LEVY ON DIESEL HIKED TO RS35/LITRE UNDER IMF TARGET - THE GOVERNMENT JACKED UP PETROLEUM DEVELOPMENT LEVY ON HIGH-SPEED DIESEL BY RS2.50/LIT AND INCREASED IT FROM RS32.50 TO RS35/LIT WITH EFFECT FROM JANUARY 16, 2023

ISLAMABAD: In order to keep the POL [petrol, oil, lubricants] prices unchanged for the next fortnight, the government jacked up petroleum development levy (PDL) on high-speed diesel (HSD) by Rs2.50 per litre and increased it from Rs32.50 to Rs35 per litre with effect from January 16, 2023. Under the IMF [International Monetary Fund] agreement, the government seeks Rs855 billion through petroleum development levy in the current fiscal year, 2022-23.

The government wants to maximise the PDL collection up to Rs50 per litre on all POL products, but so far it has been able to slap a maximum levy only on MS petrol.

In the first six months (July-Dec) period, the PDL collection was just around Rs200 billion. Now the government is asking the IMF for revising downward the PDL collection target by keeping it at approximately Rs500 to Rs550 billion maximum till the end of the ongoing financial year. Dr Khaqan Najeeb, former adviser to the Ministry of Finance, said that prices of petroleum products had not been changed. The PDL has been increased by Rs3 to take it to Rs35, whereas it is maintained at Rs50 for petrol at the maximum level. This is in line with what the government has agreed with the IMF to raise the PDL up to April 2023 on both petrol and diesel to generate revenue of about 1 per cent of GDP for FY23. He commented that interestingly, the Inland Freight Equalisation Margin (IFEM) has become negative by Rs6 for petrol and by Rs3 for diesel. This is probably a payment due from refineries to the freight pool. It's an adjustment with the aim of keeping the prices unchanged, he added.

For MS petrol price of Rs214.80 per litre with effect from January 16, 2023, the ex-refinery price was fixed at Rs157.88. The IFEM is fixed at Rs6.08 per litre. The distribution margin is fixed at Rs6 per litre and the dealers' margin at Rs7 per litre.

The PDL has been kept at Rs50 per litre but the general sales tax (GST) was kept at zero for the next 15 days. The worked-out price of MS petrol is kept unchanged at Rs214.80 per litre. In case of high speed diesel (HSD), the ex-refinery price was fixed at Rs184.01 per litre with effect from January 16, 2023 against Rs184.11 per litre on January 1, 2023. The IFEM is kept at Rs3.21 per litre with effect from January 16, 2023 against Rs0.81 per litre from Jan 1, 2023, so the IFEM was kept at Rs2.40 per litre. The distributor margin and dealer margin were kept unchanged at Rs5 and Rs7 per litre respectively with effect from January 16, 2023.

The PDL on HSD was increased from Rs32.50 per litre to Rs35 per litre for the next 15 days, so that price for HSD was kept unchanged at Rs227.80 per litre with effect from January 16, 2023.

TN 16-1-2023

SBP LIKELY TO HIKE INTEREST RATE BY 100-200BPS

KARACHI: The State Bank of Pakistan is expected to further raise its benchmark interest rate at its January 23 meeting, a brokerage house poll showed on Saturday, as a result of rising inflation and declining foreign exchange reserves. "Majority of the participants (74 percent) expect policy rate to increase by 100-200 basis points (bps)," said Topline Research, citing a poll result on the monetary policy expectations. Out of these, 37 percent expect a 100bps increase, 18 percent anticipate a 150bps increase and 19 percent are eyeing a 200bps hike, it added.

Out of the remaining participants, 2 percent expects more than 200bps increase, 5 percent anticipate a 50bps increase whereas 18 percent are eyeing no change and only 2 percent expect a rate cut. The SBP raised the policy rate by 100bps to 16 percent in November. "We think that policy rate will increase by 100bps in upcoming monetary policy however if inflation rate does not fall and external issues persist, further rate hikes cannot be ruled out," said an analyst at Topline Research.

