MAR-SEPT KEY IMPORTS: GOVT NEEDS $8.5BN

ISLAMABAD: With total foreign exchange reserves of $4.3 billion as of 9th March 2023, Pakistan requires a total of $ 8.5 billion to meet its fuel requirements and other critical imports of March-September 2023. Of total Forex requirement, 38 per cent will be for crude oil, 19 per cent for MOGAS, 14 per cent for HSD, 27 per cent for LNG, 1 per cent for jet fuel, and 1 per cent for plant, machinery, equipment tools, etc. Well informed sources in Petroleum Division told *Business Recorder* that the Division has submitted financing requirements to the federal government for seven months so that appropriate arrangements may be made in time.

According to Petroleum Division sources, during March- September 2023, country's requirement for crude oil will be 5,110,442 MT, MOGAs 1,800,0000 MT, HSD 1,320,000 MT, LNG 214,200 MT, and jet fuel 100,000 MT. For March 2023, the country needs $ 1.078 billion, of which $ 366 million are needed for crude oil, $ 298 million for MOGAs, $ 49 million for HSD, $ 300 million for LNG, $ 8 million for jet fuel, $ 3 million for LPG, $ 23 million for plant, machinery, equipment tools, etc., and $ 1.3 million for others.

In April 2023, Forex requirements will be $ 1.199 billion, of which $ 458 million will be for crude oil, followed by MOGAS $ 298 million, HSD $ 195 million, LNG $ 301 million, jet fuel $ 17 million, plant, machinery, equipment tools $ 11 million, and others $0.9 million.

In May 2023, total Forex requirements will be $ 1.357 billion, of which $ 504 million will be for crude oil, $ 217 million for MOGAS, $ 244 million for HSD, $ 367 million LNG, jet fuel $ 8 million, LPG, $ 3 million, plant, machinery, equipment tools, etc., $ 14 million, and others $0.4 million.

In June 2023, the requirement will be $1.260 billion, with crude oil imports accounting for $ 459 million, MOGAS, $ 217 million, HSD, $ 244 million, LNG $ 301 million, jet fuel $ 17 million, plant, machinery, equipment tools etc. $ 23 million, others $ 0.4 million.

In July 2023, the requirements will be $ 1.185 billion and to mete crude oil requirements would cost $504 million, MOGAS $217 million, HSD $ 146 million, LNG $ 301 million, jet fuel $ 8 million, LPG $ 3 million, plant, machinery, equipment tools, etc., $ 6 million, others $ 0.4 million. August Forex requirements will be $ 1.186 billion, with crude oil $ 459 million, MOGAS, $ 217 million, HSD, $ 146 million, LNG, $ 334 million, jet fuel $ 17 million, plant, machinery, equipment tools, etc., $ 13 million and other $0.7 million.

In September 2023, the requirements will be $1.217 billion for the following items: Crude oil $ 504 million, MOGAS $ 217 million, HSD, $ 146 million, LNG, 334 million, jet fuel $ 8 million, plant, machinery, equipment tools, etc., $ 7 million. Of total Forex requirements of $ 8.483 billion, PARCO will require $ 1. 870 billion, PRL $ 496 million, NRL, $ 600 million, Cynergico $ 316 million, PSO $ 4.856 billion, PPL, $ 20 million, OGDCL $ 357 million, PLL $ 264 million, SNGPL $ 9 million, and SSGCL will require $ 16 million.

The sources further stated that, RLNG availability for power sector will be as follows: March 2023- 511 MMCFD, April, 649 MMCFD, May, 639 MMCFD, June, 536 MMCFD, July 647 MMCFD, August 567 MMCFD and September 512 MMCFD. RLNG input is based on the re-gas profile shared by the LNG suppliers, i.e., without spot cargoes. However, PLL has communicated that it shall be retaining 40 MMCFD, 121 MMCFD, 124 MMCFD, 127 MMCFD, 120 MMCFD, 127 MMCFD and 128 MMCFD for the months from March-September 2023 respectively for supply to KE's new plant.

