pakistan's economy is on path to stability after recovering from crises and the government is now in a position to deliver on the expectation of the people. Speaking at a press conference along with Chairman Federal Board of Revenue (FBR) Shabbar Zaidi and Secretary Finance Naveed Kamran Baloch ahead of the arrival of International Monetary Fund's (IMF) mission in Pakistan, he insisted that Fund's country director visit was scheduled previously and is a "routine visit" and not an unusual one.

Shaikh added that foreign exchange reserves and exchange rate is stable and there is also stability in the stock market. The government would move one step ahead from stability to fulfill people's expectations, he further stated.

"We are working for the people and not lobbies and vested interest and resisted strong group in efforts of documentation of the economy and would never bargain on collection of taxes from the rich," he maintained.

The adviser also acknowledged that inflation is one of the major challenges for the government and we have been able to suppress it below expectation and are pursuing needed policies of not borrowing from State Bank of Pakistan (SBP) because it is inflationary and contract-nary monetary policy to further deal with it.

The adviser also recounted that how bad was the economic situation when the present government came to power with current account deficit of over $19 billion and higher fiscal deficit.

He said that the government had taken difficult decisions to deal with the economic challenges and now those difficult decisions have started yielding positive results with current account deficit reduced by $6 billion, export showing growth and imports on contraction.

"We have set a revenue collection target of Rs5.5 billion to lessen dependence on other countries, and as per July 2019 data, the current account deficit has been reduced to $13.5 billion from $19.5 billion and monthly current account deficit has fallen by 73 percent," he added.

He said that according to two-month data, there is a growth of 15 percent in tax collection as July-August 2019 tax collection was recorded at Rs590 billion against Rs509 billion for the same period of last fiscal year in spite of low tax collection from custom duty due to import compression.

He said that number of filers has increased from 1.9 million to 2.5 million and this number would be further increased. The adviser said that government has also fulfilled its promise to make refunds payment of all those refunds whose Refund Pay Orders (RPOs) were ready.

We have made payment of Rs22 billion and there is no sales tax refund pending whose RPO is ready, he said, adding from August 23, 2019 onwards, all the sales tax refunds would be made electronically by 16th of every month.

Shaikh said that during the last two weeks, two important decisions have been taken with - to private loss making entities and a list of 10 units have finalize besides identifying 20 entities for fast track restructuring.

We are also privatizing electricity distribution companies including National bank of Pakistan and State Life Insurance Corporation, he said.

Adviser on Finance also claimed that the government is making progress to reduce the electricity circular debt by controlling power theft and stated that this is a very important and continuous reform in the power sector.

Sheikh said that the government is expecting Rs1 trillion from non-tax revenue with Rs200 billion from cellular companies' licenses, Rs300 billion from sale of RLNG power plants and Rs400 billion from SBP profit which would help reduce loans.

He said that he wants to share good news that government has not borrowed any money from SBP and no supplementary grant was released and has taken only Rs24 billion to finance deficit of Rs270 billion because there was a benefit of Rs246 billon from total debt stock due to improvement in exchange rate.

Adviser said that growth target of 2.4 percent would be easily surpassed owing to growth from agriculture sector which is priority of the government.

Replying to a question, he said that 0.6 percent primary deficit target would be achieved by increasing revenue to a limit, decreasing expenditure to a limit as well as expected higher non-tax revenue inflows and increasing economic activity and government is moving in this direction. The government is working to facilitate the businesses through ease of doing business, providing subsidy on gas and electricity and credit. "The government's policy is to undertake all those things required to exclude Pakistan from grey list of Financial Action Task Force (FATF)," he added.

https://fp.brecorder.com/2019/09/20190916518087/

NEWS COVERAGE PERIOD FROM SEP 23rd TO 29th 2019

PM, WB CHIEF DISCUSS PAKISTAN’S ECONOMY

BR – ePaper September 25, 2019

NEW YORK: President of World Bank David Malpass called on Prime Minister Imran Khan in New York and discussed economic development matters.

The meeting was held on Monday wherein Pakistan’s economic situation came under the discussion.

PM Khan is currently in the United States to attend the 74th session of the United Nations General Assembly. As per his schedule for today, he will first participate in the opening ceremony of the general debate of the UNGA session.

Later today, on the sidelines of the UNGA session, PM Khan will meet with Mrs. Sahle Work-Zewde, President of Ethiopia and Jacinda Ardern, Prime Minister of New Zealand.

A meeting is also scheduled between Premier Khan and President of Egypt

Abdel Fattah Al Sisi, The PM will also go to state luncheon hosted by the Secretary-General of the UN. Afterward, he will host a dinner in honor of the heads of delegations of Organization of Islamic Council contact group on Jammu and Kashmir.

He would also make an appearance at the reception hosted by President Trump later in the evening today.

https://epaper.brecorder.com/2019/09/25/18-page/802689-news.html

CONOMIC ISSUES: ENHANCED COMPETITIVENESS ONLY SOLUTION

Shahid Sattar and Hira Tanveer BR – ePaper September 25, 2019

Pakistan has been trapped in a stagnant growth dilemma for decades. We have not been able to achieve adequate GDP growth rates for any extended period of time. During the early 2000s, growth rate did increase to 7 percent but it wasn't sustainable as the basic fundamentals of the economy had not been focused. Economic growth is the result of increase in the capacity of an economy to produce goods and services, which cannot be achieved without improving economic productivity which depend on policy adequacy.

The concept of economic productivity essentiality for economic growth has been expounded multiple times by the eminent Economist Dr Nadeem Haque especially in "The framework for economic growth (https://www.theigc.org/wp-content/uploads/2016/08/Planning-Commission-2011-Final-Report.pdf)". According to the framework, country's productive capacity is significantly based on two factors that are education and level of economic collaboration. Firstly, education determines the magnitude of the ability of population to benefit from global advancement and knowledge. Globally, technical development is increasing the rate of marginal productivity, making it easier to produce more goods and services of superior quality at a faster pace. Acquiring these modern skills is a pre-requisite for producing internationally competitive goods and services. Secondly, economic collaboration determines the ability of people to do things together in an organized manner and excelling to achieve international competitiveness in order to earn profits all over the world.

Unfortunately, Pakistan is lagging behind on both these counts. Our education system is not according to the contemporary needs of the era as well as poor economic organisation and collaboration both at the government and the private sector level hinder growth.

Long-term economic crisis in the form of stagnant economic growth, declining exports, worsening Balance of Payments (BoP), increasing unemployment rate and limited GDP growth rate, all require long-term policy framework focused on sustainable economic recovery. The aim should be to graduate from low-income country to a middle-income country and actualizing the potential of our economy which we has not achieved yet. Shortsighted economic policies have only exacerbated the problem rather than providing a solution.

Performing below our economic potential has led us to a situation where we are not producing enough to meet our needs and hence importing a huge volume of products, additionally, we are also unable to manufacture internationally competitive goods for export and therefore earning adequate foreign exchange for our financial needs. As a result of outflow of money for imports and not enough earnings from exports, we have been forced to largely rely on foreign borrowings creating a massive burden of foreign debt accumulation. The major portion of our fiscal space goes into making foreign debt payments and interests, leaving little for national development spending.

Policymaking in Pakistan is weak and its implementation is even weaker with no mechanism of policy outcome evaluation. Furthermore, economically unessential and irrelevant mega projects are initiated by the successive governments skipping simply comprehended and basic analytical tools like cost-benefit analysis and choosing the best alternative on that basis. These projects come with little economic returns rather they need to be subsidized for their functioning. For example, popular projects like metro bus and orange line train bear no economic return and carry a huge infrastructure expenditure and a continuing unaffordable subsidy.

Additionally, the energy crisis after 2007, caused a major economic slowdown with industrial sector suffering the most, creating unemployment, fall in exports and lower aggregate supply. Now that electricity shortfall has been bridged with additional capacity added to the system. Pakistan is set for gas crisis, 10 years ago there were 22 gas exploration companies working in Pakistan, now they there are only 3 left. International companies are not ready to enter Pakistan due to bureaucratic hurdles and red tape. Government rather than promoting domestic energy resources exploration is establishing 5 additional RLNG terminals. The question is: are there enough RLNG buyers? RLNG is supplied at subsidised rates to major industries and fertiliser sector who are biggest consumers of this imported gas. Government is all set to further increase its financial burden through shortsighted quick fix policy.

Deep structural changes are required for long-term economic recovery that will take us from average GDP growth rate of 4 to 5 percent to a sustained growth rate of 7 to 8% extended over two decades. We need to modernize our governance system, including bureaucracy and judiciary to bring efficiency and justice in the system. These institutions still represent colonial mindsets of 19th century. Streamlining our working ethics with how modern economies operate their business in the time of globalization and technical innovation is crucial for any kind of economic development.

A shift from government regulated markets to free markets mechanism is vital to achieve competitiveness where sole market forces define prices. Our successive governments have largely interfered in free markets and they still believe in regulating markets through setting price floors and ceilings, subsidising group of large industries, directly buying agricultural produce from farmers and building infrastructures at government level. Such operational capacity of government is not likely to deliver in 2019. For instance, long government intervention in energy market has resulted in extremely high and unnecessary IPP tariffs and a cycle of circular debts in the energy sector, which has now necessitated government to offer lower tariffs to exporting sector in a bid to maintain their competitiveness. Another example is the uncompetitive sugar industry that requires subsidies to export the excess and ill-advised surplus.

There is a need to leave markets to operate on their own to promote competition, develop sustainable businesses and corporate firms that can survive on their own without any privileged compensations from the government. Only these CSR compliant firms will be able to produce economically viable and technically advanced products with foreign demand necessary to increase our export volume.

In the last past, whenever viability of exporting sector was restored and it started to take off, inconsistent economic policies dragged them down, not letting exporting industry rise in the country (Ladder and the snake, https://fp.brecorder.com/2019/05/20190522477836/). Lack of an appropriate enabling environment for domestic industry, inappropriate exchange rate policy and the rising debt repayment obligations precipitated falling exports, sustainable Balance of Payments and pressure on the exchange rate.

In this day and age, the recent Kashmir crisis with India is enough to illustrate the importance of linkage between national integrity and economic security. Economic prosperity and stability determine national security and voice of a nation in the world community. Pakistan's genuine concerns on Kashmir have been muted in the International media due to low standing of Pakistan owing to economic predicaments, political instability and other issues of national security that the country is facing.

In an effort to come out of economic instability, debt trap and BoP crisis, Pakistan urgently requires long-term economic policy for the exporting sector and import substitution that is strictly implemented ensuring continuity of regionally competitive cost structure especially energy rates and adequate financial facilities. Interest rates should be in line with world market to promote private investment. Pakistan needs consistent policies focusing on increased productivity that fosters sustainable and long-lasting economic growth, imperative to become a middle- income country and fulfilling Pakistan's potential.

https://epaper.brecorder.com/2019/09/25/15-page/802667-news.html

ADB OFFERS GRIM ECONOMIC FORECAST

ZAHEER ABBASI BR – ePaper September 26, 2019

ISLAMABAD: Pakistan's economy would further slow down due to fiscal consolidation and monetary tightening to address fiscal and external imbalances, International Monetary Fund (IMF) program; inflation would spike to 12 percent subsequent to planned increase in domestic utility prices, taxes introduced in the budget, and the lagged impact of currency depreciation.

This was stated in the Asian Development Bank's (ADB) Asian Development Outlook (ADO) 2019 Update under Pakistan's prospects.

The report further maintains that the government plans to catalyze significant international financial support to restore macroeconomic stability and promote sustainable and balanced growth under a 3-year economic stabilization and reform program with the IMF.

Under the programme fiscal consolidation aims to reduce the large public debt while expanding social spending, establish a flexible exchange rate regime to restore competitiveness, and rebuild official reserves.

Given the need for the authorities to address sizable fiscal and external imbalances, the economy is expected to slow further, with GDP growth projected at 2.8% in fiscal year 2020. Fiscal adjustments are expected to suppress domestic demand, and demand contraction will keep growth in manufacturing subdued.

However, agriculture is expected to recover from weather-induced contraction this year, with major incentives in the government's agriculture support package included in the budget for fiscal year

2020. Inflation remained elevated at the start of fiscal year 2020 at 9.4% in July and August and is projected to accelerate further to average 12% in fiscal year 2020 because of a planned hike in domestic utility prices, taxes introduced in the FY2020 budget, and the lagged impact of currency depreciation.

Pressure from inflationary expectations can be relieved by the government's commitment to refrain from directly financing the budget deficit by borrowing from the central bank as monetary policy continues to tighten. The economic reform program supported by the IMF envisages a multiyear strategy for revenue mobilization to pare public debt to a sustainable level.

The budget assumes tax revenue increased to equal 14.3% of GDP. With non tax revenue projected at 2.3% of GDP in fiscal year 2020, total revenue is expected to increase to 16.6% of GDP.

Expenditure is projected to equal 23.8% of GDP with an increase of 1.8 percentage points in current spending to cover larger interest payments and higher allocations for social spending to avoid hurting the poor as reform progresses.

At the same time, to support the adjustment efforts, the government set the federal government wage increases below the inflation rate whereas development spending is projected to rise to 3.6% of GDP in fiscal year 2020 and support stronger social spending in the budget.

The budget deficit is expected to equal 7.2% of GDP – still large but 1.7 percentage point lower than the fiscal year 2018 outcome. Financing is expected to come mostly from external and non-bank sources after the government announced that it would not borrow from the central bank toward financing the budget deficit in the ongoing fiscal year.

Resource allocation indicates a shift toward external borrowing, with net external financing estimated at Rs1.8 trillion, or 4.2% of GDP. Financing from non bank sources is projected at PRs833 billion, or 1.9% of GDP.

The government has recently adopted the Public Financial Management Act in the context of the finance bill to strengthen fiscal discipline. Working with provincial governments, the federal government will prepare a fiscal strategy to align provincial expenditure and the annual deficit with budgetary targets that have heretofore been routinely breached.