Since the last monetary policy statement on November 25, the consumer price index (CPI) inflation increased to 24.5 percent in December from 23.8 percent in November. Urban core inflation (non-food non-energy) stood at 14.7 percent in December versus 14.6 percent in November. Rural Core Inflation increased to 19.0 percent in December, compared with 18.5 percent in the previous month. Given supply side disruptions and increase in prices of certain food items during last few weeks, inflation in the near-term is expected to remain on the higher side, the poll said.

"The SBP expects average inflation of 21-23 percent in FY2023 whereas our inflation estimate is around 26 percent in FY2023," the poll said. On the external front, challenges continue to mount as foreign exchange reserves have dropped to $4.3 billion, down by $3.1 billion from November 25, barely an import cover of one month. This is due to huge debt repayments and the slowdown in foreign inflows, it added. In its last monetary policy statement, the SBP highlighted the concern of slowing foreign flows due to domestic political uncertainty and the tightening global situation amid rising global interest rates.

Pakistan's economy is currently in serious crisis as a result of fast declining foreign exchange reserves, a declining rupee, and worsening macroeconomic indicators. After a standoff with the International Monetary Fund over tax targets delayed loan payments from being disbursed, Pakistan's economy was severely cash-strapped. Floods that submerged a third of the country and reduced its growth by half made the situation worse.

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OMPA QUESTIONS OGRA 'DISCRIMINATION' WITH SMALL OMCs

LAHORE: Oil Marketing Association of Pakistan (OMAP) has questioned and raised serious concerns over the discrimination of the Oil and Gas Regulatory Authority (Ogra) with small Oil Marketing Companies (OMCs) on recommendation of the Oil Companies Advisory Council (OCAC).

The association has also requested Ogra not to take any decision on the basis of OCAC recommendations which lacks authorization from its members and reek of bias against emerging OMCs. Chairman OMAP Tariq Wazir Ali in a letter written to member Oil, Ogra shared his concerns over the recent proposal of OCAC to take into consideration the cumulative country-wide storage capacity of permanent license holders for retail outlet calculation quota. He also requested Ogra to ensure a level playing field for all OMCs as it is the primary duty and obligation of Ogra.

According to the letter, OMAP is engaging with OCAC (only for the purpose of obtaining data and arrangements of vessel berthing) but has not given any authorization to Secretary General OCAC in respect of the contents of the aforesaid letter as it is aimed at protecting the vested interest of few member OMCs, an act of sheer discrimination.

The letter further reads, "We categorically state that we do not support the proposal of taking into consideration the cumulative country-wide storage capacity of permanent license holders for retail outlet calculation quota as it will result in mushroom growth of retail outlets in urban centres without the development of mandatory storage capacity by such permanent license holders who have already exhausted their allowable quota." Tariq Wazir also explained in the letter that further separately taking into consideration the HSD storage for additional retail outlets is also opposed on the ground that HSD & MOGAS are sold within the same premises of a retail outlet, hence allowing additional retail outlets on HSD storage capacity is beyond the comprehension of a prudent mind. "Further it may also be kept in consideration the latest order of Honourable Lahore High Court Lahore in WP No. 70346/2021 and connected petitions which do not place any discrimination between a provisional or permanent license holder vis the activity of marketing of petroleum products. The proposal made out in para 1 of OCAC above letter is also in contradiction to the above Lahore High Court order vis the mandatory development of storage in respective provinces as enshrined in the Honourable Court Order.