The sources said SSGC retention has been assumed @ 75 MMCFD whereas captive power shall be supplied at 50 per cent of average consumption. RLNG supply to fertilizer sector will remain suspended till September-2023.

WB LINKS RELEASE OF $400M TO GST DISPUTE SETTLEMENT

ISLAMABAD: World Bank (WB) has reportedly linked release of $400 million of RISE-II program to resolution of dispute on GST collection between Federal Board of Revenue (FBR) and Distribution Companies (Discos) well informed sources told Business Recorder. According to Finance Division (External Finance Wing) prior action 4b of RISE-II "the Finance Division Refunds Central Power Purchasing Agency Guaranteed (CPPA-G)/ Discos Rs 240 billion for overcharged General Sales Tax" remains pending due to non-consensus on amount of refunds made on subsidies. FBR has shared the amount of refunds which is Rs 6 billion against claims of Rs 10 billion. The sources said that the outcome of negations between FBR and Power Division has not been shared with the World Bank due to which an embarrassing situation for the government arose as World Bank refused to release $ 400 million until the document is not shared with it on this issue.

FBR maintains that during the course of tax proceedings against various Discos, tax demand of Rs 232.136 billion was created on account of subsidy being provided by the Federal Government as the definition of "value of supply" vide clause (46) of the Sales Tax Act, 1990 mandated levy of sales tax on such subsidy. In consequences thereof, an amount of Rs 6 billion (approximately) was also recovered. However, through Finance Act, 2022, it was clarified that the value of supply does not include the amount of subsidy provided by the federal government, etc., and owing to its retrospective application the said recovered amount became refundable. In the last meeting chaired by SAPM on Finance and Revenue, Tariq Bajwa, the issue was resolved with the Discos and it was decided that the refunds determined on the basis of subsidy amounting to Rs 3 billion (approximately) instead of Rs 10 billion would be issued in a phased manner by June 30, 2023, starting payment of refund from Jan 2023. FBR agreed to the decision and it was assured that due amount of refunds shall be refunded to the respective Discos in a phased manner, after adjusting the amount under Rule 24, if any.

FBR also proposed necessary improvements in wording in Sales Tax Special Procedures for collection and payment of Sales Tax by Discos as proposed. The technical team comprising officers of FBR and PRAL is being constituted and shall be communicated to Power Division in due course for visit to WAPDA House, Lahore for digital sharing of ST&FE Return data of DISCOs. Power Division has been requested to nominate its technical team with contact details and also communicate the date and time etc. Similar arrangement for digital data sharing by K-Electric may also be coordinated and arranged for a harmonized and uniform operationalization of the proposed digitization.

R 14-3-2023

BANKS LENT 83% DEPOSITS TO GOVT IN FEB: DEPOSITS ROSE BY 15% IN ONE YEAR TO RS22.9TR MAINLY DUE TO WORKERS' REMITTANCES

KARACHI: The State Bank of Pakistan (SBP), on Monday, reported that bank deposits grew 15% in one-year to Rs22.92 trillion in February, compared to Rs19.91 trillion in the same month of last year.

The financial institutions utilised a large portion of the deposits in lending to the government, causing a sluggish growth in credit to the private sector amid an economic slowdown.

Arif Habib Limited (AHL) Economist Sana Tawfik was quoted as saying, "Financial experts said the growth in deposit has been recorded mainly due to notable inflows of workers' remittances, a jump in government borrowing, as well as a considerable slowdown in economic activities. Each of these factors led to the corporate sector depositing their funds instead of investing them in projects in wait for a return to normalcy."

Pakistan has received $18 billion (over Rs5 trillion at an exchange rate of Rs280/$) in workers' remittances in the first eight months (Jul-Feb) of the current fiscal year 2023.