Capacity will be strengthened in the Ministry of Finance for monitoring fiscal risks and conducting cash management. On the external front, the trade deficit shrank by nearly half in July, the first month of2020, from $3.4 billion a year earlier to $1.8 billion.

With further narrowing of the trade deficit and a continued positive trend in workers' remittances, the current account deficit is projected to narrow further to 2.8% of GDP in FY2020. Import payments will remain subdued, reflecting weak economic activity and the pass-through of past rupee depreciation against US dollar. The real effective exchange rate is now thought to be near equilibrium, and a lower and more stable rupee is expected to improve export competitiveness.

Foreign capital inflows are expected to increase. Foreign direct investment should revive as investors' confidence is restored with implementation of the IMF stabilization and reform program.

This should also help bring additional finance from multilateral institutions and other international partners. Along with the activation of a Saudi oil facility with potential disbursements of $1 billion in the current fiscal year, these developments are expected to raise foreign exchange reserves to reach more than $10 billion by the end of fiscal year 2020.

https://epaper.brecorder.com/2019/09/26/1-page/802731-news.html

PAKISTAN IN MIDST OF ECONOMIC CRISIS, SAYS UN BODY

By Amin Ahmed | 9/27/2019 12:00:00 AM

ISLAMABAD: The `Trade and Development Report 2019` released by the United Nations on Thursday says that Pakistan`s economic crisis has not been resolved despite the fact that support from China and Saudi Arabia and a large IMF loan have helped address the immediate problem.

In a brief comment on Pakistan in the Asia section, UNCTAD`s annual flagship report went on to say that `Pakistan is in the midst of a crisis` as the growth rate has halved, the balance of payments is inpoorshape, therupeehas depreciated significantly and external debtislarge andrising.

According to the report, the slowdown observed in the rate of growth of the Chinese economy from 2017 onwards, is projected to intensify in 2019 because of the trade and technology tensions.

Together with a projected deceleration in the rate of growth in2019 for India, where below-target collections from the recently introduced `Goods and Services Tax` have combined with fiscal consolidation efforts to limit public spending, will further slow growth in the Asian region as a whole, the report pointed out.

The slowing of China`s trade growth has a major impact on other East Asian and South-East Asian economies, since it is likely that the integrated value chains spread across these economies and linked to China would be disrupted.

With the theme of `Financing a global green new deal`, the report says public banking should be given back its traditional, bigger role if the environmental and economic landscape is to be transformed by 2030. Ef forts to leverage private finance by channeling public month through global banking giants or shadow banking will more likely introduce new costs and vulnerabilities than finance investments in cleaner and greener energy, jobs and development.The report calls for banking to change its game, rejecting today`s financialised markets, which have consistently focused on speculative activities and under-served productive sectors. UNCTAD maintains that it is public banking that does the heavy lifting and hence public banking should be better supportedforthefuture.

Public banks are designed to be different from private banks; to focus on long-term projects whose benefits exceed purely commercial returns and on sectors and locations that private finance ignores.

And despite the constant ideological barrage, public banks in many countries are already doing this, especially in the developing world where Southern-led and Southernoriented banks and funds have added hundreds of billions of dollars of loans to development.

Tax-motivated illicit financial flows of multinational enterprises (MNEs) are estimated to deprive developing countries of $50 billion to $200bn a year in fiscal rev-enues. These flows are facilitated by international corporate tax norms that consider affiliates of MNE s as independent entities and treat taxable transactions between the different entities of MNEs as unrelated.

To address this problem, the reportrecommendsamovetowards unitary taxation that recognises that the profits of MNEs are generated collectively at the group level.

Unitary taxation should be combined with a global minimum effective corporate tax rate on all MNE profits set at around 20 per cent to 25pc, which is the average of current nominal rates across the world.

To distribute the revenues from such reformed corporate taxes across countries the report supports `formulary apportionment` whereby the total taxes of an MNE group are allocated across countries according to an agreed formula, ideally one that prioritises employment and productive physicalassets over totalsales.

https://epaper.dawn.com/DetailImage.php?StoryImage=27_09_2019_010_004

OCTOBER, 2019

NEWS COVERAGE PERIOD FROM SEP 30ty TO OCT 6th 2019

REVENUE SHORTFALL GROWS TO RS111BN

Mubarak Zeb Khan Updated October 01, 2019

ISLAMABAD: The Federal Board of Revenue (FBR) missed revenue collection target for the first quarter of current fiscal year by a wide margin of Rs111 billion against the target of Rs1,071bn despite several measures and double-digit consumer inflation.

The trend in revenue collection shows that the quantum of shortfalls is constantly increasing with each passing month starting from Rs14 billion in July to Rs47bn in September — last month of first quarter.

FBR Chairman Shabbar Zaidi told Dawn that the revenue body has managed to provisionally collect Rs960bn in the first quarter of current fiscal year as against the target of Rs1,071bn projected for the same period.

He said that some more positive adjustment is expected. However, he also added that the FBR has paid past refunds worth Rs15bn during the first quarter as well.

He claimed that tax collection of up to 90 per cent of highly aggressive target for quarter ended Sept 30 has been achieved.

Meanwhile, the FBR on Monday also extended the last date for filing of income tax returns/statements for the tax year 2019 until Oct 31. The extension is available to all individuals (salaried and non-salaried), association of persons and companies.

The FBR has received as many as 438,564 returns until Sept 30 as against 408,381 returns received over the corresponding month last year, showing an increase of 7.4pc. Last year, the FBR received 2.6 million returns after granting eight extensions.

The FBR has set a target of 5m returns in the current fiscal year.

The shortfall could have been much higher in case the FBR had not lowered its first quarter revenue target to Rs1,071bn from Rs1,111bn, a straight reduction of Rs40bn.

Prime Minister Imran Khan removed the former FBR chairman in May as it became clear to him that the revenue collection was heading towards a record shortfall. To achieve the ambitious revenue target of Rs5.55 trillion, PM Khan on May 10 appointed Shabbar Zaidi from the private sector as the FBR chairman to reverse the downward trend in revenue collection.

For the first review under the International Monetary Fund programme, the FBR was supposed to collect Rs1,071bn in the first three months of current fiscal year. However, the collections during the period have missed the target by a wide margin.

FBR chairman told Dawn that the import contraction is around $3bn during the first quarter. The effect of that is around Rs125bn, he said, adding this shows that target has been met.

He said that import contraction is much higher than the earlier projections. “We will take up this issue with the IMF team”, he said, adding the overall drop in import is good for the balance of payments.

He said the domestic tax collection has posted a growth of 25pc in the first quarter over the last year. “This is an impressive growth”, Zaidi said. However, a significant portion of this increase can be attributed to the 10pc rise in inflation from the same months last year.

He said the FBR has managed to achieve around 90pc of the first quarter target.

The customs collection has fallen short of target by Rs37bn, as the collection amounted to Rs152bn in the first quarter against the target of Rs189bn.

Inland Revenue Tax — income tax, sales tax and federal excise duty (FED) — posted a massive shortfall of Rs74bn in the first quarter. The shortfall is more in the income tax collected followed by sales tax mostly at import stage and federal excise duty.

https://www.dawn.com/news/1508342

PAKISTAN’S ECONOMY: ADB’S ASSESSMENT

October 01, 2019

The Asian Development Bank (ADB) in its Asian Development Outlook (ADO) for the year 2019 released on 25th September has vainly tried to paint a balanced picture of the economy; unfortunately the economic scene is characterized by growing anxiety and deep concerns. The ADB has affirmed that Pakistan’s economy could slow down further due to fiscal consolidation and monetary tightening to address fiscal and external imbalances while inflation could spike to 12 percent subsequent to planned increase in domestic utility prices, taxes introduced in the budget and the lagged impact of currency depreciation. The government plans to catalyze significant international financial support to restore macroeconomic stability and promote sustainable growth under a three-year economic stabilisation and reform programme with the IMF. GDP growth rate is projected to be 2.8 percent during FY20 due to suppression in domestic demand and inflation is likely to accelerate further to 12 percent during the year. However, inflationary expectations could be relieved by the government’s commitment to refrain from directly financing the budget by borrowing from the central bank.

As for fiscal position, with tax revenues equal to 14.3 percent of GDP and non-tax revenues projected at 2.3 percent of GDP, total revenues are expected to increase to 16.6 percent of GDP during FY20. Budget deficit estimated to be equal to 7.2 percent of GDP – still large but 1.7 percentage points lower than FY19. Working with provincial governments, the federal government will prepare a fiscal strategy to align provincial expenditures and the annual deficit with budgetary targets. With further narrowing of trade deficit and a continued positive trend in workers' remittances, the C/A deficit is projected to decrease further to 2.8 percent of GDP in FY20. The real effective exchange rate is now thought to be near the equilibrium level. Foreign capital inflows as well as foreign direct investment should revive as investors' confidence is restored with the implementation of the IMF stabilisation and reform programme. Along with the activation of Saudi oil facility with potential disbursement of dollar one billion in the current fiscal year, the level of foreign exchange reserves held with the SBP could reach more than dollar 10 billion by the end of fiscal year 2020.

It is obvious from the ADB's observations that its ADO contains an objective assessment of the economy although certain projections in the outlook appear to be somewhat dated. For instance, the ADB seems to be certain that the GDP growth rate would decline to 2.8 percent, given the need for the authorities to address sizeable fiscal and external imbalances and the consequent contraction in demand. While this growth projection is thought to be realistic at the beginning of the current FY20, the recent rains in the country are likely to accelerate agriculture growth and improve the overall business sentiments. According to the latest estimates of the State Bank, the GDP growth rate could be expected to be around 3.5 percent during FY20 which is considerably higher than the ADB's estimates. Anyhow, we feel that it is still too premature to have a reliable estimate of GDP growth when actual developments during the next nine months could be different from the present forecasts. The situation on the fiscal front, on other hand, could be somewhat worse in the remaining part of the year. As witnessed during the first two months, it is extremely difficult to achieve the tax targets during the year while current expenditures are expected be higher than the budget projections for defence expenditures due to mounting tensions at the eastern border following the change of status of Kashmir by the Indian government. The ADB also expects cooperation from the provincial government which, as usual, may not be forthcoming. The recent earthquake and the subsequent rehabilitation in Azad Kashmir would also require substantial allocation of resources from the budget with the result that the projections of ADB for fiscal deficit could be exceeded. Nonetheless, projections on inflation and for the external sector appear to be very much in accordance with the latest estimates of most of the analysts in the field.

The best aspect of the ADB projections is that a neutral body has unambiguously stated that Pakistan has to bear the cost of past mismanagement and pay a heavy price to rehabilitate the economy largely in the form of higher prices, a depreciated rupee, loss of employment and subdued growth. It definitely takes a lot of effort and costs politically to tread on this path. It is also a painful but necessary process to get the economy out of mire. Instead of blaming each other for creating the mess, the government and the opposition parties have to realise that although the present situation is not easy to tolerate, yet necessary sacrifices have to be made for a better economic future. People at large would also endure the difficulties of the reform process if they could be persuaded to believe that there is light at the end of the tunnel. Suffering is part of growth.

https://epaper.brecorder.com/2019/10/01/17-page/803606-news.html

NEWS COVERAGE PERIOD FROM OCTOBER 7th TO 13th 2019

CHINA TO HELP PROP UP PAKISTAN ECONOMY

By APP Published: October 9, 2019

BEIJING: Pakistan and China on Tuesday agreed that the implementation of the second phase of China-Pakistan Free Trade Agreement (FTA) would lead to more trade, economic and investment opportunities between the two countries.

During a meeting between visiting Prime Minister Imran Khan and his Chinese counterpart, Li Keqiang at the Great Hall of the People, both sides noted that frequent bilateral exchanges were contributing to elevating the bilateral cooperative partnership to new heights.

Prime Minister Imran and Premier Li also discussed bilateral trade and economic partnership as well as the regional security, including the serious human rights and humanitarian situation in the Indian-Occupied Kashmir.

While discussing the ways to increase Pakistan's exports to China, both the leaders emphasised that the implementation of the second phase of the FTA would lead to more trade, economic and investment opportunities between the two countries.

During the talks, Prime Minister Imran informed his Chinese counterpart that expeditious completion of the China Pakistan Economic Corridor (CPEC) projects was the foremost priority of his government.

The transformational project was pivotal to accelerating Pakistan's economic development and regional prosperity, he said. He also apprised Premier Li of the actions taken recently by the government to fast track the CPEC projects and to push the development momentum in Gwadar.

Premier Li thanked Prime Minister Imran for the measures to advance the CPEC projects and maintained that the second phase of CPEC would be instrumental in reinforcing and consolidating Pakistan's economic development and pave the way for enhanced Chinese investments in Pakistan.

Li underlined the abiding Pakistan-China relationship and reiterated China's support for Pakistan's issues of core national interest, said a press release issued by the Prime Minister's Office.

Imran underscored that the cooperative partnership between Pakistan and China served the fundamental interests of the two countries and their peoples, and contributed to peace, development and stability of the region.

Prime Minister Imran apprised Premier Li of the latest developments and the importance of urgent action by the international community to alleviate the sufferings of the Kashmiri people in the lock down.

The prime minister extended felicitations to Premier Li on the 70th anniversary of the founding of the People's Republic of China. He also reiterated his invitation to Premier Li to visit Pakistan at the earliest opportunity.

Other areas of potential collaboration, which were discussed in the meeting, included railways, steel, oil and gas, industry and science and technology sectors. The bilateral talks were followed by a banquet hosted by Premier Li.

The two leaders also witnessed signing of various agreements and memorandum of understanding (MOUs) aimed at deepening Pakistan-China ties in a range of socio-economic sectors.

Foreign Minister Shah Mahmood Qureshi, Planning Minister Khusro Bakhtiar, Railways Minister Sheikh Rashid, Commerce Adviser Razak Dawood, Special Assistant Nadeem Babar, Chairman

Board of Investment Zubair Gillani, Army Chief Gen Qamar Bajwa and the director general of the Inter-Services Intelligence (ISI), were also present in the talks.

