Morning News 31-May-2022

MCB-ARIF HABIB
Savings and Investments Limited

- **Miftah pins hopes on sealing IMF deal by June | Dawn:** The government expects to reach a staff-level agreement with the International Monetary Fund (IMF) next month, Finance Minister Miftah Ismail said on Saturday, a day after the government ended a months-old freeze on fuel prices, reviving hopes that the country can unlock funding. “We are expecting a staff-level agreement with the IMF in June. What matters is the agreement, after which money can be deposited any time,” he told reporters at a press conference alongside Minister of State for Finance Aisha Ghaus Pasha. “IMF will give USD3bn. We have requested them to extend the programme by a year and expand it by USD2bn. I expect that they will agree,” he said.

- **Banks: govt mulling raising super tax rate | BR:** The Federal Board of Revenue (FBR) will propose “Super Tax” on certain sectors having annual turnover above a certain threshold including the tobacco sector, beverages, steel, edible oil and other sectors in the budget (2022-23). Sources told Business Recorder that the scope of the Super Tax may be expanded in the coming budget. One of the proposals under consideration is to raise turnover tax under section 113 of the Income Tax Ordinance 2001 on certain sectors or impose ‘Super Tax’ on some sectors with annual turnover above a certain threshold. These sectors would be subjected to the Super Tax or enhanced turnover tax from the next fiscal year. The first proposal is to increase the turnover tax from 1.25% to 2% on certain sectors under section 113 of the Income Tax Ordinance 2001. The FBR may propose to collect “Super Tax” from certain sectors having a specified annual threshold of turnover.

- **2% additional duties on palm oil import to go | BR:** The government has decided to abolish two percent additional custom duties on the import of palm oil for shipments originating from all sources except Indonesia for 10-20 June 2022. Sources told Business Recorder on Monday that the National Tariff Policy 2019-24 (NTP) stipulates that all proposals for levy, amendment or removal of tariffs shall be examined at the Tariff Policy Centre and after approval by the Tariff Policy Board, shall be submitted to the Cabinet or Parliament, as the case may be, for consideration. It is stated that the Government of Indonesia had unilaterally decided to impose a ban on the export of palm oil since April 28,2022, which created supply uncertainties.

- **Tobacco industry seeks imposition of PKR300/kg advance tax on GLTP | The News:** Tobacco sector on Monday asked the government to enforce brand-licensing regulation, implement track, trace system, and impose advance tax of PKR300/kg on green leaf threshing processing (GLTP) units in budget 2022-23. Industry high-ups projected that they were going to pay over PKR150bn in the national kitty during the outgoing fiscal year 2021-22 against PKR134bn taxes paid in 2020-21 and PKR117bn in 2019-20. Industry responded well to government maintaining status quo in taxation rates of tobacco. Now the industry was demanding to reverse the decision to impose advance tax of PKR10/kg on tobacco and jack up the rate up to PKR300/kg in the coming budget.

- **Rupee gains ground against US dollar | Tribune:** The Pakistani rupee maintained an upward trend on the second consecutive working day, gaining another PKR0.70 - 0.35% - to touch PKR199.06 against the US dollar in the interbank market on Monday. After opening at PKR199.76, it hit an intra-day low of PKR201 at one point before bouncing back against the greenback. The domestic currency has cumulatively recovered 1.46% (or PKR2.95) in the past two working days in light of the reversal of subsidies on fuel prices. Over the past two weeks, the rupee had depreciated by 8.7% - PKR16.32 - and touched an all-time low of PKR202.01 on May 26 compared to PKR185.69 on April 30.

- **Oil and gas sector’s circular debt reaches PKR1.5trn mark, Senate panel told | BR:** The Petroleum Division Secretary informed a parliamentary panel on Monday that the oil and gas sector’s circular debt reached to PKR1.5 trillion which needs to be controlled. A meeting of the Senate Standing Committee on Petroleum was held here at the Parliament House on Monday with Senator Mohammad Abdul Qadir in the chair. Senator Mohammad Abdul Qadir expressed his reservations on the mounting circular debt which currently stands at PKR1,500 billion. State Minister for Petroleum Division Dr Musadiq Malik said the assets of gas companies- the Sui Northern Gas Pipeline Limited (SNGPL) and the Sui Southern Gas Company Limited (SSGC) were declining because profitability of the companies were shrinking due to the circular debt and these companies were near bankruptcy.

- **Petrol, diesel subsidy projected at PKR41.11, PKR53.14/ltr | The News:** The government has to pay PKR41.11 and PKR53.14 per litre subsidy on petrol and diesel respectively in the next fortnight (June 01 to 15, 2022) if prices are not raised, The News learnt on Monday. The cost of subsidy is figured to remain unsustainably huge despite a recent partial rollback as world oil markets are again picking up amid geopolitical risks. Country’s oil managers will review petroleum products prices on May 31, 2022 to determine their prices for the next fortnight. The oil sector’s calculations project the price of petrol for the first fortnight of June at PKR220.97/litre. Its current price increased to PKR179.86/litre after a raise of PKR30/litre few days back.