Foreign inflows are normally received in Pakistani rupees by family members expatriates, who utilise the funds to mostly meet day-to-day expenses, leave in banks, or invest in different assets; mostly real estate.

Economist Shahid Hasan Siddiqui said the government has continued to borrow heavily from commercial banks.

"Massive government borrowing has multiplied money growth in the system and caused a jump in deposits at banks," said an analyst.

The economic slowdown has forced the corporate sector to put new investment projects on hold, in wait for the return of stability in economic activities. Banks, however, have mostly utilised the deposits in safe lending to the government, instead of extending deposits to the private sector to support business activities in the country.

The government is borrowing funds to finance mostly non-development projects, and to fulfil its budgeted expenditures like paying interest money or to finance monthly pay and pension.

On the contrary, lending to the private sector always pays back to the society, as the sector utilises the funds to set up new projects and creates job opportunities.

Bankers themselves have criticised the imbalanced institutional lending, urging financial institutions to play their due role in growing the economy.

Banks' lending to the government (through investment in T-bills and Pakistan Investment Bonds (PIBs)) has spiked 31% in the last one-year, to almost Rs19 trillion in February, compared to Rs14.54 trillion in the same month of the last year.

Accordingly, banks have cumulatively lent almost 83% of the total deposits to the government as in February 2023, meaning banks' investment to deposit ratio (IDA) stands at 83%.

On the contrary, banks' have advanced 51% of the total deposits to the private sector; meaning the advance to deposit ratio (ADR) stands at 51% as in February 2023.

Central bank data suggests the investment to deposit ratio (IDA) grew by a notable 10% in the past one year till February 28, 2023. On the contrary, ADR improved just 1% in the past year until February 2023.

Financial experts said bankers have asked financial institutions to increase lending to the private sector, including the small and medium-sized enterprise (SMEs) sector, to help the economy grow.

Rupee stabilises

The volatile Pakistani rupee is stabilising at around Rs280 against the US dollar in the interbank market, as it has continued to move around the level for the past few days.

It dropped 0.30%, or Rs0.84, to close at Rs281.61 against the greenback on Monday, according to the central bank, recovering by 0.54% to close at Rs280.77/$ on Friday.

The latest depreciation in the rupee, however, is seen amid reports about a few days delay in the revival of the International Monetary Fund (IMF) loan programme for Pakistan.

TR 14-3-2023

GOVT TO BRING DOWN POWER TARIFF AT RS7-8/UNIT: MINISTER OF STATE FOR PETROLEUM

KARACHI: Minister of State for Petroleum Dr Musadik Malik on Monday claimed that the electricity tariff would be brought down to Rs7-8 from Rs26 per unit before the end of the present government's tenure. "We will be able to do it as we are committed to it and working on it," Malik asserted while addressing a seminar titled 'National Policy Dialogue: Localisation for Growth'. The minister reiterated that one third of the crude oil would be imported from Russia at low rate as the government has done immense work to strike a deal with the country for cheaper energy.

Replying to a query at the end of his speech, he also claimed that the Unaccounted for Gas (UFG) losses of gas companies, including Sui Southern Gas Company (SSGC), would be brought down to zero before the tenure of this government expired. He also said that the low-income segment would remain largely unaffected from gas tariff hike by putting in place separate tariffs for rich and poor segments of the society by breaking the ring fence.

Wellhead circular debt has been reduced to zero and circular debt of LNG remains, which would also be reduced to zero by the end of the government's tenure, as work was underway on it.

Earlier, speaking at the seminar, Malik strongly recommended improving the culture of productivity in the country as he called it the only panacea to move forward on a path of economic growth. "There is no mantra, but productivity, and long-term productivity for localisation can be achieved only through innovation and ingenuity," he stressed. "Except productivity, nothing can drive a country towards localisation," he said, calling the path of import substitution for localisation flawed. He pointed out that raising the tariff would only benefit a few or groups, but it would not lead to localisation.