Prime Minister Imran Khan is on a two-day official visit to China at the invitation of his Chinese counterpart – his third visit in 13 months. Upon his arrival at the Great Hall of the People, he was presented a guard of honour and a 19-gun salute.

Imran arrived in Beijing on Tuesday. At Beijing Capital Airport, the prime minister was warmly received by Chinese Culture Minister Luo Shugang, Ambassador of China to Pakistan Yao Jing and Ambassador of Pakistan to China Naghmana Hashmi.

Commenting on the prime minister's visit and his meetings with the top Chinese leadership, Chinese Foreign Ministry Spokesperson Geng Shuang said that Beijing attached great importance to the visit of Imran.

"We have strategic mutual trust and advancing practical cooperation. Our cooperation in CPEC is bringing more outcomes to our peoples," he said, adding that the bilateral relationship was in line with interests of both the countries and common aspiration of the world.

When asked whether the Kashmir issue would be figured during the talks, Spokesperson Geng Shuang reiterated that China's position on Kashmir was clear and consistent. He called upon India and Pakistan to engage in dialogue to resolve the Kashmir issue and consolidate mutual trust.

"China's position on Kashmir issue is clear and consistent. We call on India and Pakistan to engage in dialogue and consultation on all issues including Kashmir issue and consolidate mutual trust," Geng Shuang told a regular briefing.

https://tribune.com.pk/story/2075198/1-pakistan-china-explore-ways-boost-trade/

DEFICITS UNDER COMPLETE CONTROL, SAYS HAFEEZ

Mubarak Zeb Khan October 13, 2019

ISLAMABAD: The fiscal deficit declined by 36 per cent in the first quarter of the ongoing fiscal year as revenue increase and expenditure cuts took root under the aegis of an IMF programme. Cutting the fiscal deficit is at the core of the government's commitment to the fund.

Data released showed that fiscal deficit, which is the difference between revenues and expenditures of the federal government, came in at Rs478 billion in July-September FY19 from Rs738bn over the corresponding period last year.

The data was released by Adviser to the Prime Minister on Finance Dr Hafeez Shaikh on Saturday during a crowded press conference in Islamabad, where FBR chairman Shabbar Zaidi was seated next to him. "The fiscal and trade deficits are under complete control," the adviser said, adding both indicators have shown contractions of over 35pc in the first quarter.

In last year (FY 2018-19), the fiscal deficit was recorded at 8.9pc of GDP, though for the first quarter of the current fiscal year data is not available as a proportion of GDP.

Dr Shaikh said that trade deficit had also declined significantly by 35pc in the same period.

The adviser said that improvement in the fiscal situation is due to no supplementary grants being granted during the period under review.

One of the major developments highlighted by the adviser is a robust growth in non-tax revenue which grew by 140pc year-on-year to Rs406bn in the first quarter. His projection is that this figure will touch Rs1.6 trillion by the end of June 2020 as compared to the target of Rs1.2tr.

Giving the breakdown of these projections, the adviser said that he is expecting an additional Rs200bn in profit of State Bank of Pakistan. In the first quarter, the SBP profits jumped to Rs185bn this year from Rs51bn recorded over the same period last year.

Profit of the Pakistan Telecommunication Authority (PTA) edged up to Rs70bn in the first quarter from Rs6bn recorded last year. “We are expecting an additional amount of Rs338bn in the next three quarters” from the PTA, Dr Shaikh said.

The government projected to raise an amount of Rs300bn from the sale of two Liquefied Natural Gas (LNG)-fired power plants, another Rs120bn from dividend and interest of public sector enterprises and Rs250bn from petroleum development levy.

Under the IMF programme, the main conditionality is to meet the primary deficit target. The primary balance of a government’s budget is the difference between revenues and expenditures after removing interest payments.

For the first quarter the primary deficit is projected at Rs102bn. But the ministry of finance claims to have shown a primary surplus of around Rs200bn in the first quarter, which should smooth the way through the first IMF review scheduled for end of this month.

The adviser claimed stability in the exchange rate was achieved in the first quarter. He said billions of dollars were wasted to keep the exchange rate artificially stable in previous years. “We have introduced market-based exchange rate,” he said, adding not only is the exchange rate stable but the country’s foreign exchange reserves also increased.

As a result of these measures, he said the net portfolio investment has increased to $340m. This growth, he said, was seen after a gap of three years.

The adviser said that overseas employment increased to 373,000 during the period from January to August 2019 from 150,000 people who went abroad to seek jobs during the same period last year.

“We are expecting a growth in remittances as well,” he said, though remittances thus far have shown a slight decline from last year.

Dr Shaikh said the investors’ confidence had also been restored in the stock market, as it had shown 22pc growth in the past three months as the index had reached the 34,000 points level from 28,000.

On the issue of export proceeds, the adviser said that exports have also started growth during the current fiscal year after a gap of five years.

Answering a question, the adviser said a comprehensive policy will be announced for small and medium enterprises sector in the next couple of days. Under the policy, ease of doing business is the focus along with credit facility for the sector.

On the issue of the Financial Action Task Force (FATF), Dr Shaikh said the government is taking all measures to stop the money laundering. “We have to take more measures for full compliance of the FATF points,” he said, adding Pakistan has already been compliant in 20 out of 27 conditions. “We are expecting that with all these measures Pakistan will come out of grey list,” the adviser said.

On the issue of traders’ strike, FBR chairman Shabbar Zaidi said there is no deadlock with the traders and he is expecting to resolve the issue shortly. “We have already held 20 to 30 meetings with the traders so far,” he said.

He said he is expecting to reach an understanding with the traders who want turnover-based tax scheme while the FBR had proposed fixed tax on the basis of area. “We have no issue on this but it needs to be resolved mutually with traders,” he said.

The FBR chairman, however, cleared that he will not go back on the condition of CNIC required on purchases and selling of goods. “We will talk to traders on the CNIC to convince them,” he said.

On the issue of data from the UAE, Mr Zaidi said that he was expecting a positive outcome of the data received regarding Pakistanis having residence by investment. He said Pakistan will also get data on Iqama — a work permit used for avoiding taxes.

Published in Dawn, October 13th, 2019

https://www.dawn.com/news/1510560/deficits-under-complete-control-says-hafeez

NEWS COVERAGE PERIOD FROM OCTOBER 14th TO 20yh 2019

ECONOMY STAGNATING AMID BIG DEFICIT, LOW RESERVES: WORLD BANK

Amin Ahmed Updated October 14, 2019

ISLAMABAD: The World Bank has said Pakistan’s economy is slowing as it faces yet another macroeconomic crisis due to high twin deficits and low foreign reserves.

In the latest edition of its report titled “South Asia Focus: Making (De)centralisation Work”, that was released on Sunday, the Bank noted that with an IMF extended fund facility-supported stabilisation programme in place, the country’s economic growth was expected to remain low in the near term.

The outlook for medium-term growth, meanwhile, hinged on the country’s ability to implement necessary structural reforms to boost competitiveness and achieve sustained growth, said the report.

Progress on poverty reduction was expected to be limited during the macroeconomic adjustment period, it added.

According to the report, measures to restore macroeconomic stability in Pakistan weigh heavily on growth, which is expected to have dropped to 3.3 per cent.

Economic policies over the past few years have resulted in increased debt levels and an erosion of fiscal and external buffers, affecting the economy’s ability to absorb shocks. The country needs to restore these buffers, especially because turbulence in global financial markets could affect the country's access to private external financing. And the weakening global economy and rising trade tensions could dampen external demand.

"Increased pressures on the asset quality and capital adequacy buffers due to the economic slowdown and inflationary environment could hold back the forecast rebound in growth, especially when strong short-term deposit mobilisation due to recent increases in policy rates continues to be intermediated mostly towards government securities," said the report.

The main domestic risk emerges from potential difficulties in implementing the necessary adjustments and structural reforms. The vulnerable households' ability to weather the economic impact of the crisis will depend on the inclusiveness of growth, the food and non-food inflation, and the resilience of sectors relevant for their employment — agriculture, construction and wholesale and retail trade.

About the outlook, the report said growth was projected to decelerate to 2.4 per cent in the fiscal year 2020, with continued fiscal consolidation and a tight monetary policy stance. The IMF adjustment programme entailed a rebalancing from domestic to external demand.

The report said growth was expected to recover slowly, to 3pc in fiscal year 2021, as macroeconomic conditions improved and external demand picked up on the back of structural reforms and increased competitiveness. This recovery was conditional on relatively stable global markets, a decline in international oil prices and reduced political and security risks, said the report.

Inflation is expected to increase in fiscal year 2020 to 13pc but it will start declining afterwards. The increase in prices will be driven by the second-round impact of exchange rate pass-through to domestic prices.

The report said the country's commercial banks would remain well-capitalised. However, increasing public sector demand for credit, mainly federal government borrowing, and rising interest rates were expected to crowd out private credit in the near-term.

The current account deficit was expected to decline to 2.6pc of GDP in fiscal year 2020 and further to 2.2pc in fiscal year 2021, as increased exchange-rate flexibility would support a modest recovery in exports and rationalisation of imports.

The consolidated fiscal deficit including grants was projected to reach 7.5pc of GDP in fiscal year 2020 and remain elevated at 6.2pc in fiscal year 2021. The public debt-to-GDP ratio was expected to remain high in fiscal year 2021 at 80.8pc, increasing the exposure to debt-related shocks, said the World Bank report.

Fiscal consolidation across the federation would be needed for the public debt to decline, but the debt-to-GDP ratio was not expected to fall below 70pc of GDP — the debt burden benchmark for high-risk emerging markets — over the medium term. Pakistan's debt vulnerabilities would remain high due to large foreign currency debt amortisations and sizeable refinancing of short-term domestic debt.

According to the report, progress in poverty reduction, which was uninterrupted since 2001, is expected to stall during the macroeconomic adjustment period due to decelerating growth and higher inflation rates. The poverty headcount, measured using the $1.9 per person per day international poverty line, is projected to remain at the fiscal year 2019 level (3.1pc). Poverty measured using the $3.2 line is expected to decline from 31.4pc last year to 31.2pc in fiscal year 2020, while poverty measured using the $5.5 poverty line is projected at 72.5pc in fiscal year 2020, compared to 72.6pc in fiscal year 2019.

Exports grew faster than imports in the first two quarters of 2019, suggesting weak domestic demand. Thus, weakening global conditions do not seem to be affecting South Asia through the trade channel.

Apart from Pakistan, South Asian exports continued growing fast in the first quarter of this year, but export growth moderated strongly in India in the second quarter. Import growth, on the other hand, has declined severely across countries in South Asia, and imports even contracted between 15pc and 20pc year-on-year in Pakistan and Sri Lanka, according to the report.

Across South Asia, food prices have been increasing in the last few months. Food prices in 2018 were stable in Pakistan, Afghanistan and Nepal but fell in India, Maldives and Sri Lanka. However, food prices recently have been increasing in all countries except Sri Lanka.

In Pakistan, Afghanistan, Nepal and Bangladesh, food prices are more than 6pc higher than a year ago.

Suggesting that it is losing its shine, the report says economic activity is moderating in many South Asian countries in line with global developments. Most South Asian countries are expected to grow below long-run averages this year.

https://www.dawn.com/news/1510722

GROWTH TO SLOW DOWN TO 2.4PC IN 2020: IMF

Khaleeq Kiani October 16, 2019

WASHINGTON: The International Monetary Fund (IMF) on Monday estimated that Pakistan’s economy would slow down to 2.4 per cent in 2020 and pick up quickly after that as stabilisation measures bear result.

Speaking at a news conference at the launch of the World Economic Outlook 2019, IMF’s economist Gian Maria Milesi-Ferrtti said Pakistani authorities remained steadfast on fiscal adjustment and the country was now picking up stability as a result. He was responding to a question as to how the renewed tension on Kashmir could impact growth prospects in India and Pakistan, put to Gita Gopinath, the IMF Economic Counsellor and Director of Research Department.

While Ms Gita parried the question, Mr Gian said the countries needed to contain tensions and focus on economic activities. He said there were good signs on the confidence front that the exchange rate was more realistically showing the economic conditions. He expressed the hope that the authorities would remain steadfast to some of the challenges like renewed regional tensions and oil prices because Pakistan was heavily reliant on oil imports.

He said that while India would have strong growth rate of 6.5pc next year, it was nevertheless lower than recent years which could not be maintained and the geopolitical tensions could take a toll on growth prospects.

Talking positively about Pakistan’s progress on the IMF-supported economic programme, Mr Gian said Islamabad had an ambitious programme with the Fund which had exceeded “our expectations”.

He noted that the global financial flows demand was picking up for Pakistan that would help in reviving growth, adding that macroeconomic imbalances remained and oil importing countries were sensitive to global oil prices.

Earlier, talking about the World Economic Outlook, Ms Gopinath said the global economy was in a synchronised slowdown and the IMF was again downgrading growth for 2019 to 3pc, its slowest pace since the global financial crisis.

The economic growth continues to be weakened by the increasing trade barriers as well as geopolitical tensions. “We estimate that the US-China trade tensions will cumulatively reduce the level of global GDP by 0.8pc by 2020. Growth is also being weighed down by country-specific factors in several emerging market economies, and by structural forces, such as low productivity growth and aging demographics in advanced economies,” she said.

In the October economic outlook, the IMF projected a modest improvement in global growth to 3.4pc in 2020, another downward revision of 0.2pc from April projections. However, unlike the synchronised slowdown, this recovery is not broad-based and remains precarious.

The weakness in growth is driven by a sharp deterioration in manufacturing activity and global trade, with higher tariff and prolonged trade policy uncertainty damaging investment and demand for capital goods. In addition, the automobile industry is contracting owing to a variety of factors, such as disruptions from new emission standards in the euro area and China that have had durable effects. Overall, trade volume growth in the first half of 2019 fell to 1pc, the weakest level since 2012.

In contrast to extremely weak manufacturing and trade, the services sector continues to hold up almost across the globe. This has kept labour markets buoyant and wage growth and consumption spending healthy in advanced economies. There are, however, some initial signs of softening in the services sector in the United States and the euro area.