OMAP has also asked Ogra to clarify that why OCAC is being privileged with special status on such policy issues, whereas OMAP member companies are an equal stakeholder and spent billions of rupees on storage developments as per Ogra directives. It is also be clarified that why oil marketing companies are compelled to buy data from OCAC. While the enormous annual fee charged by OCAC is a question mark in itself. OCAC charges equal fee from all the companies whereas we have asked them to charge the fee as per volume of the concerned OMC. OMAP further questioned that under which legal authority OCAC is keeping the companies away from IFEM & PR meetings that do not pay fee to OCAC. Is this act of OCAC is legal & is backed up by Ogra? Why our representative legal entity OMAP is not being called for important policy decisions and all is done under a nexus between OGRA & OCAC, it asked.

R 16-1-2023

DIGITAL LENDERS: SECP RESTRICTS ISSUANCE OF MINIMUM MANDATORY DISCLOSURES FOR BORROWERS

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) has made it mandatory for the digital lenders, undertaking lending activities through digital channels/mobile applications (Apps), to issue minimum mandatory disclosures for their borrowers.

Senior SECP officials told Business Recorder here on Saturday that the requirements stipulate the minimum mandatory disclosures to borrowers at all stages after the digital App download and before entering into loan agreement. The disclosures included; information regarding App access to user data during the App registration process, and the privacy policy, markup rate, financing details, fee and charges, early settlement charges and contact details before the borrower enters into a loan agreement.

The officials said that the significant disclosure in the form of Key Fact Statement (KFS) are required before the loan disbursement to the borrower including; loan amount approved, cooling-off period, Annual Percentage Rates, tenor of loan, installments/lump sum payment amounts with date(s), all fee and charges, inter alia processing fee, late payment charges and per day charges for late payments. To ensure transparency and ease of understanding, the App shall display the summary of KFS through a video/audio, screen shot and email/SMS in both English and Urdu languages. Any fee not included in KFS will not be charged to the borrower.

Digital lenders are restricted to make any upfront deductions (first instalment, charges, fee etc) from the approved loan amount. Similarly, the terms and conditions along with Annual Percentage Rate as agreed between digital lender and borrower at time of grant of loan shall not be subsequently changed without prior consent of the borrower including automatic increase in credit limit. In addition, disbursement and recovery shall be carried out only through the bank account/branchless banking accounts of the digital lender and disbursement shall be ensured to be made in the bank account/branchless banking account of the borrower, the officials maintained.

Digital loan disbursement shall be subject to acceptance of all the underlying terms and conditions by the borrowers. Digital lender shall also ensure digital provision of loan sanction letter, terms and conditions, account statements and privacy policies with respect to borrower's data, to the borrower through email/ SMS upon execution of the loan contract. The Commission has also specified a comprehensive grievance redressal mechanism with detailed monthly reporting over and above the current NBFC grievance redressal framework, the officials added.

R 15-1-2023

FGEHA TO LAUNCH RESIDENTIAL PROJECTS IN EIGHT CITIES

ISLAMABAD: The Federal Government Employees Housing Authority (FGEHA) will shortly start new residential projects in eight major cities of the country to provide housing to government employees and general public. "The authority has already received several applications from land owners, companies and firms interested in the mega projects," sources in the FGEHA told APP. They said the applications were invited from land owners, developers, firms and eligible individuals for the supply of land for housing schemes (plots, houses and apartments) projects in major cities of the country.

The procedure for applications and selection was being followed as per Joint Venture Regulations 2020, they added. They said the authority was planning to launch new residential projects in eight major cities of the country, including the twin cities Rawalpindi and Islamabad. Other cities are Lahore, Peshawar, Quetta, Multan, Faisalabad and Karachi. "The new housing projects will be started for federal government employees and the general public on the basis of a joint venture," they added. To a question, they said the pace of different development projects, being executed under the FGEHA, had been accelerated significantly to provide modern residential facilities to employees in the shortest possible time. "There are 3,432 apartments in Chaklala Scheme, while the Skyline Apartments comprise a total of 3,945 units," they added.

The sources said that the minister directed the staff on the site to ensure "quality and timely completion", adding construction work on both schemes was going at an accelerated pace.

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