Calling export the key performance indicator of localisation, the minister said that the "cluster approach" could achieve the desired productivity for developing exports. Developing clusters could only happen with improved links between industry, academia and the private sector, he added. For this, he urged for radical change in the whole education system. Referring to the growth story of India, the minister said that it has a competitive edge in its educational system, which is evident from its industry. Speaking about the role of the government, he said it should only be responsible for creating a level-playing field that enables competition on the basis of productivity and innovation. "Only through fierce competition you would get a competitive edge, and only through edge you'd be able to create clusters, and only through clusters you would be able to export and only through exports you would be able to save Pakistan," he stated.

Pakistan Stock Exchange Chairperson Dr Shamshad Akhtar in her address said, "Localisation of renewable energy (RE) is the best course; however, it can't still provide hundred percent base load of power." She said that Pakistan was using coal for power needs, but financing for coal plants was becoming increasingly difficult because of greenhouse emissions and climate change issues.

MNCs, LOCAL PHARMA CEOS TO HOLD EMERGENCY MEETING WITH DRAP OFFICIALS TODAY

ISLAMABAD: Around 100 Chief Executive Officers (CEOs) of the country's leading multinational and local pharmaceutical companies have reached Islamabad to have a 'final round' of dialogue with the government for an 'across the board' adjustment in the prices of medicines, Pakistan Pharmaceutical Manufacturers Association (PPMA) said on Monday. Representatives from the Pakistan Pharmaceutical Manufacturers Association (PPMA) as well as Pharm Bureau, the representative body of multinational pharmaceutical companies in Pakistan, told The News that over 100 CEOs from leading pharma companies had arrived in Islamabad to meet federal health and finance ministers as well as Drug Regulatory Authority of Pakistan (DRAP) officials to persuade them for increasing the prices of medicine.

"Today (Tuesday) we are going to meet DRAP Chief Executive Officer (CEO) Asim Rauf to apprise him of our concerns regarding the increasing production cost of medicines and our inability to manufacture drugs at existing maximum retail prices (MRP). If prices of medicines are not adjusted immediately their production would be stopped automatically", Arshad Mahmood, Chairman of PPMA North Region told The News.

Arshad Mahmood maintained that they were also planning to meet the federal health minister Abdul Qadir Patel and federal finance minister Ishaq Dar tomorrow (Tuesday) or the day after tomorrow (Wednesday) to apprise them of the situation, warning if the government does not take immediate measures, thousands of medicines would not be available as companies have exhausted their raw material inventories after they were forced not to import them. "At the moment, around 150-200 medicines are not available as their production is no more financially viable due to the rupee depreciation against the US dollar and many other factors. If immediate relief is not granted to the pharma companies, thousands of medicines would not be available as companies would not be producing them", Arshad Mahmood feared.

It is worth mentioning here that some 56 local pharmaceutical companies have already apprised the Drug Regulatory Authority of Pakistan (DRAP) of their inability to continue manufacturing over 1,350 drugs that include essential and life-saving medicines as their manufacturing is no more financially viable for them.

Deploring that nobody was taking the situation seriously, the PPMA-North leader said they would hold a news conference along with FPPCI leaders in Islamabad to apprise the government and people of the looming crisis. “People have already started facing problems in getting medicines, especially those for the treatment of neurological disorders including Parkinson’s Disease, epilepsy, cancers, Tuberculosis and other ailments”, he said.

Syed Farooq Bukhari, the PPMA Central Chairman who reached Islamabad from Karachi, also claimed that it had become financially unviable for most of the pharmaceutical companies to continue their production. The “government has rejected the applications for price increase under hardship categories, raising baseless objections although these 119 hardship cases had been forwarded to the federal health ministry by the DRAP itself”, he added. Another PPMA leader and former Chairman of the association Zahid Zaeed also confirmed “over 60 companies have submitted around 1,500 letters of force majeure to the DRAP and are demanding an overall increase in the prices between 40 to 50 percent,” he added.