The monetary policy has played a significant role in supporting growth. In the absence of inflationary pressures and facing weakening activity, major central banks have appropriately eased to reduce downside risks to growth and prevent de-anchoring of inflation expectations. In the absence of such monetary stimulus, the global economic growth is estimated to be 0.5 percentage point lower in both 2019 and 2020.

This was in contrast to Pakistan’s central bank approach that has been on tightening mode since the country entered the IMF programme last year.

Ms Gopinath said that advanced economies continued to slow towards their lower long-term potential. Growth has been downgraded to 1.7pc for 2019 (compared to 2.3pc in 2018) and is projected to stay at this level in 2020. Strong labour market conditions and policy stimulus are helping offset the negative impact from weaker external demand for these economies.

Growth in emerging market and developing economies has also been revised down to 3.9pc for 2019 (compared to 4.5pc in 2018) owing in part to trade and domestic policy uncertainties, and to a structural slowdown in China.

The uptick in global growth for 2020 is driven by emerging market and developing economies that are projected to experience a growth rebound to 4.6pc. About half of this rebound is driven by recoveries or shallower recessions in stressed emerging markets, such as Argentina, Iran and Turkey, and the rest by recoveries in countries where growth slowed significantly in 2019 relative to 2018, such as Brazil, India, Mexico, Russia and Saudi Arabia. There is, however, considerable uncertainty surrounding these recoveries, especially when major economies like the US, Japan and China are expected to slow further into 2020.

https://www.dawn.com/news/1511074

PAKISTAN TO REMAIN ON FATF GREY LIST TILL FEBRUARY

Mubarak Zeb Khan October 16, 2019

ISLAMABAD: The Finan-cial Action Task Force (FATF) has decided in principle that Pakistan will remain on its grey list till next February and directed Islamabad to take ‘extra measures’ for ‘complete’ elimination of terror financing and money laundering.

An FATF meeting in Paris on Tuesday reviewed the measures that Islamabad has already taken to control money laundering and terror financing. However, the meeting observed that Islamabad will have to take further steps in these four months.

The FATF has linked the blacklisting of Pakistan with unsatisfactory steps to curb money laundering and terror financing. The FATF will make final decision in Feb 2020.

A formal announcement about these developments will be made on Oct 18 this year.

The spokesperson for the finance ministry, Omar Hameed Khan was approached to verify the news but he said that “it is not true and nothing before October 18”.

Islamabad urged to take extra measures to avoid plunging into black list

But, Paris-based correspondent of Aaj TV Younus Khan confirmed to Dawn on phone that the FATF has decided to give an additional respite of four months to Pakistan to help her implement remaining recommendations.

“My sources have confirmed to me about these developments,” Mr Khan said, adding that a formal statement in this regard will be issued on Friday, the last day of the latest FATF session.

A Pakistani delegation led by Minister for Economic Affairs Hammad Azhar told the meeting that Islamabad has made positive progress in 20 out of 27 points. The FATF ex--pressed satisfaction on the mea--sures taken by Pakistan and its progress in various areas

Mr Azhar could not be contacted to get official response despite attempts.

Six days of FATF meetings will focus on disrupting financial flows linked to crimes and terrorism and discuss ways to contribute to global safety and security.

China, Turkey and Malaysia appreciated the steps taken by Pakistan.

Meanwhile, representatives from 205 countries and jurisdictions around the world, the IMF, UN, World Bank and other organisations are attending the meeting.

At the Tuesday meeting, India has recommended to blacklist Pakistan on the plea that Islamabad has allowed Hafiz Saeed to withdraw funds from his frozen accounts.

Concerns were also raised on the tax amnesty scheme offered in Pakistan.

On the outright support extended by Turkey, China and Malaysia, the FATF decided not to include Pakistan on the blacklist and give it more time to implement the remaining measures.

The decision to stay on grey list is still considered a success of the government. Moreover, the FATF also acknowledged the steps already taken by Pakistan to prevent money laundering and terrorists' access to financial sources. The FATF stressed the need for further implementation of the action plan by Pakistan.

According to the FATF charter comprising 36 countries, the support of at least three countries is required to not blacklist any country.

In August 2019, the Asia-Pacific Group, a regional affiliate of the FATF, also expressed concern over Pakistan's performance due to technical flaws. Islamabad is obligated to report its performance to the Group every three months.

https://www.dawn.com/news/1511090

NEWS COVERAGE PERIOD FROM OCTOBER 21st TO 27th 2019

PM IMRAN DIRECTS ECONOMIC TEAM TO PROMOTE SMES

By Our Correspondent Published: October 27, 2019

ISLAMABAD: Prime Minister Imran Khan on Saturday tasked his economic team with a mission to promote the construction and small and medium enterprises (SMEs) sectors in order to generate employment opportunities and run the economy on a fast-track basis.

Chairing a meeting of his economic team in Islamabad, the prime minister reiterated the government's commitment to providing all-out facilities to domestic as well as foreign investors. He expressed satisfaction that the economic indicators were on a positive trajectory.

The meeting was attended by federal ministers – Khusro Bakhtiar, Ali Zaidi, Omar Ayub, and Hammad Azhar; advisers – Abdul Hafeez Sheikh, Abdul Razak Dawood and Dr Ishrat Hussain and special assistants – Dr Firdous Ashiq Awan, Yousuf Baig Mirza, Shaukat Tareen.

The Federal Board of Revenue (FBR) Chairman Shabbar Zaidi, State Bank of Pakistan (SBP) Governor Baqir Raza, Board of Investment (BoI) Chairman Zubair Gilani and other senior officers were also present in the meeting, which aimed at helping accelerate the economic activity in the country.

The prime minister appreciated the performance of the relevant departments and officials in improving Pakistan's ranking on the ease of doing business index. "It is a huge achievement for the country," the prime minister said.

Regarding the promotion of the SMEs, the prime minister was informed that the board of governors of the Small and Medium Enterprises Development Authority (Smeda), comprising vibrant and expert people, was being formed.

The participants of the meeting were also apprised that the appointment of the chief executive officer of Smeda would be made by December this year, while a three-year strategy would also be formulated in this regard.

Pointing towards the positive trajectory of the economic indicators, the prime minister said the value of the rupee was stabilising, while the stock market index was moving upward. He said he was holding frequent meetings to give impetus to the wheel of the economy.

Briefing the prime minister, the SBP governor said around 46,940 cases were pending with the banking courts and their early disposal required legal reforms. On the occasion, the prime minister directed for providing facilities to overseas Pakistanis in sending their remittances.

On the directives of the prime minister, the Frontier Works Organisation (FWO) deferred the implementation of the axle-load policy on M-9 Motorway for one year. The decision was taken on the request of the trade community.

Earlier, talking to FBR Chairman Shabbar Zaidi and National Database and Registration Authority (NADRA) Chairman Usman Yousaf Mobin, Prime Minister Imran said broadening tax base is vital to enhance the government's capacity to provide better facilities to the people.

"The broadening of tax net will not only lessen the burden on existing taxpayers but also enable the government to ensure the provision of education, health and other civic facilities in the far-flung areas," the prime minister said.

He said the government is striving to bring transparency in the tax system so that "every patriotic citizen could play a role in the country's progress and development".

https://tribune.com.pk/story/2088071/1-pm-imran-directs-economic-team-promote-smes/

RUPEE CONTINUES TO RECOVER, GAINS RS4.16 IN FOUR MONTHS

By Salman Siddiqui Published: October 27, 2019

KARACHI: The Pakistani rupee has maintained a gradual uptrend against the US dollar since the beginning of current fiscal year in July and is anticipated to gain more ground in the remaining eight months amid expectations of increase in foreign currency inflows.

The rupee gradually strengthened Rs4.16 or 2.60% in the past around four months to Rs155.88 to the US dollar in the inter-bank market on Friday, according to the State Bank of Pakistan (SBP).

"The rupee may recover to 145 to the greenback by June 30, 2020," Forex Association of Pakistan (FAP) President Malik Bostan projected while talking to The Express Tribune.

"A notable drop in the demand for dollars due to reduction in imports and a surge in the rate of return on banks' fixed deposit schemes caused an increase in the supply of dollars in the market and helped strengthen the rupee in the past four months," he said.

Elaborating, he said domestic investors had relocated their investment into rupee-based fixed deposit schemes from investment in dollars after the rate of return on the schemes increased to around 13-14% per annum compared to around 7-8% about two years ago.

The situation pushed local investors to sell dollars at the currency dealers' counters, which increased the supply of dollars.

The eight-year high benchmark interest rate at 13.25%, which helped banks offer a higher rate of return, also encouraged foreigners to invest in government-backed sovereign debt instruments like treasury bills. They resumed investment in such debt instruments in June after a gap of 25 months.

“With fresh foreign investment of $88 million in T-bills on October 24 (Thursday), total dollar inflows (into debt instruments) reached close to $440 million since July 2019 to date,” Topline Securities CEO Muhammad Sohail said in a short message.

Experts have anticipated foreign investment of around $2-3 billion in debt instruments by June 30, 2020, which will strengthen the country’s foreign currency reserves.

Bostan said the rupee may recover to Rs145 to the greenback ahead of billions of dollars in foreign direct investment notably from the UAE, Saudi Arabia, Qatar, Malaysia and China.

“Friendly countries have planned to invest a total of $50 billion in Pakistan over the next 8-10 years,” he said.

According to Bostan, many other foreign investors are waiting for Pakistan to be upgraded from the grey to white list by the Financial Action Task Force (FATF) in February 2020. “Pakistan has taken tough measures against terror financing and money laundering. The measures will help the country achieve the desired goal.”

Secondly, the currency dealers are anticipated to increase the supply of dollars to around $3-4 billion in the current fiscal year compared to $1.5 billion in the previous fiscal year.

“More people are coming to our counters to sell dollars and other foreign currencies since the rupee has maintained the uptrend. This has allowed us to supply $300-350 million per month to the inter-bank market compared to $100-150 million per month earlier,” he said.

He said an additional supply of $5-6 billion was anticipated as the government had placed a system to detect under and over-invoicing in imports and exports of goods through seaports and airports. The system allows officials at the ports to carefully check quoted prices of imported and exported goods and take punitive action if anyone is found guilty of tampering with import and export documents.

https://tribune.com.pk/story/2087897/2-rupee-continues-recover-gains-rs4-16-four-months/

NEWS COVERAGE PERIOD FROM OCTOBER 28th TO 03rd 2019

REAL GDP GROWTH LIKELY TO REMAIN SUBDUED: SBP

By RIZWAN BHATTI on October 29, 2019

Forecasting a 3-4 percent GDP growth with higher inflation outlook for this fiscal year (FY20), the State Bank of Pakistan has said that though early signs of recovery are already visible, the real GDP growth is likely to remain subdued.

According to the SBP's Annual Report on the State of Pakistan's Economy for the fiscal year 2018-19 issued on Monday, macroeconomic stabilization will continue to be the cornerstone of economic policies during FY20 and development spending may play a pivotal role, since there has been an observed tendency that Pakistan's GDP growth and Public Sector Development Program (PSDP) spending move in the same direction, and similar has been the case in FY19.

“The government has allocated a greater outlay for PSDP during the year compared to the actual spending in FY19. In addition, an improvement in market sentiments vis-à-vis the IMF program, a better performance of agriculture sector compared to last year and further improvement in the current account balance, may also improve the final outcome," the report said.

SBP mentioned that though real GDP growth picked up during FY17 and FY18, the sharp downturn in FY19 highlighted the fact that the economic expansion in these years had not been based on a sustainable strategy and was susceptible to various stabilization measures, such as the cut in development expenditure. This has exposed the structural deficiencies faced by the economy yet again, requiring immediate policy attention. For example, a steadily rising tax to GDP ratio is imperative for fiscal sector sustainability.

Growth in real GDP decelerated to 3.3 percent in FY19, compared to 5.5 percent in FY18 and all the sectors of the economy contributed towards this lacklustre performance, the major drag came from the commodity-producing sector. The slowdown was broadly attributed to contractionary economic policies and inflationary pressures in the aftermath of exchange rate depreciation.

SBP has urged domestic investors to tap underserved markets and segments as it is especially encouraging that proactive, technology-driven domestic startups have already ushered in a positive disruption in industries ranging from banking (fintechs) to transportation (ride hailing apps) and consumer goods and food (delivery app).

“Such examples may inspire those investors who have been sitting on the fence for some time now to abandon the “wait and see" mode and take positions sooner rather than later. In the grand scheme of things, a collective shift in sentiment and more optimism could prove to be a much needed catalyst for the revival of economic activities," SBP said.

The report said that inflation, meanwhile, is expected to exceed its annual projection by the Planning Commission of Pakistan for FY20 and may be 11-12 percent by end of FY20 as against the target of 8.5 percent. While, demand pressures have generally subsided, cost-related impact may be more pronounced in the first half of the fiscal year, taking the cue from oneoff adjustment in prices of utilities and other FY20 budget-related measures.

By the second half, further supported by the end of deficit monetization by the government, price pressures may begin to recede, setting the tone for considerably lower inflation in FY21.

However, SBP has warned that cross border tensions, which have flared up intermittently since Q3-FY19 and worsened during Q1-FY20, represent an upside risk to this outlook, given their tendency to drive up food inflation. At the same time, the global slowdown may pose a downside risk to the outlook, especially if international oil prices fall more sharply than anticipated.

According to SBP, the external sector's outlook is positive on the whole, albeit being subject to both upside and downside risks. The current account deficit, after shrinking on YoY basis during FY19, is anticipated to subside further 2.5-3.5 percent of GDP in FY20 compared to 4.8 percent in FY19.

The FTA-II with China and preferential trade agreement with Indonesia may also give a boost to exports and exports are projected to pick up during the year, conditional on demand conditions among the country's major trading partners and buoyancy in commodity markets. In particular, the onset of fiscal stimulus and successful resolution of trade negotiations involving major economies would be instrumental in supporting global consumer demand, which would in turn bode well for exporting partners, including Pakistan, along with improved prospects of foreign investments.