- **Cotton cultivated over 1.9mn hectares, as 83.4% target achieved | BR:** The cultivation of cotton has been completed over 1.9mn hectares of land in the potential areas countrywide against the target of 2.32mn hectares for the current season (2021-22). The crop sowing witnessed about 6.9% decline as compared to the last season of over 2.08mn hectares, said an official of the Ministry of National Food Security on Monday. Talking to APP, he said that according to the provincial agriculture extensions and crop reporting services, the countrywide cotton sowing target for the season was achieved by 83.4%.

- **PM Shehbaz Sharif orders release of PKR50bn to Chinese IPPs | The News:** Prime Minister Shehbaz Sharif Monday directed the authorities concerned to immediately release PKR50bn to Chinese Independent Power Producers (IPPs) as the first instalment out of outstanding dues of PKR340bn. The PM chaired a meeting here and approved the immediate payment. With failure in opening up a revolving account as envisaged under CPEC and delays in payments over four years, the amount piled up to PKR340bn. The planning secretary briefed the PM about the progress achieved so far on special economic zones (SEZs), multi-billion-dollar ML-1 project, Karachi Circular Railway, power sector projects especially for solar energy.

- **Atlas Honda jacks up motorcycle prices by as much as PKR9,000 | BR:** Atlas Honda hiked prices of its motorcycles in the range of PKR3,600-9,000, with new rates kicking in from June 1, said dealers on Monday. Speaking to Business Recorder, Association of Pakistan Motorcycle Assemblers (APMA) Chairman Sabir Sheikh stated the reasons cited by motorcycle manufacturers for hiking prices include spike in raw material cost, surge in global freight rates and persistent rupee devaluation. The rupee closed at 199.06 after a day-on-day appreciation of 70 paisas or 0.35% on Monday, but has still registered a fall of nearly 7% during May alone.

- **GSP+ beyond 2023 possible for Pakistan: EU envoy | BR:** Chargé d’Affaires of the EU Delegation to Pakistan Thomas Seiler has indicated that “GSP+ beyond 2023 is possible for Pakistan” as the country’s government has assured the European Union that all efforts would be made to show compliance with the high requirements. He was speaking at a Conference on “Human Rights Reforms in Sindh – GSP+ and beyond”, organized by the Human Rights Department, Government of Sindh at a local hotel on Monday. Sindh Minister for Labour, Human Resource Saeed Ghani was the chief guest while Special Assistant to Sindh Chief Minister Surendar Valasai inaugurated the conference, which was attended by human rights activists, government officers of various departments, public representatives, civil society, labour rights activists and minorities’ representatives.

Market Indices			
	30-May-22	27-May-22	30-Jun-21
KSE 100	43,040	42,861	47,356
KSE 30	16,383	16,276	18,962
KMI 30	69,654	69,055	76,622
KSE All Shares	29,342	29,258	32,480
Volume (mn Shares)			
	30-May-22	FYTD (Average)	
KSE 100	81.3	117.2	
KSE 30	57.5	55.8	
KMI 30	58.9	51.8	
KSE All Shares	187.4	305.6	
Commodity Rates			
	30-May-22	Daily Change	FYTD Change
Crude Oil-Brent (USD/BBL)	121.7	1.9%	61.9%
Crude Oil-Arab Light (USD/BBL)	115.9	0.0%	60.4%
Coal (USD/Tonne)	319.7	-3.1%	178.3%
Copper (USD/Lbs)	4.3	0.0%	1.1%
Cotton (¢/Lbs)	134.4	0.0%	65.1%
Gold (USD/Ounce)	1,856.2	0.2%	4.9%
Currency (Interbank)			
	30-May-22	Daily Change	FYTD Change
US Dollar	198.6	-0.6%	26.1%
UK Pound	251.2	-0.3%	15.3%
Euro	214.0	-0.1%	14.6%
UAE Dirham	54.1	-1.1%	25.4%
Chinese Yuan	29.8	0.0%	22.2%
Fund Flows (USD mn)			
	30-May-22	FYTD	
FOREIGN INDIVIDUAL	0.00	4.24	
FOREIGN CORPORATES	-0.41	-356.73	
OVERSEAS PAKISTANI	-0.30	64.95	
FIPI NET	**-0.71**	**-287.54**	
Economic Data (USD mn)			
	FY22E	FY21	FY20
GDP Growth	4.6%	5.4%	-0.5%
	Apr-22	Mar-22	
Exports	2,897	2,777	
Imports	6,679	6,407	
Remittances	3,125	2,810	
Foreign Exchange Reserves	10,499	11,425	
Money Market Data			
	30-May-22	27-May-22	30-Jun-21
SBP Policy Rate	13.75	13.75	7.00
CPI Inflation	13.37	13.37	9.70
3 Month T-Bill	14.31	14.30	7.28
6 Month T-Bill	14.49	14.50	7.53
12 Month T-Bill	14.61	14.60	7.81
3 Year Government Bond	13.53	13.50	8.99
5 Year Government Bond	12.60	12.52	9.49
10 Year Government Bond	12.59	12.55	9.94
3 Month KIBOR	14.49	14.54	7.45
6 Month KIBOR	14.71	14.72	7.69

Data Sources : Reuters, PSX, NCCPL, PBS, SBP