TN 14-3-2023

UNAPPROVED DIGITAL LENDING APPS/PLATFORMS: SECP STOPS NBFCS FROM COLLABORATING

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) has stopped the Non-Banking Finance Companies (NBFCs) from providing any type of integration services or collaboration with unapproved digital lending apps/platforms. In this regard, the SECP has issued a circular number 3 of 2023 on Monday barring the NBFCs from collaborating with unauthorised and unapproved apps/platforms for digital lending purposes.

The SECP has also warned the NBFCs that they may face penalty up to Rs 50 million or cancellation of licences in case of non-compliance.

According to the SECP, the Commission has noted a recent trend whereby a number of unauthorised apps/online platforms have been engaged in digital lending posing themselves as Non-Banking Finance Companies (NBFCs). Furthermore, such unauthorised apps/online platform providers are also approaching different licenced NBFCs for collaboration to offer their unauthorised and unapproved apps/platforms for digital lending purposes.

The Commission has serious concerns on the use of licenced NBFCs by such unauthorised/unlicenced platforms and apps. The Commission, therefore, in exercise of the powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984, hereby directs all NBFCs to abstain from engaging in any kind of app integration, app sub-letting, licence sub-letting, payment services, credit scoring and credit worthiness check, and/or any other type of integration services or collaboration with any digital lending app that is not approved by the SECP in terms of Circular 15 of 2022 dated December 27, 2022.

The NBFCs are also required to take necessary measures to create awareness among their customers about inherent risks and illegality of such unauthorised lending apps. This Circular shall come into force immediately and any non-compliance shall attract the penal provisions of section “282J” of the Companies Ordinance, 1984, the SECP added.

RELAXING NETWORK ROLLOUT OBLIGATIONS FOR CELLULAR MOBILE OPERATORS CMOs UNDER STUDY

ISLAMABAD: The government is considering relaxing network rollout obligations for cellular mobile operators (CMOs) that describe letter of credit issue as a major hurdle to compliance with licence conditions. Official sources told *Business Recorder* that the Pakistan Telecommunication Authority (PTA) had agreed with the proposal of the CMOs to delay network obligations. Sources confirmed that the rollout obligations would be delayed for one year initially. Further relaxation would be dependent on the resolution of LCs issue.

The PTA, however, has rejected the CMOs’ demand of a moratorium on quality of services (QoS), saying it will degrade the network, quality of services, and user experience.

The CMOs had demanded a moratorium on quality-of-service, roll-out obligations, a moratorium on Universal Service Fund (USF) and an R&D fund reduction from two percent to one percent for one-year duration and floor price uplift mechanism of voice and data to optimise base price.

The Ministry of Information Technology and Telecommunication asked the PTA to provide a response on the issues and furnish legal procedures as per the rules. Sources revealed that the authority responded that one of its primary functions as per Section 4(d) of the Pakistan Telecommunication Re-organisation Act, 1996, is to promote the availability of a wide range of high-quality, efficient, cost-effective and competitive telecommunication services throughout Pakistan. Consequently, the NGMS licences and Cellular Mobile Network Quality of Service (QoS) Regulations, 2021, contain the minimum target of QoS Standards pertaining to voice and mobile broadband for compliance at all times by mobile operators.

R 14-3-2023

BANKING MOHTASIB (OMBUDSMAN) PAKISTAN (BMP) TAKEN ACTION OVER RENEWAL CHARGES FEE RELATING TO BLOCKED CREDIT CARD

KARACHI: Banking Mohtasib (Ombudsman) Pakistan (BMP) has taken action against a bank for block credit card of a retired person but charged annual renewal fee. The BMP in its annual report of the year 2022, noted that a complainant had informed that on his retirement in the year 2020, the bank blocked his Credit Card facility.