On the other side, decline in imports would be instrumental in improving the current account as the policy induced import compression would continue on top of subdued prices, barring any adverse shock from international oil prices.

Moreover, workers' remittances are expected to remain robust in FY20 on the back of measures taken and incentives given to overseas Pakistanis remitting under the Pakistan Remittance Initiative (PRI). SBP estimated home remittances amounted up to $25.6 billion for this fiscal year compared to $21.8 billion in last fiscal year.

SBP said that the outlook for the fiscal sector, by contrast, is not straightforward and fiscal deficit may be 6.5-7.5 percent of GDP by end of FY20 down from 8.9 percent in FY19. However, the government is expected to make a concerted effort to meet the IMF's quarterly targets, implying a measure of fiscal discipline.

The FY20 budget looks to fix the deficiencies of the tax system and represents an earnest effort to increase documentation. It envisages a sizeable reduction in the deficit, by enhancing revenues and squeezing expenditures. However, SBP mentioned that achieving the ambitious tax collection target in the middle of a broader economic slowdown may present a challenge.

Indeed more concerted efforts are needed to improve the tax system; beyond the federal level, provinces should also aim at enhancing their own revenue base, it suggested.

The economy rebalances and there is reduced demand in some sectors, however new opportunities for private sector are simultaneously opening up in other areas. For example, imports of many consumer items and finished goods are shrinking due to a combination of regulatory duties and exchange rate depreciation. This generates an opportunity for domestic companies to step in and fill in this demand in the short to medium-term, SBP said.

Moreover, alignment of the exchange rate represents improved prospects for export-oriented enterprises and the government's commitment to foster the ease of doing business and pursue investor-friendly policies is also welcome, the report said.

https://www.brecorder.com/2019/10/29/538897/real-gdp-growth-likely-to-remain-subdued-sbp/

SBP PAINTS BLEAK ECONOMIC OUTLOOK FOR FY20

By Salman Siddiqui Published: October 29, 2019

KARACHI: The central bank has painted a bleak economic outlook of the country for the remaining part of the current fiscal year 2019-20, saying the gross domestic product (GDP) growth is likely to remain subdued, while collecting the targeted taxes and containing inflation would remain major challenges during the period.

The State Bank of Pakistan (SBP) in its Annual Report 2018-19 on the State of Economy issued on Monday kept its projection for GDP growth unchanged at 3-4% for FY20 and largely linked the growth with the pattern of development spending allocated at around Rs1.7 trillion under the head of Public Sector Development Programme (PSDP) for the current year.

“Pakistan’s GDP growth and PSDP spending move in the same direction … development spending may play a pivotal role,” the central bank said in the annual report.

Earlier, Adviser to PM on Finance Hafeez Shaikh said the government would make as many cuts in PSDP as the revenue shortfall would be in order to narrow down the challenging fiscal deficit during the year.

“It envisages a sizeable reduction in the (fiscal) deficit, by enhancing revenues and squeezing expenditures,” the SBP said.

It recalled that the GDP growth rate dropped to a nine-year low at 3.3% in the previous fiscal year which ended on June 30, 2019 when the government made a drastic cut in PSDP spending to overcome revenue shortfall.

The PSDP was originally allocated at Rs1.65 trillion for FY19, it was learnt.

The SBP has time and again projected the economic growth at 3.5% compared to the International Monetary Fund’s (IMF) forecast at 2.4% for FY20.

“Macroeconomic stabilisation will continue to be the cornerstone of economic policies during FY20.”

Other triggers might include an improvement in market sentiments vis-à-vis the IMF programme. A better showing by the agriculture sector compared to last year, and a further improvement in the current account balance might also improve the final outcome, it said.

The central bank said it would remain a tough challenge for economic mangers to collect the ambitious revenues in taxes targeted at Rs5.55 trillion in the year that was around 40% higher than the one collected in the previous fiscal year.

“Achieving the ambitious tax collection target in the middle of a broader economic slowdown may present a challenge … the outlook for the fiscal sector, by contrast, is not straightforward,” the central bank said.

“Even if things pan out more or less according to plan, the fiscal deficit may be in the neighbourhood of 7% nevertheless, implying that there will still be some way to go before fiscal consolidation is achieved. That said, the government is expected to make a concerted effort to meet the IMF’s quarterly targets, implying a measure of fiscal discipline,” it said.

The FY20 budget looks to fix the deficiencies of the tax system and represents an earnest effort to increase documentation, it added.

“Inflation; meanwhile, is expected to exceed its annual projection (8.5%) by the Planning Commission of Pakistan for FY20,” it said.

While demand pressures generally subsided, cost-related impact might be more pronounced in the first half of the fiscal year, taking the cue from oneoff adjustment in prices of utilities and other FY20 budget-related measures.

By the second half, further supported by the end of deficit monetisation by the government, price pressures may begin to recede, “setting the tone for considerably lower inflation in FY21”.

However, cross-border tensions represented an upside risk to this outlook, given their tendency to drive up food inflation. At the same time, the global slowdown might pose a downside risk to the outlook, especially if international oil prices fell more sharply than anticipated.

The external sector's outlook is positive on the whole. The current account deficit after shrinking during FY19 is anticipated to subside further in FY20. "Exports are projected to pick up during the year, conditional on-demand situation among the country's major trading partners and buoyancy in commodity markets. The FTA-II with China and preferential trade agreement with Indonesia may also give a boost to exports.

Moreover, workers' remittances were expected to remain robust in FY20 on the back of measures taken and incentives given to overseas Pakistanis remitting under the Pakistan Remittance Initiative (PRI).

On an optimistic note, the private sector would be mindful. New opportunities were opening up. Imports of many consumer items and finished goods were shrinking due to a combination of regulatory duties and exchange rate depreciation. This generated an opportunity for domestic companies to step in and fill in this demand in the short- to medium-term.

The alignment of the exchange rate represented improved prospects for export-oriented enterprises. Beyond the provision of traditional goods and services, innovation must be the new watchword.

"Technology-driven domestic startups have already ushered in a positive disruption in industries ranging from banking (fintechs) to transportation (ride-hailing apps) and consumer goods and food (delivery apps), to name just a few. Such examples may inspire those investors who have been sitting on the fence for some time now to abandon the wait-and-see mode, and take positions sooner rather than later," it said.

https://tribune.com.pk/story/2089053/2-sbp-paints-bleak-economic-outlook-fy20/

GOOD NEWS FOR ECONOMY?

By Editorial Published: November 1, 2019

With the economy in a shambles and the Maulana Fazlur Rahman-led caravan comprising thousands of protesters closing in on the federal capital, there could have been no worse time for the government to enter into negotiations with the striking traders who had locked down their shops to press for their demands concerning taxes. The negotiations thus ended in major takeaways for the traders after two days of lockdown. Except for the deferral of the CNIC condition till January 31, 2020 on purchases worth Rs50,000 — which turned out to be a bit of face-saving for the government — it was all a win-win for the retailers class.

Let's look at some of the sweeping concessions granted to traders by the government under the 11-point agreement reached between them on October 30. Traders with annual turnover of Rs100 million will now pay 0.5% income tax instead of the earlier 1.5% — something that would translate into a 66% fall in income tax revenue. Then, the traders consuming up to Rs1.2 million worth of electricity annually (as against Rs0.6 million previously) as well as those having shops spread over 1,000 square feet or less will be exempt from sales tax registration, and thus the CNIC condition. How many of the total four million traders will be excluded from the sales tax net due to these concessions is not known for sure at the moment, but according to the FBR chief, it is likely to cut the sales tax collection by some 10%. The government has also agreed to review the rate of turnover tax for sectors with low profit ratio.

While the October 31 agreement is going to result in a fall in income tax revenue and shrinking sales tax net, the government claims it to be "good news for the economy" that will increase tax revenues by generating economic activity. Isn’t it time to remind the government if its claims to never ever compromise on steps to document the economy and broaden the tax net?

Published in The Express Tribune, November 1st, 2019.

https://tribune.com.pk/story/2090979/6-good-news-economy/

'PAKISTAN CAN BE AMONG TOP-20 ECONOMIES'

By APP Published: November 2, 2019

FAISALABAD: Pakistan has been put on the right track and the country can earn a position among top-20 economies of the world if it successfully documents its informal economy, said Ambassador of Italy to Pakistan Stefano Pontecorvo.

Speaking at the Faisalabad Chamber of Commerce and Industry (FCCI) on Friday, he said that the size of Pakistan’s economy was around $300 billion but 80% of it was undocumented.

He pointed out that the country’s GDP may go down due to the measures taken for documentation of the economy, however, in the long term it would help the country prosper.

Applauding the monetary steps, the envoy expressed optimism that Pakistan would soon become a hub of economic activity.

Talking about the manufacturing of machinery, he said that Italy had been producing world-class products, which were costlier than the ones made in China.

The ambassador shared that some Italian firms were negotiating with their Pakistani counterparts to launch joint ventures in different fields.

Referring to the vast potential in the livestock sector, Pontecorvo called for initiating joint ventures in the field as it had a high margin of profit.

Responding to various questions and queries, the ambassador assured businessmen of his cooperation in resolving the issues.

Speaking on the occasion, FCCI President Rana Sikandar Azam thanked the ambassador for his services for enhancing relations between the two countries.

Published in The Express Tribune, November 2nd, 2019.

https://tribune.com.pk/story/2091767/2-pakistan-can-among-top-20-economies/

NOVEMBER, 2019

NEWS COVERAGE PERIOD FROM NOV 04th TO 10th 2019

COUNTRY'S ECONOMY: GOVERNMENT PAINTS A HAPPY PICTURE

By NAVEED BUTT on November 6, 2019

Minister for Economic Affairs Hammad Azhar has said that better economic policies of Pakistan Tehreek-e-Insaf (PTI) government have started bearing fruit with decrease in current account and fiscal deficits and increase in foreign direct investment, revenue collection and tax base.

“There has been an increase of 137 percent in foreign direct investment (FDI) during the first quarter of current fiscal year. Fiscal deficit has been reduced by 50 percent in first three months of the financial year. Primary budget balance noted a surplus of Rs 385 billion, foreign investment of $350 million came to Pakistan, and foreign exchange reserves witnessed an increase of $650 million. The registration of tax filers increased by 55 percent," the minister said this while addressing a press conference here on Tuesday.

The minister said that that Prime Minister Imran Khan has amicably resolved the Karkey dispute with the help of Turkish President Tayyip Erdogan.

Answering a question, Azhar said that Power Minister Omer Auyb Khan is out of the country and he would brief media about the details of the Karkey dispute on his return.

He said ease of doing business index improved by 28 points and stock market witnessed a growth of 6,500 points. He further said that in the three working days, the stock exchange soared by 1,500 points. He said that releases for Public Sector Development Programme (PSDP) have been doubled and exports are also improving.

“We have collected 15 percent more tax revenue as compared to pervious year and achieved more than 90 percent target. We have collected around Rs 960 billion revenue. The circular debt reached from Rs 450 billion to Rs 1,200 billion in the tenure of the previous government. The circular debt was increasing Rs 38 billion every month but now it has been decreased considerably and is Rs 12 billion per month," he said. The minister claimed, “In our first 13 months, inflation was 8 percent. Inflation rate in the PPP period was 21 percent and it was 8.3 percent in the PML-N period."

He said that exports of readymade garments increased by 38 percent, bedwear, 23 percent; rice, 52 percent; and footwear, 54 percent. He said that Pakistan currency was under pressure and inflation increased due to stabilizing measures taken by State Bank of Pakistan (SBP). The minister said that economy of the country has come out of crisis and its positive indicators are being observed. He said revenue collection of Federal Board of Revenue has increased.

Responding to a question, the minister said the government is introducing reforms and automation in Federal Board of Revenue; however, no employee is being deprived of job.

Answering another question, he said the federal government has asked Pakistan Agricultural Storage and Services Corporation (PASSCO) to release 650,000 tons of wheat.

To yet another question, he said the federal government is collaborating with provincial governments to control prices of food items.

https://www.brecorder.com/2019/11/06/541950/countrys-economy-government-paints-a-happy-picture/

ECONOMY TAKES OFF AS INDICATORS IMPROVE: AZHAR

By APP Published: November 6, 2019

ISLAMABAD: The government has not only uplifted the ailing economy but it has also placed the country on the path of sustainable growth, which is clearly visible from the improvement in economic indicators, said Federal Minister for Economic Affairs Hammad Azhar.

Addressing a press conference on Tuesday, he said that the economy had started taking off as economic indicators including investment inflows, foreign exchange reserves, revenue collection, current account balance, trade balance, ease of doing business and inflation were showing positive developments.

Citing the break-up of performance of various economic indicators, he said the current account deficit, in dollar terms, contracted by 64% during the first quarter of the current fiscal year compared to a reduction of 32% during the corresponding period of previous fiscal year.

"The fiscal deficit fell by 1.4% during the quarter whereas it witnessed about 0.4% reduction on a year-on-year basis," he said, adding that the primary budget in the first three months was in surplus by Rs285 billion. Meanwhile, foreign portfolio investment, which had reported outflows for the past three years, grew by $350 million, showing a growth of 137%, he added.

Azhar said that foreign exchange reserves, which were constantly declining since 2017 (by $500 million per month on average), have shown stability from January 2019 onward, despite the government making record payments on account of debt servicing amounting to around $10 billion.

On the revenue front, he pointed out that the number of tax filers increased by 55% and domestic revenues increased by 25% during the four months under question, adding that there had been a growth of 15% in overall revenues.

The minister said that the government had achieved 90% revenue collection target set for the first quarter following collection of Rs960 billion in taxes. Azhar reiterated that addition to the circular debt would be reduced to zero by December 2020.

