Morning News 19-Aug-2022

MCB-ARIF HABIB
Savings and Investments Limited

- **Mini-budget: Govt plans additional revenue of PKR50bn | The News:** The government has decided to present a mini-budget and lift ban on import of luxury and non-essential items in compliance with IMF conditions. The decision to scrap the import ban three months after its imposition came as the country's economy expects a breather after positive cues from the IMF. Addressing a news conference at the state TV headquarters here on Thursday, Minister for Finance Miftah Ismail said the government had decided to undo the ban on import of 33 luxury items and impose 400-600% Regulatory Duty, raise 10% tax on cigarettes and slap PKR380 per kg tax on tobacco processing.
- **Import ban on luxury items lifted | BR:** Finance Minister Miftah Ismail Thursday announced lifting of ban on the import of luxury items to comply with the International Monetary Fund (IMF) condition ahead of its Executive Board meeting scheduled for 29th August 2022 to ensure approval of the seventh and eighth review of the Extended Fund Facility (EFF). In what appeared to be unveiling a mini-budget at a press conference, Miftah said that the ban on the import is being lifted, PKR36bn additional taxes are being imposed on tobacco and 5% sales tax and 7.5% income tax on small retailers rather than a fixed tax on electricity bill would be charged for a period of three months and would be gradually increased up to 20% after October 1, 2022.
- **SBP's reserves up USD67mn to USD7.90bn | BR:** The State Bank of Pakistan's foreign exchange reserves rose by USD67mn during last week. With current increase, the SBP's reserves surged to USD7.90bn as of Aug 12, 2022 up from USD7.83bn as of August 5, 2022. However, during the week under review the net foreign reserves held by commercial banks declined slightly USD15mn to USD5.72bn. The total liquid foreign reserves held by the country stood at USD13.61bn, up by USD52mn end of the last week compared to USD13.56bn a week earlier.
- **Money firms allowed to act as sub-agents of banks for remittance | The News:** The State Bank of Pakistan (SBP) has permitted exchange firms to act as banks' sub-agents for disbursing home remittances, a circular said on Thursday. "In order to facilitate the disbursement of home remittances, Exchange Companies (ECs) are allowed to enter into agreements with the Authorised Dealers (banks) to act as their sub-agents for disbursement of home remittances in PKR to beneficiaries, received by Authorised Dealers through their international tie-ups," the State Bank of Pakistan said in a circular.
- **Subsidy on fertilizer: MoI&P heavily censured for benefiting manufacturers | BR:** The Economic Coordination Committee (ECC) of the Cabinet has reportedly grilled Ministry of Industries and Production (MoI&P) for using subsidy to benefit fertilizer manufactures instead of farmers. This criticism came at a recent meeting of the ECC when a summary of MoI&P on revision of price of imported urea came under discussion on August 11, 2022. "Minister of Commerce, Minister of State for Petroleum and Minister of State for Finance observed that the real purpose of the subsidy was to provide relief to the farmers, which was not being met as envisioned, rather fertilizer manufacturers were capitalizing on the subsidy," the sources added.
- **Urea prices seen soaring as input costs continue to swell | The News:** Escalating cost of inputs may push urea price to new highs as an onerous taxation regime has already eroded the profitability of the sector. According to an analysis, in the event of a rise in gas costs, which is very much likely or a move toward reforming tariff structure by adopting weighted average cost of gas (WACOG), further urea price increases cannot be ruled out. Introduction of WACOG aims at curtailing gas circular debt.
- **Govt may lift ban on raw gold import after IMF deal | The News:** Pakistan may lift a ban on gold import after ten years once the International Monetary Fund (IMF) stalled program is revived, a special secretary for commerce on Thursday informed a parliamentary panel. The country's demand and consumption of gold are 150 to 200 tons per annum, but there is a ban on bullion import for the last 10 years. Most of the demand for raw yellow metal is being met through smuggling into the country.
- **PSMC extends shutdown | The News:** Pak Suzuki Motor Company (PSMC) Limited has extended closure of its production plant for another four days till August 26. In an announcement to Pakistan Stock Exchange on Thursday, the company said it would continue suspension of its production for another four days from August 22-26. Earlier, the company had notified that its production plant would remain closed for two days on August 18 and 19, 2022. The company said the State Bank of Pakistan had introduced a mechanism for prior approval for import under the HS code 8703 category (including CKDs). "Restrictions adversely impacted clearance of import consignment, which resultantly affected the inventory level," it said.
- **Sales-strapped ARL fears closure as OMCs rely on imports | The News:** The sales-strapped Attock Refinery Limited (ARL) on Thursday shouted out to apex oil sector regulator to save it from a full-scale shutdown owing to a drastic fall in the upliftment of petroleum products by the oil marketing companies (OMCs) that are now relying more on somewhat cheaper imports, The News learnt on Thursday. "If the OMCs do not increase lifting petroleum products from ARL, the disruption of the entire crude oil and gas supply chain cannot be ruled out including the supplies to the Armed Forces and Islamabad Airport," said the ARL management in an official communication to Masroor Khan, Chairman OGRA.
- **Imran urges 'neutrals' to review decisions to bring stability to country | Tribune:** Former prime minister and Pakistan Tehreek-e-Insaf (PTI) Chairman Imran Khan on Thursday urged the "neutrals" — a tacit reference to establishment — to review its policies, saying stability would not come to the country unless free and fair elections are held. Addressing a seminar on media freedom in Islamabad the PTI chairman asked the neutrals, "Are you worried about this country..Do you know where this country is heading.." Imran said that the country's economy cannot be fixed by borrowing loans and without wealth creation.