However, despite the blockage of the card, the bank charged him annual renewal fee. He approached the Bank and asked it to either un-block his Credit Card facility or refund the annual renewal fee charged to him, but the complaint was declined by the Bank on the plea that the Credit Card facility cannot be renewed, being a pensioner account and renewal charges were recovered as per procedure. He thus escalated the matter with the Banking Mohtasib Office for redressal of his grievance. On taking up the matter with the Bank, It (the Bank) could not justify the blocking of Credit Card facility and recovery of renewal fee. The Bank was advised to review the Complaint. After reviewing the Complaint, the Bank informed the BMP that blockage has been removed on Credit Card facility and necessary approval has been arranged for reversal of renewal fee of Rs4,640/- and the same will be reflected in next Credit Card statement. On contacting the Complainant over phone, he confirmed the resolution of his complaint and appreciated the support of BMP Office in resolving the issue to his entire satisfaction.

PR 13-3-2023

PM APPROVES RS8,500 PER 40KG AS COTTON SUPPORT PRICE

ISLAMABAD: In a significant step aimed at facilitating cotton farmers, Prime Minister Shehbaz Sharif on Monday approved its support price at Rs8,500 per 40 kilograms.

The prime minister while chairing a meeting of the Agriculture Task Force directed the authorities concerned to place the matter before the Economic Coordination Committee on priority. He urged the provinces to ensure the implementation of the new cotton price. PM Shehbaz described cotton as the backbone of the country's textile sector and expressed the confidence that the step would help the growers in a considerable manner.

The meeting was informed that last year, cotton production faced exponential reduction due to floods, heavy rains, shortage of canal irrigation water and the fertilizer crisis. This year, the meeting was told, the overall cotton production has been estimated at 12.77 million bales.

Free wheat flour

At a separate meeting, the prime minister decided that the federal government would distribute wheat flour among one million residents of Islamabad free of charge during Ramazan.

The prime minister, chairing a meeting to discuss measures for reducing the impact of inflation on the lower and middle-income classes, said the government was striving to minimise their difficulties. He invited the provincial governments of Sindh, Khyber Pakhtunkhwa and Balochistan to become part of the scheme. The PM instructed the authorities concerned to take advantage of modern technology to ensure transparency in the distribution of free wheat flour.

The meeting was informed a programme for supply of free wheat flour on the outskirts of Islamabad during the holy month was in the final stages that would benefit around 150,000 households.

The prime minister also, in principle, decided to provide petrol for the motorcycle and rickshaw owners on reduced rates as a programme for their relief had been designed.

Dawn 14-3-2023

USA PRESIDENT PLEDGES NEW RULES TO PROTECT DEPOSITORS AFTER SVB COLLAPSE

WASHINGTON: President Joe Biden declared the US banking system “safe” and vowed stiffer bank regulation, after US regulators were forced to step in with a series of emergency measures following the collapse of Silicon Valley Bank (SVB) and Signature Bank, threatening to trigger a broader crisis. “Americans can have confidence that the banking system is safe. Your deposits will be there when you need them,” he said.

The managers of the banks will be fired, Biden noted, and investors will lose money. “They knowingly took a risk, and when the risk didn’t pay off his adjusters lose their money. That’s how capitalism works,” he said.

California-based SVB failed after its customers, mainly from the tech sector, made massive withdrawals, and after its latest attempt to raise new money proved unsuccessful.

Its demise is not only the largest bank failure since Washington Mutual in 2008, but also the second-largest retail bank failure in the US. Biden also promised new regulation after the biggest US bank failure since the 2008 financial crisis. Some of the Dodd Frank law passed after that crisis to prevent a repeat was rolled back by Republicans under former president Donald Trump, he noted. “I’m going to ask Congress and the banking regulators to strengthen the rules for banks to make it less likely this kind of bank failure will happen again, and to protect American jobs as a small business,” he said. Biden faces a divided Congress, which could make passing tougher new rules difficult.

Dawn 14-3-2023