Published in The Express Tribune, November 6th, 2019.

https://tribune.com.pk/story/2094258/2-economy-takes-off-indicators-improve-azhar/

FATF GREY LIST

Editorial November 09, 2019

LITTLE by little, the truth about Pakistan's difficulties involving the Financial Action Task Force is coming out. For a while, the attitude towards the global financial watchdog and its repeated warnings about the vulnerability of Pakistan's financial system to terror-financing and money-laundering risks were received with a casual shrug, as if none of it was to be taken seriously. Then came a period when we were told it was all a political conspiracy against Pakistan, and the vulnerabilities themselves deserved no consideration. Matters began to be taken more seriously by November 2017 with the first indications that the move towards blacklisting Pakistan could be real after all. By February 2018, this became quite evident, and Pakistan scrambled on two separate action plans, one for the Asia Pacific Group, which is a regional grouping of FATF, and the other submitted directly to the latter body. Since then, action has been patchy, but all along we were being told by different authorities that Pakistan was making progress, that soon the tide would turn and the movement would be in the opposite direction, away from grey listing and certainly not towards full blacklisting.

Now, suddenly, we have a new turn in this evolution of Pakistan's self-reckoning exercise where the demands and conditions of FATF are concerned. We are told by Hammad Azhar, the minister directly tasked with coordinating the implementation of the action plans as well as presenting Pakistan's case before the global watchdog, that grey listing is likely to continue all through next year since more than one action plan has to be completed — one of which is due to be evaluated next October. But then, he reverted to the comforting presentation of "partial compliance on 22 of the 27 points" in the action plan due for evaluation in February. There is no longer any point in putting a smiley face on the realities that Pakistan is facing on the FATF front, and it is high time the authorities told us exactly what is going on. The truth is that Pakistan is having a difficult time complying with the terms of its own action plan, and long after the expiration of its deadline for completion, it can at best report "partial compliance" on most actionable items. The journey of denial needs to end soon so that the truth can be told in clear, unambiguous words.

Published in Dawn, November 9th, 2019

https://www.dawn.com/news/1515763/fatf-grey-list

NEWS COVERAGE PERIOD FROM NOV 11th TO NOV 17th 2019

GLOBAL DEBT TO TOP RECORD $255TR BY YEAR'S END

Reuters Updated November 17, 2019

LONDON: Global debt is on course to end 2019 at a record high of more than $255 trillion, the Institute of International Finance (IIF) estimated on Friday — nearly $32,500 for each of the 7.7 billion people on planet.

The amount, which is also more than three times the world's annual economic output, has been driven by a $7.5tr surge in the first half of the year that shows no signs of slowing.

Around 60 per cent of that jump came from the US and China. Government debt alone is set to top $70tr this year, as will overall debt (government, corporate and financial sector) of emerging-market countries.

"With few signs of slowdown in the pace of debt accumulation, we estimate that global debt will surpass $255tr this year," the IIF said in a report.

Across sectors, government debt saw the biggest rise in the first half of the year, increasing by 1.5 percentage points, followed by non-financial companies, with a one percentage point rise.

Moreover, with state-owned companies now accounting for over half of non-financial corporate debt in emerging markets, sovereign-related borrowing has been the single most important driver of global debt over the past decade.

Separate analysis from Bank of America Merrill Lynch on Friday calculated that since the collapse of US bank Lehman Brothers, governments have borrowed $30tr, companies have taken on $25tr, households $9tr and banks $2tr.

The IIF's data, which are based on Bank for International Settlements and International Mone-tary Fund figures as well as its own, also said the amount of debt outside the financial sector now topped 240pc of world gross domestic product at $190tr.

Global bond markets have increased from $87tr in 2009 to over $115tr. Government bonds now make up 47pc of the market compared with 40pc in 2009. Bank bonds have dropped to below 40pc from over 50pc in 2009.

Published in Dawn, November 17th, 2019

https://www.dawn.com/news/1517210

NEWS COVERAGE PERIOD FROM NOV 25th TO DEC 01st 2019

INFORMAL ECONOMY TO BE REGULATED FOR MEETING FATF CONCERN

Khaleeq Kiani Updated November 25, 2019Facebook Count

ISLAMABAD: The government has decided to bring all unregulated sectors of the national economy under an interim regulatory framework to address at the earliest outstanding reservations on money laundering and terror financing (ML and TF) of the international financial watchdog — Financial Action Task Force (FATF).

The decision was taken by the National FATF Coordination Committee (NFCC) at its recent meeting. Prime Minister Imran Khan had set up the high-powered 12-member NFCC in the first week of October to ensure execution of all FATF-related tasks till Dec 1.

A senior government official told Dawn that the NFCC has decided to appoint the Federal Board of Revenue (FBR) as an interim regulator for the real estate sector in view of disagreement among key stakeholders over creation of proposed Real Estate Regulatory Authority. The FBR will also act as a regulator for jewellers, jewels, diamonds and precious stones because there was no regulator at present for the sector.

Likewise, the NFCC has recommended the role of regulator for lawyers, legal advisers and law firms to the Ministry of Law and Justice. It authorised the Audit Oversight Board to act as a regulator for chartered accountants, accountants, financial consultants and all those relating to accounts groups.

Financial Action Task Force's reservations on money laundering and terror financing discussed

The Financial Monitoring Unit (FMU) has been assigned the job of regulating financial transactions through Pakistan Post and National Savings for the time being.

Officials said that the decision to have above interim regulatory arrangements had been taken on the basis of feedback and advice received from a recent plenary of the FATF in Paris that decided to keep Pakistan in the grey list until February next year. The participants of the Paris Plenary had expressed concerns that the above-mentioned unregulated sectors involved great risk potential to be used as sources of ML and TF.

FATF members are reported to have expressed displeasure that so critical areas in Pakistan were operating without regulators and demanded to have proper regulatory framework for these sectors for national risk mitigation.

Led by Minister for Economic Affairs Division Hammad Azhar, the NFCC comprises federal secretaries of finance, foreign affairs and interior besides heads of all the institutions and regulators concerned with money laundering and terror financing.

They include the State Bank of Pakistan's (SBP) governor, Securities and Exchange Commission of Pakistan's (SECP) chairman, FIA's director general, member (Customs) of the FBR and the FMU's director general. The committee also has three senior officials from the military's General Headquarters.

The NFCC meeting held about a week ago noted that the country's real estate sector had seen concentration of undocumented flow of money. There had been a lot of discussions among the federal and provincial authorities over creation and coordination of real estate regulators but the process was found time consuming given overlapping and yet independent powers of various stakeholders in the constitution and relevant laws.

It was, therefore, found feasible until the resolution of legal challenges to empower the FBR to act as a regulator for the real estate sector. The FBR was considered well placed to act as a regulator given its engagements with key real estate players in the past as part of documentation and taxation purposes in the first phase. Documented and undocumented annual business in the real estate sector is estimated to be around Rs500 billion. The decision would also help the FBR to better achieve its tax related objectives, sources said.

They said senior officials of Pakistan Post, courier companies and national saving schemes would coordinate with the FMU during the interim period to address emergent FATF targets. The work has also been started to put in place proper regulatory framework under the Ministry of Postal Services, finance ministry, the SBP and SECP for which Dec 31, 2019 has been set as deadline.

This framework after completion would be shared with the International Country Risk Guide for review in January 2020.

The official said Pakistan would also submit an updated progress report along with its strategy and measures against anti-money laundering and counter financing terror (AML/CFT) to the FATF and Asia Pacific Joint Working Group by Dec 7. By Dec 17, the joint working group would seek further clarifications (if any) and Pakistan would be required to file a conclusive report, based on joint working group questions, by Jan 7.

Pakistani authorities expect the 39-member joint working group to review the country's case by the third week of January. They hope to be able to remove reservations of 8-9 key countries and report significant progress on its target action plans to the FATF that would finally decide in its next plenary due in second half of February about the future course of action — removal, extension or graduation from the grey list.

The Officials believe that Pakistan had completed action plan on about 22 items to a large extent and lagged behind on 4-5 targets. They advocate that if reviewed under normal circumstances, Pakistan could be given some more time to overcome remaining shortcomings. Some quarters in Islamabad suggest that Pakistan was unfortunately also being viewed from a political angle, otherwise, even Afghanistan was not in the FATF's grey or blacklist.

"Pakistan faces greater challenges than many other countries because of its risk profile," Mr Azhar had recently told a parliamentary panel. Some countries had been removed from the grey list after just 80 per cent compliance while Pakistan may be required to do more, he had said.

Published in Dawn, November 25th, 2019

https://www.dawn.com/news/1518686

NEW REFUND PAYMENT SYSTEM: PM ASKS FBR TO REMOVE BOTTLENECKS

By RECORDER REPORT on November 27, 2019

Prime Mini-ster Imran Khan Tuesday directed Federal Board of Revenue (FBR) to clear pending refunds of exporters and subsequently remove bottlenecks from the new refund payment system of the FBR.

Prime Minister Imran Khan issued these directions while presiding over a meeting of his economic team. The matters which came under discussion included business community's refunds, plans of construction of 500,000 houses, and inauguration of 'Food Bank' program with the assistance of non-governmental welfare organization Akhuwat.

Advisor to Prime Minister on Finance, Revenue and Economic Affairs, Dr Abdul Hafeez Shaikh and Chairman Federal Board of Revenue (FBR) Shabbar Zaidi briefed the meeting about the steps taken in connection with payment of refunds to exporters.

Regarding payment of refunds to exporters, the Prime Minister stressed that it must be ensured that business community doesn't face any difficulty.

He said that increase in exports of the country is a very important objective as far as improvement of economy of the country is concerned, adding that in connection with this, it is utmost priority of the government to facilitate exporters in every possible way. Some complaints regarding payment of refunds to some business circles have been received which should be compensated at the earliest, PM Khan added. He further said that all facilities must be provided to the business community in connection with introducing new system in this regard.

While briefing the committee about the construction of houses, particularly for the low-income people, Chairman New Pakistan Housing Authority Lt Gen Anwar Ali Haider (retd) said that development has been made in this regard.

https://www.brecorder.com/2019/11/27/548031/new-refund-payment-system-pm-asks-fbr-to-remove-bottlenecks/

2020-21 TO 2022-2023 SINDH'S TWO DEPTS TO JOINTLY PREPARE BUDGET STRATEGY PAPER

November 29, 2019

KARACHI: Sindh Finance Department and Planning & Development Department will jointly develop a budget strategy paper from 2020-21 to 2022-2023.

Administrative departments of the provincial government would aid these two departments to finalising this strategy paper, official document of the Sindh government indicated.

The Finance Department will issue expenditure ceilings in line with the (draft) budget strategy, which the administrative departments have to strictly adhere to these ceilings.

The Sindh government has embarked upon a Public Financial Management (PFM) reform agenda to support improvement in service delivery and performance in administrative departments.

The reform agenda was approved by the cabinet in October 2014 in the shape of PFM Reform Strategy. While the full implementation of the PFM Reform Strategy will be phased over the coming years, these reforms have been started to impact on the budget process from recent past.

The important interventions during the preparation of the 2020-21 budget include the preparation of a Budget Strategy Paper (BSP), and its presentation in the cabinet is a first step in budget formulation.

The purpose of this BSP is to provide key directions for the preparation of the budget. The strategy paper will be prepared jointly by the Finance Department and Planning & Development Department in consultation with relevant stakeholders. Based on the overall resource availability and government priorities provided in the BSP, the Finance Department will prepare and forward Indicative Budget Ceilings to all administrative departments.

This is an important change which will provide indications of resources available to each principal accounting officer, official document suggested.

The Budget Call Circular has integrated the formulation of the recurrent (non-development) & development budget and it is being issued in consultation with Planning & Development Department.

The Planning & Development Department will have the lead role in development budget formulation, whereas, the Finance department will be formulating the non-development budget, receipts and MTBF.

The budgetary proposals, to be submitted by all administrative departments will be scrutinised by Finance Department and Planning & Development Department.

The administrative departments will prepare their proposals in accordance with the new Master Data which was revised during fiscal year 2016-17 for the elements demand, entity and cost centre.

Provincial government also directed the administrative departments to submit revised estimates for FY 2019-20 by February 20, 2020 with Finance Department.

Only in exceptional cases, administrative departments may request the Finance Department for a supplementary budget, which would require the approval from the provincial government.

https://epaper.brecorder.com/2019/11/29/5-page/812566-news.html

DECEMBER, 2019

NEWS COVERAGE PERIOD FROM DECEMBER 02nd TO 08th 2019

GOVT DEBT RISES BY RS410BN

Staff Reporter Updated December 07, 2019

KARACHI: The central government's debt rose by Rs410 billion during the first four months of 2019-20, plunging by 74.8 per cent from an increase of Rs1,627bn in same period last year.

According to latest data issued by the State Bank on Friday, the central government debt stock stood at Rs32.197 trillion by October end, versus from Rs31.787tr in June this year.

Meanwhile, the same figure at the end of October 2018 clocked in at Rs25.839tr, from Rs24.212tr in June of same year.

On the other hand, external debt declined during the four-month period to Rs10.659tr at the end of October, as compare to Rs11.055tr in June – registering a decrease of Rs396bn.

The government has lately stooped borrowing from the SBP and relies largely on scheduled banks' to meet its fiscal gaps.

During the period under review, it raised Rs1.084tr through federal government bonds which reached a total of Rs12.267tr by October end, compared to Rs11.183tr as of June 30.

Published in Dawn, December 7th, 2019

https://www.dawn.com/news/1520929/govt-debt-rises-by-rs410bn

STOCK MARKET ROSE BY OVER 8,000 POINTS IN LAST FEW WEEKS: SG BMP

By RECORDER REPORT on December 8, 2019

Secretary General (Federal) of the Businessmen Panel (BMP) and Former Chairman FPCCI Standing Committee Horticulture Exports, Ahmad Jawad has said after posting 49 months of back-to-back current account deficits, Pakistan's economy suddenly posted a surplus.

The stock market rose by over 8,000 points in the last few weeks. One billion dollars of hot money poured into the country and it is a yellow sign of confidence in the stabilization of the economy and yet green sign is ahead.

“If we can keep our deficits to a minimum, it will transform the very nature of our economy and boom and bust cycles."

Speaking in a seminar on economic transformation, he viewed exports have risen by 9.6 percent in November but the average increase in last five months is only 4.8 percent.