Market Indices

	18-Aug-22	17-Aug-22	30-Jun-22
KSE 100	43,482	43,677	41,541
KSE 30	16,476	16,532	15,805
KMI 30	71,571	71,799	68,766
KSE All Shares	29,776	29,923	28,582

Volume (mn Shares)

	18-Aug-22	FYTD (Average)
KSE 100	221.0	115.6
KSE 30	117.6	66.3
KMI 30	123.3	70.7
KSE All Shares	621.1	242.2

Commodity Rates

	18-Aug-22	Daily Change	FYTD Change
Crude Oil-Brent (USD/BBL)	96.6	3.1%	-15.9%
Crude Oil-Arab Light (USD/BBL)	95.7	2.2%	-11.3%
Coal (USD/Tonne)	327.8	0.7%	-4.1%
Copper (USD/Lbs)	3.6	1.3%	-2.1%
Cotton (¢/Lbs)	121.5	-1.0%	10.2%
Gold (USD/Ounce)	1,758.2	-0.2%	-2.7%

Currency (Interbank)

	18-Aug-22	Daily Change	FYTD Change
US Dollar	214.7	0.3%	5.0%
UK Pound	256.1	-0.7%	2.9%
Euro	216.5	-0.6%	1.0%
UAE Dirham	58.8	0.6%	5.3%
Chinese Yuan	31.6	0.2%	3.6%

Fund Flows (USD mn)

	18-Aug-22	FYTD
FOREIGN INDIVIDUAL	0.00	0.22
FOREIGN CORPORATES	-0.35	-2.18
OVERSEAS PAKISTANI	0.45	5.92
FIPI NET	**0.10**	**3.96**

Economic Data (USD mn)

	FY22P	FY21	FY20
GDP Growth	6.0%	5.7%	-0.9%
	Jun-22	**May-22**	
Exports	2,918	2,626	
Imports	7,880	6,777	
Remittances	2,714	2,333	
Foreign Exchange Reserves	9,816	9,397	

Money Market Data

	18-Aug-22	17-Aug-22	30-Jun-22
SBP Policy Rate	15.00	15.00	13.75
CPI Inflation	24.93	24.93	21.32
3 Month T-Bill	15.72	15.72	14.98
6 Month T-Bill	15.80	15.81	15.15
12 Month T-Bill	15.90	15.90	15.30
3 Year Government Bond	13.62	13.59	13.45
5 Year Government Bond	12.81	12.70	12.93
10 Year Government Bond	12.59	12.53	12.92
3 Month KIBOR	15.91	15.91	15.16
6 Month KIBOR	16.01	15.99	15.35

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