This increase would not sustain this economy. We reached US$25 billion export volume in 2013 and 6 years later we might touch the same figure if they continue to grow at present pace.

Ideally we should have been at US$35 billion level by now if we look at the average increase in exports by other regional countries and after massive devaluation of rupee.

“However we are rejoicing the first current account surplus without any significant increase in exports".

That means the major chunk of saved foreign exchange came from compressed exports.

Compressed exports also include less import of raw materials consumed by our industries. “We have unfortunately not started producing those raw materials locally but the compression is due to subdued local demand".

“We cannot come out of deep waters until we take steps to boost exports and in this regard renewal of GSP plus status is imperative," Jawad added.

He said Pakistan had earned and benefited US$ 15 billion from Generalized System of Preference (GSP) Plus facility since 2013-14, granted by the European Union (EU)

Through GSP Plus facility Pakistan's exports to European countries had increased at a ratio of US$3 billion per year while in the Euro Zone Pakistan's exports have witnessed 51 percent increase.

He said Pakistan was the only country which had established “GSP Plus treaty implementation cell" at federal and provincial levels to resolve concerns to human rights and labour related issues.

He condemned that India was hatching organized conspiracies against renewal of the GSP Plus facility to Pakistan.

He questioned that India which was the biggest violator of human rights in Indian occupied Kashmir for the last 105 days was pointing the finger at Pakistan.

https://www.brecorder.com/2019/12/08/551373/stock-market-rose-by-over-8000-points-in-last-few-weeks-sg-bmp/

NEWS COVERAGE PERIOD FROM DECEMBER 09th TO 15th 2019

OVERSEAS PAKISTANIS: REMITTANCES SOAR 9.35% TO $1.8B IN NOVEMBER

By Salman Siddiqui Published: December 11, 2019

KARACHI: Overseas Pakistani workers sent 9.35% higher remittances at $1.81 billion in November 2019, which helped improve the country's capacity to make import payments and foreign debt repayment.

The remittances stood at $1.66 billion in the same month of the previous year, the State Bank of Pakistan (SBP) reported.

"This ($1.81 billion) is an encouraging number," Arif Habib Limited Head of Research Samiullah Tariq said while talking to The Express Tribune.

He pointed out that the data of the past four to five years indicated that the number never came above $1.7 billion for November.

Improved inflows in the month enhanced the overall remittances received in the first five months (Jul-Nov) of the current fiscal year to $9.29 billion, which was slightly better compared to $9.28 billion in the same period of the previous year.

"Remittances were comparatively low in the first few months of the ongoing fiscal year. However, November has covered the gap for the first five months," Tariq said.

Overseas Pakistani workers remitted $9,298.57 million in the first five months of FY20, compared with $9,281.94 million in the same period of the preceding year.

Remittances for the full fiscal year may end up with 3-4% growth to over $22 billion, he anticipated. This would, however, be lower than the target of 10-11% growth to over $23 billion for the year.

He pointed out that the current account balance had turned into a surplus in October after a gap of four years and a similar trend was expected in November. "Therefore, the dramatic shift to surplus from the deficit seen in previous months suggests the country will not be in difficulty if the remittances remain slightly lower than the target for FY20," he said.

The International Monetary Fund's (IMF) projection suggests Pakistan will record a current account deficit of $6.5 billion in FY20.

"If the current account balance comes to zero or goes into surplus in November, the deficit for the first five months will be around $1.1-1.2 billion," he said. "This trend suggests the deficit for the full fiscal year should be lower than $5 billion against the target of $6.5 billion."

The expected drop in the current account deficit would make up for any slowdown in the remittances, he said.

Remittances from Saudi Arabia, which remains the largest source of remittances for Pakistan, were comparatively better but may have remained under pressure. "Challenges to the Saudi Arabian economy due to low crude oil prices may impact the flow of remittances to Pakistan," said Tariq.

However, remittances from the UAE, which was also an important source, were much better as its economy did not entirely depend on oil exports, which was diversified, he said.

Remittances from the US and UK also improved notably. The increase suggests people are fast adopting legal channels, mostly banks, for sending their remittances as Pakistan has launched a crackdown on the illegal Hundi/Hawala system.

Country-wise details for November 2019 showed that inflows from Saudi Arabia amounted to $407.48 million compared with $395.12 million in November 2018, according to the central bank.

Overseas Pakistani workers sent $383.77 million from the UAE in the month compared to $350.35 million in the same month of last year. Expatriate Pakistanis in the US sent $298.64 million compared to $268.32 million.

They sent $285.56 million from the UK compared to $246.78 million last year. Remittances from Gulf Cooperation Council (GCC) countries – including Bahrain, Kuwait, Qatar and Oman – came in at $172.25 million compared to $153.51 million in the previous year. People from European Union member countries sent home $52.76 million compared to $42.22 million remitted a year ago.

Remittances received from Malaysia, Norway, Switzerland, Australia, Canada, Japan and other countries in November 2019 amounted to $219.19 million against $207.74 million in November 2018.

Published in The Express Tribune, December 11th, 2019.

https://tribune.com.pk/story/2115263/2-remittances-soar-9-35-1-8b-november/

FY20 TAX COLLECTION RS5.5TRN TARGET COULD BE REVISED DOWNWARD

ZAHEER ABBASI December 13, 2019

ISLAMABAD: Chairman Federal Board of Revenue (FBR) Shabbar Zaidi has informed the Senate Standing Committee on Finance that revision in tax collection target of Rs 5.5 trillion for the current fiscal year is under consideration and the figure would be shared with the committee.

While briefing the Senate Standing Committee on Finance chaired by Farooq H Naek, Zaidi stated that there is shortfall of Rs 200 billion in tax collection during the five months of the current fiscal year and attributed it to over $4 billion import compression and stated that tax collected on imports constitutes to 50 percent of tax collection. Total tax collection during the first five months of the current fiscal year (up to November 30) was recorded at Rs 1,618 billion against the indicative target of Rs 5.5 trillion for the entire fiscal year.

The meeting was also informed that as per an agreement with the retailers and wholesalers, threshold of turnover has been increased to Rs 100 million from Rs 10 million and the rate of minimum tax has been reduced from 1.5 percent to 0.5 percent. He said that wholesalers and retailers contribute 18 percent to the gross domestic product (GDP) and contribute only three percent in taxes.

There are very few retailers who are registered and paying taxes, the meeting was informed. He said that as per an agreement, market committees with representatives from retailers and traders would be notified in the next one or two days to help the tax authorities and RBR take action against those providing fake or wrong CNICs after January 30, 2020. “We have plainly conveyed to them that CNIC condition would not be withdrawn,” he added.

The chairman agreed to most of the reservations expressed by the committee members and asked them to make recommendations. The committee also wanted the advisor on finance to apologize from the nation for his statement that tomatoes are being sold at Rs 17 per kg or issue contradiction against the statement because this was the biggest joke with the people.

The committee was also given a briefing on the e-filing of returns and Zaidi stated that tax authorities are not in a position to give any exemptions owing to fiscal constraints and also because these create distortions in the system. The chairman FBR said that one policy for retailers and traders and other for small businesses would be unveiled soon which would include all incentives and other facilities being provided to them as small and medium enterprises are top priority of the Prime Minister. The secretary finance wanted the finance committee to have an exclusive briefing on the scheme aimed at facilitating small businesses.

The opposition members of the committee said that FBR, State Bank of Pakistan (SBP) and other economic policymakers have virtually been “facilitators” to the opposition as decisions taken by them are sliding ruling party’s performance. Senator Talha Mehmood said, “We are beneficiary of chairman FBR’s and others’ decisions.”

Deputy Governor State Bank of Pakistan (SBP) Jamil Ahmad informed the committee that Pakistan has received 190 million pounds from United Kingdom National Crime Agency (NCA) in the National Bank of Pakistan but was unaware of the account wherein the money was deposited.

His statement that he was unaware of the account infuriated the members and Senator Mushahid Ullah said, “Standing committee is extension of the Parliament and he (deputy governor) is not giving answer to the members’ questions with regard to details of 190 million pounds.”

Senator Mushahid also inquired from the deputy governor about $450 million inflows into the SBP when the former Prime Minister was going abroad. He said that inflow led to speculations of some kind of deal and wanted to know whether SBP has been purchasing dollars from the market or not.

“We purchase dollars from the market if there is an opportunity, but the senator’s statement that SBP has been purchasing 200 million dollars from the market every week is inaccurate,” Ahmad said. Mushahid Ullah retorted, “You are responsible to give answer to every question of the Parliament.” Senator Talha Mehmood stated if the SBP has been purchasing dollars from the market, this means that it wants to keep the dollar rate at higher level.

The chairman of the committee, subsequent to protest by the senators against SBP for not responding to the questions of the members, decided to defer SBP agenda and asked the senators to give their questions so that answers of their questions could be taken from the governor SBP.

The committee decided that governor SBP should himself come to the next meeting of the committee on December 18, 2019 to respond to the questions of the members and give a general briefing on the economy to the committee. Senator Talha Mehmood wanted to know about the information that central bank is sharing with the International Monetary Fund (IMF) under the $6 billion extended fund facility (EFF).

Earlier, the deputy governor SBP informed the committee on the performance of local private banks up to September 2019, saying that the asset size of the Local private banks (LPBs), almost 20 in numbers, has expanded by 18.7 percent by end-September 2019 with higher growth of 2.5 percent over the corresponding period of the last year. The LPBs’ advances have grown by 7.6 percent by end-September-19 compared to 21.8 percent a year earlier.

Among the category of advances, private sector advances have seen a year-on-year growth of 8.9 percent by end-September-19 compared to 18.2 percent a year earlier, the meeting was told in a brief. In terms of sectors, sugar made net retirements while energy, cement, and textile witnessed deceleration in growth. This slow growth in advances is an industry-wide phenomenon very much aligned with macro-financial environment.

Contrary to the advances, investments of LPBs have risen by 39.9 percent by end-September-19 as compared to 21.9 percent decline in the previous year, mainly due to rise in investments in government securities.

The deposits of LPBs witnessed expansion of 10.7 percent by end September 2019 – higher than the industry growth of 9.9 percent. The stock of LPB NPLs stood at PKR 451.4 billion as of end-September19. With growth in NPLs over the year, gross NPLs ratio has increased to 6.8 percent by end-September19 from 6.1 percent at end-September 2018. However, due to high provisions coverage of 85 percent (provisions to NPLs), net NPLs to net loans ratio stands at 1.1 percent indicating low level of credit risk, according to the SBP.

The profit after tax of LPBs for first nine months of the current fiscal year has increased to Rs 98.8 billion, showing a 15 percent growth over the corresponding period of last year.

As a result, return on assets (before tax) has marginally risen to 0.86 percent (September-19) from 0.83 percent (September-18). Rise in LPBs profitability is due to increased net interest income (NIl). The solvency of LPBs has further strengthened as capital adequacy ratio (CAR) inched up to 16.4 percent by end-September-19 from 15.5 percent in September-18. The current level is well above the minimum local requirements of 11.9 percent and that of global requirement of 10.5 percent.

https://epaper.brecorder.com/2019/12/13/1-page/814877-news.html

NEWS COVERAGE PERIOD FROM DECEMBER 16 TO 22, 2019

FDI JUMPS BY MASSIVE 78% TO $850.1M IN JUL-NOV

SALAM SIDDIQUI DECEMBER 18,2019

KARACHI: The foreign direct investment (FDI) surged significantly by 78% to $850.1 million in the first five months of current fiscal year following two leading foreign mobile phone firms paid licence renewal fees and an international online payment firm invested in infrastructure in Pakistan.

The foreign investment in local projects stood at $477.3 million in the same five months (Jul-Nov) in the preceding year, the State Bank of Pakistan (SBP) reported on Tuesday.

“Pakistan has witnessed a notable improvement in foreign investment. It came following Zong (China Mobile) and Telenor paid (partial) fees for spectrums and Ant Financial Services Group (Ali pay of China) invested in online payment infrastructure in Pakistan,” Overseas Investors Chamber of Commerce and Industry (OICCI) Secretary General M Abdul Aleem told The Express Tribune.

“China Mobile paid $230 million as (licence) fee,” Alpha Beta Core CEO Khurram Shehzad said in a commentary on the five-month FDI inflows. The Pakistan Telecommunication Authority (PTA) reported the receipt of the payment from the China-based mobile phone operator in the first week of December.

Similarly, Ant Financial Service paid the second tranche of $70 million in late November. Earlier, it announced to acquire 45% stake in Telenor Microfinance Bank with a total investment of $184.5 million in March 2018.

Earlier, Norway-based Telenor Pakistan paid around $224.6 million as partial renewal fee for the spectrum in September, it was learnt.

Shehzad said, “FDI may total around $1.5-2 billion in full fiscal year 2020. The return of stability in macroeconomic indicators and particularly in rupee-dollar parity should encourage foreign investors to pour capital in Pakistan,” he said.

He said minus the payment from telcos, the FDI was recorded better in the first five months compared to the same period of last year. “FDI has started picking up. The outlook remains positive,” he said.

He noted that foreign investors have also started returning to the Pakistan Stock Exchange (PXS) after they invested a notable amount of around $1.2 billion in sovereign debt instruments like treasury-bills since July to date.

“The hot money in debt market may total around $2-3 billion in full FY20,” he said.

The SBP reported that foreigners invested a net $19.5 million in shares through PSX in the five months under review compared to divestment of $330.6 million in the same period of last year.

However, FDI in the single month of November dropped 30% to $200.1 million compared to $285.4 million in the same month of last year, according to the central bank.

Norway made the single highest investment of $334 million in the first five months compared to divestment of $74.2 million in the same period of last year.

China became the second largest foreign investor with net investment totaling $141.9 million compared to $96.6 million last year.

The United Kingdom invested $65.1 million compared to $99.4 million. Malaysia poured net $35.5 million compared to $12.6 million last year.

Communication sector attracted the highest FDI at $291 million in the five months compared to an outflow of $113 million in the corresponding period of last year.

The financial business received FDI worth $131.1 million in the period under review compared to $64.9 million in the same period of last year. Electricity machinery sector saw FDI at $83.4 million compared to $124.4 million.

Oil and gas exploration sector attracted investment of $61.9 million compared to $133.8 million.

https://epaper.tribune.com.pk/DisplayDetails.aspx?ENI_ID=11201912180289&EN_ID=11201912180105&EMID=11201912180039

LSM GROWTH CONTRACTS 6.5% IN JULY-OCTOBER

By Shahbaz Rana Published: December 19, 2019

ISLAMABAD: The growth in large-scale industries further contracted by 6.5% in first four months of the current fiscal year due to low demand, which was adversely affected by rising cost of production and working capital.

The Pakistan Bureau of Statistics (PBS) reported on Wednesday that the large-scale manufacturing (LSM) output decreased 6.5% in July-October of the current fiscal year compared to the same period of previous year.

The contraction was steeper in October 2019 as LSM recorded a dip of 8% over the same month of previous year, according to the PBS.

“Cost-push factors have adversely affected the output in large industries,” said former finance minister Dr Hafiz Pasha.

A constant increase in the cost of energy, raw material and working capital due to the doubling of interest rate to 13.25% affected the production cost as well as the profits of firms, he added.

The State Bank of Pakistan has pushed the key policy rate to 13.25%, which was 6.5% in May 2018. The real interest rate is currently 5.75% positive as the core inflation reading stood at 7.5% in November.

After earlier increasing gas prices by 161% in two phases, the Pakistan Tehreek-e-Insaf (PTI) government is now again considering hiking gas prices by another 214% with effect from January.

Prices of goods have been increasing at a time when the purchasing power of people is shrinking, which has also affected sales.

Out of 15 major industries, seven big industries recorded some growth while the output in eight industries contracted in the July-October period, according to the PBS.

Despite economic slowdown, growing poverty and unemployment, the SBP kept its key policy rate unchanged at 13.25% in the last monetary policy announcement in November.

Minutes of the second last Monetary Policy Committee (MPC) meeting in September shed some light on the discussions that took place there. The SBP staff apprised the committee that LSM growth projections remained unchanged, according to the minutes.

It was highlighted that growth in the construction and allied industries was likely to recover slightly because of the increase in development budget as compared to last year. However, prospects of the automobile sector were not very promising, according to the MPC deliberations.

Similarly, oil refining is projected to suffer in fiscal year 2019-20 due to a slowdown in economic activities and lower domestic demand for furnace oil because of a change in the power generation mix.

Furthermore, it was discussed that the textile sector was expected to improve in the backdrop of rising exports.

What appears to be surprising was that the MPC took the increase in sales tax revenue as a sign of recovery of domestic demand.

“While discussing the domestic demand in FY20, it was highlighted that there was a significant increase in sales tax revenue during first two months of FY20, which reflected a recovery in domestic demand,” stated the minutes.

The fact of the matter is that the FBR’s sales tax revenues grew due to the delay in release of refunds that were growing rapidly because of the withdrawal of Statutory Regulatory Order 1125. The increase in sales tax collection was almost equal to the worth of refunds that the exporters were claiming for the current fiscal year.

Latest projections by Dr Hafiz Pasha suggested that the number of people living below the poverty line would increase from 69 million in 2018 to 94 million by 2022 – a net addition of 25 million people in first four years of the PTI government.

Prime Minister Imran Khan won the July 2018 elections on the promise of creating 10 million new jobs and constructing five million houses at affordable prices.

Data collected by the Oil Companies Advisory Committee (OCAC) showed that 11 types of industries registered on average 0.91% negative growth in the July-October period of the current fiscal year.

The Ministry of Industries, which monitors 15 industries, reported a 4% decline in the growth of these industries. Similarly, the provincial bureaus reported 1.6% contraction in 11 industries in first four months of the current fiscal year.

Sectors that posted growth on an annual basis included textile which grew just 0.18%, fertiliser which posted a growth of 10.7% and non-metallic mineral products which recorded 0.4% growth.

Manufacturing of leather products recorded 7.7% growth, engineering products registered an increase of 8.3%, rubber products 1.6% and wood products 60% during the July-October period.

In case the government decides to increase gas prices, it will push fertiliser prices upwards, which can affect its demand as well.

Industries that were producing eight major types of goods recorded a dip in their manufacturing in July-October 2019. The production of food, beverages and tobacco went down 8.4%, coke and petroleum products fell 13.8%, pharmaceuticals 10.3%, chemicals 8.8%, automobiles 36%, iron and steel products 15%, electronics 8.8% and paper and board 2.2%.

Published in The Express Tribune, December 19th, 2019.

https://tribune.com.pk/story/2120696/lsm-growth-contracts-6-5-july-october/

ECONOMIC REFORMS ON TRACK: IMF

APP December 21, 2019

ISLAMABAD: Pakistan's economic reform is on track but faster progress is needed to improve the anti-money laundering and combating financing of terrorism (AML/CFT) framework, said IMF's David Lipton in a statement released by the International Monetary Fund (IMF) on Friday.

The statement comes after the IMF's executive board completed its first review of the country's economic performance under the Extended Fund Facility (EFF). The IMF had in July approved a $6bn bailout package after the incumbent government initiated reforms to fix the ailing economy.

The completion of the review on Friday will allow government to draw second tranche of $452.4 million bringing the total disbursements under the EFF to $1.44bn.

Accompanying the press release, IMF's Deputy Managing Director David Lipton also issued a statement noting that, "Pakistan's programme is on track and has started to bear fruit. However, risks remain elevated."

Raising concerns over the existing progress made on the AML/CFT framework, he said that "faster progress is needed to improve the AML/CFT framework, supported by technical assistance from the IMF and other capacity development providers."

The Financial Action Task Force (FATF) body is due to review progress made by Pakistan on the AML/CFT deficiencies in February, 2020. Lipton said that "swift adoption of all the necessary measures is needed to exit the FATF's list of jurisdictions with AML/CFT deficiencies."

The IMF, however, appreciated government's steps to address the economic imbalances. He said that, "authorities are committed to sustaining the progress on fiscal adjustment to place debt on a downward path.

"The planned reforms include strengthening tax revenue mobilisation, including the elimination of tax exemptions and loopholes, and prudent expenditure policies," he added. He also reiterated the need to expedite work on a comprehensive tax policy to ensure timely implementation.

Lipton also lauded the State Bank of Pakistan's decision to implement flexible, market-determined exchange rate while adding that the decision remains essential to cushion the economy against external shocks and rebuild reserve buffers.

The central bank in initial phase of reforms let the rupee slide to record low in order to decrease the worsening impact on foreign exchange reserves. The depreciation led to a spike in the inflation rate forcing the SBP to raise rates to 13.25 per cent.

Lipton appreciated the government's monetary stance remarking that it is "appropriately tight" and should only be eased once disinflation is firmly entrenched.

Taking note of the ballooning circular debt, he said that government has adopted a comprehensive plan to address the issue of arrears in the energy sector. But he warned that implementation of the plan will play a key role to "improve collection, reduce losses, and enhance governance. Timely and regular adjustment of energy tariffs will bring the sector in line with cost recovery."

Published in Dawn, December 21st, 2019

https://www.dawn.com/news/1523477/economic-reforms-on-track-imf

STATE OF ECONOMY: GOVERNMENT COMES UP WITH FRESH STATS

By RECORDER REPORT on December 21, 2019

Federal Minister for Economic Affairs Hammad Azhar has released the latest statistics of the national economy that show the reduction of current account deficit up to 73 per cent. Hammad Azhar, in his Twitter messages, said that the country is brought out of economic crisis following the efforts of Prime Minister Imran Khan. He added that the International Monetary Fund (IMF) also reported the success of economic reformations in Pakistan.

The minister said the nation suffered the worst economic management in previous tenures which led the country to be listed in negative level by Moody's. The effective measures of the present government regained the country's reputation besides reducing current account deficit up to 73 per cent.

Stabilisation has been made possible by putting in place bold measures like a Market Driven Exchange Rate, Ensuring Autonomy of SBP, Withdrawl of Tax Exemptions to rentier groups, control over expenditures, dramatic reduction in power losses, etc.

According to the statistics, the fiscal deficit which stood at $1166 million in November 2018 has dropped to $319 million in November 2019. The deficit recorded at $6733 million from July 2018 to November 2018 was reduced to $1821 million in 2019.

He added that the export rate has witnessed an increase of 11 per cent in the month of November this year. Azhar has also retweeted a message from IMF, saying that “Pakistan's economic stabilization and reform program is on track. Strong ownership by the authorities and steadfast reform implementation are critical to entrench macroeconomic stability and support robust and balanced growth."

Earlier in the day, Adviser to the Prime Minister on Finance Dr Abdul Hafeez Shaikh said current account deficit declined by 72.6 per cent in November and 73 per cent between July-November this year.

Sharing latest figures on the external deficit and foreign reserves on Twitter, he said in five months, an increase in State Bank of Pakistan's reserves by “$1.8B & reduction of $3B in FX swaps/forward liabilities increased FX buffer by $4.8B," providing further stability to the external account.

It is noteworthy that the International Monetary Fund (IMF) has approved a second tranche worth of $450 million for Pakistan under the $6 billion Extended Fund Facility in a meeting of its executive board in Washington.

The IMF in its board meeting said that Pakistan's economic reform program is on track while decisive policy implementation by the Pakistani authorities is helping to preserve economic stability in the country.

The IMF said that the authorities remain committed to expanding the social safety nets, reducing poverty, and narrowing the gender gap.

https://www.brecorder.com/2019/12/21/555280/state-of-economy-government-comes-up-with-fresh-stats/

CHINA ACTING AS ‘ECONOMIC BOOSTER’: LCCI CHIEF

By RECORDER REPORT on December 21, 2019

“Back-to-back visits of Chinese trade delegations are not only reflect unbreakable friendship between the two countries but are also an ample proof of Chinese investors' growing interest in Pakistan."

President Lahore Chamber of Commerce and Industry (LCCI) Irfan Iqbal Sheikh expressed these views while addressing a delegation of Chinese investors at the Lahore Chamber on Friday.

China is acting as economic booster for Pakistan in true sense of words, he said.

He was of the view that Chinese investment and cooperation for building dams in Pakistan can be faith changer as agriculture sector of Pakistan is starving for water and industrial sector is in a dire need of cheap hydel electricity.

“Pakistan is looking for foreign investors and buyers especially belonging to China. It will not be wrong to say that at present it is the most appropriate time and environment where both countries can add a new dimension to their bilateral ties," he added.

LCCI president said that in last few months, we did have the honour of hosting important trade missions at Lahore Chamber visiting from different parts of China. Frequent visits of Chinese delegation to Pakistan to explore trade and investment opportunities are enough to prove that Pakistan is top priority of the Chinese businessmen, he said.

He invited the Chinese businessmen to join hands with their Pakistani counterparts in information technology, real estate, solar technology, banking & finance, printing, security, cosmetics, porcelain manufacturing and general trading.

LCCI Senior Vice President Ali Hussam Asghar said that both the countries not only share border but also have unanimity of views on various political & economic issues.

“The two countries have a combined market of more than 1.5 billion people but the trade volume needs to be pushed up. Chinese importers may have better prospects for Pakistani goods particularly of carpets, leather and leather products, surgical equipment, sports goods, fruits and vegetables, rice, pharmaceuticals and, cotton," he added.

Senator Mian Atiq ur Rehman hoped that Chinese businessmen would find more opportunities for trade and investment.

He said that being a major hub of trade and economic activities, Lahore can provide more opportunities to the Chinese entrepreneurs. He hoped that visit of delegation would be result-oriented and Chinese companies will find new trade partners in Pakistan.

https://www.brecorder.com/2019/12/21/555242/china-acting-as-economic-booster-lcci-chief/

NEWS COVERAGE PERIOD FROM DECEMBER 23rd TO 29th 2019

GAS SHORTAGE COMPELS INDUSTRIES TO SUSPEND 80-90 PERCENT PRODUCTION: NKATI

By RECORDER REPORT on December 28, 2019

President North Karachi Association of Trade and Industry (NKATI) Naseem Akhtar, Patron in chief Captain A Moiz Khan and SVP, Imran Moiz Khan have claimed that 80 to 90 percent industrial productivity suspended due to non availability of gas and low gas pressure in this industrial area.

They calls on the government to suspend gas supply to CNG sector for two months to save export industries from disaster, also requested to adopt a strategy to keep the vehicles flowing on petrol till the gas crisis is overcome.

They have appealed to the government that if the industrial wheel rotates, exports will increase and the country will develop, but despite the facts, instead of industries, CNG sector is gaining prominence, which is not an economically viable initiative.

NKATI leaders said that industries should not be ruined for the sake of only one sector, because if the industries are locked up, unemployment will increase tremendously and this will have very bad impact on domestic exports.

“Due to non-availability of gas, 80 percent production activities of industries have been stalled in North Karachi Industrial Area. As a result of which hundreds of people would be unemployed and export orders may also be cancelled," they pointed out.

NKATI leaders said gas is the basic raw material of export oriented and other industries, including textile, especially in the processing industries, supply of gas is vital because the boiler is powered by gas alone. While it is not possible to replace the entire system to operate the boiler from furnace oil, So, Sui Southern Gas Company should ensure uninterrupted supply of gas to the industries in the best economic interest of the country. In order to ensure the completion of Prime Minister Imran Khan's vision to boost domestic exports.

They said that because of line gas pressure drop, the wheels of the industries also jam and it takes hours to re-form the gas pressure which is affecting the production of the industries.

NKATI leaders said due to unfulfilment of export orders on time and in the case of air shipments, exporters will have to bear 10 times additional cost, which would eventually force exporters to close their industries.

This will lead to further unemployment and the export industry going bankrupt. They recommend the use of instant geysers instead of using geysers in homes, which also reduces gas bills with gas savings.

https://www.brecorder.com/2019/12/28/557016/gas-shortage-compels-industries-to-suspend-80-90-percent-production-nkati/