CENTRAL BANK LIKELY TO RAISE INTEREST RATE IN NEXT REVIEW: CENTRAL BANK IS EXPECTED TO RAISE ITS POLICY RATE BY 100 BPS TO 21% AS ITS MONETARY POLICY COMMITTEE MEETS ON APRIL 4TH

KARACHI: The **State Bank of Pakistan (SBP)** is expected to hike interest rate further at its upcoming policy review due next month to combat surging inflation, a brokerage firm said. "The monetary policy committee is set to commence its next meeting on April 4th and we expect the **SBP to raise its policy rate** by 100 bps (basis points) to 21 percent in this meeting," said Arif Habib Limited (AHL) in a note.

In order to find out what the market is expecting in the upcoming monetary policy, the AHL conducted a survey (poll) taking feedback from various sectors. According to the survey poll results, 57.7 percent of the total respondents are of the view that the SBP will **increase the policy rate**, of which: 30.8 percent are expecting a rate hike of 100bps, 26.9 percent are foreseeing a rate hike of 200bps. 42.3 percent of the total respondents are of the view that policy rate will remain unchanged at 20 percent.

This month the policy rate was increased by a whopping 300bps to 20 percent. As per the Monetary Policy Committee, the decision was taken on **inflation risks**. Due to external and fiscal adjustments, the risks that were identified in the previous policy meetings, had materialised and become partially visible in the consumer price index (CPI) numbers. Moreover, the MPC also revised its CPI forecast for the year to 27-29 percent against earlier forecast of 21-23 percent.

"Inflation in the upcoming months is likely to remain elevated as the impact of external and fiscal adjustments (including additional taxation, tariff hikes, weakening of currency and 'Ramadan factor') unfolds," the AHL said. "The average inflation for 8MFY23 clocked-in at 26.2 percent compared to 10.5 percent in the same period last year. Core inflation continues to creep higher each month as inflationary pressures rise and broaden, reflecting the spill over effects of the PKR weakening amid ongoing debt repayments and lower financial inflows," it added.

Since the last monetary policy announcement in March, the rupee has lost 1.2 percent of its value against the dollar. These external account challenges persist despite significant contraction in the current account deficit, recorded at $242 million in January (lowest since March 2021) mainly on the back of lower imports, down 38 percent YoY with the measures taken by the authorities to curb import along with decline in international commodity prices. "Besides controlling inflationary pressure, the decision to raise the policy rate will also facilitate the long-awaited ninth review with the IMF, which is crucial for Pakistan to receive tranche of USD 1.2bn and unlock further inflows from other international creditors," it said.

The market's reaction to surging inflation is evident from the recent rise in bond market rates, which has been driven by investors' bullish outlook.

In latest March 8, 2023 Market Treasury Bills (T-Bill) Auction, the cut-off yields of three-month, six-month and 12-month tenor increased by 105bps, 95bps and 120bps compared to the previous auction. With the data available since June 1998, yields in all three tenors are at their historic high levels. Moreover, if "we look at the shape of the yield curve to extrapolate markets' expectations for monetary policy, we see that the secondary market yields since the last monetary policy of March 2023 too, have increased to 20.93 percent". It can be safely assumed that the market too expects SBP to increase the policy rate in the upcoming policy, according to AHL.

TN 19-3-2023

LOSS-MAKING GOVT FIRMS BORROWED RS142.3BN THIS FISCAL YEAR

KARACHI: Rising cost of money has failed to stop the flow of credit to loss-making public sector enterprises (PSEs), as they have borrowed a record Rs142.3 billion this fiscal year so far.

The 20 per cent policy interest rate has made it impossible for investors to enter new ventures and increased the government's domestic debt servicing. However, loss-making state firms, already causing the economy to bleed, have received record money from banks. The latest data released by the State Bank of Pakistan showed that the credit to state-owned firms reached Rs142.3bn during the first eight months (July to February) of the current fiscal year.

This is surprising since the credit to public sector enterprises during the same period a year ago was just Rs2.5bn. The government announced austerity measures earlier this year to cut its spending, but no plan has been devised so far to get rid of the losses or the loss-making PSEs.

The amount of credit to the public enterprises during the current fiscal year is astonishing since there was no credit in the previous fiscal year. Instead, a net withdrawal of Rs43.3bn was noted. In the 2020-21 fiscal year, the net withdrawal was Rs53.77bn.

The government is making efforts to generate more revenues and it increased taxes on petroleum products, food products and many other products, while the general sales tax also increased to 18pc.

The highest revenue is being generated through GST since the 30pc inflation has increased the prices of each item being sold in the markets. High costs of products yield higher revenue for the government. However, the loss-making public entities have been ignored in this regard, and their debts and liabilities reached 1.972 trillion by the end of December 2022, an increase of Rs187bn during a year. The debts of the PSEs alone increased by Rs134.9bn to Rs1474.3bn during the first half of the current fiscal year.

The first half-yearly report of the State Bank shows that Pakistan International Airline (PIA) was the biggest borrower with Rs186.6bn until the end of December. Such huge outstanding domestic debt of PIA was critical for the economy, which has been facing immense pressure of revenue shortfall and record high inflation.

The cost of bank borrowing is too expensive, particularly for the PSEs like PIA, which adds billions of rupees each year as losses to its outstanding debts. No data is available about foreign borrowing made by PIA.

The second-biggest outstanding debt was of the Water and Power Development Authority (Wapda), which rose to Rs71.9bn. Pakistan Steel owes Rs41.9bn in debt.

The government has borrowed 1.961tr from banks for budgetary support from July to March 3 this fiscal year. This borrowing is almost three times Rs618.7bn, the amount it borrowed during the same period a year ago.

Dawn 19-3-2023

PAKISTAN STEEL OPPOSES GAS UTILITY'S BID TO GRAB ITS LAND AT 'LOW RATE'

ISLAMABAD: The Pakistan Steel Mills (PSM) has opposed a bid by the Sui Southern Gas Company Ltd to take over its 1,400 acres for Rs43 billion, a valuation the mill's management has described as "one-sided". The takeover bid has been made against the mill's outstanding liabilities that the gas company's management has worked out at Rs48bn as of Dec 31, 2022. Informed sources told *Dawn* that the SSGCL had asked the management of the PSM — the country's largest distressed and industrial enterprise that has remained closed for some eight years — for a final meeting to settle the matter.

The PSM's caretaker management, however, believes that not only the land evaluation price offered by the gas company is one-sided and precariously low, but also the working for liabilities is unfair and strings attached to the offer are unacceptable. But the SSGCL and its board have argued that they want to protect the interests of the company and its shareholders. As a precaution, the gas company has set a series of arrangements and conditions for the PSM to complete and has blocked the issuance of a no-objection certificate (NOC) against the mill's factory area (spanned over 1,230 acres) and machinery required for privatising the mill.

Interestingly, the Supreme Court of Pakistan had a standing order that selling any of PSM's assets and properties cannot be allowed against the settlement of liabilities because the steel mill belonged to the public. More strangely, the Council of Common Interests has not yet approved any fresh proposal for privatising the mill or selling its properties. The Sindh government has also not yet consented to dispose of the PSM land and has repeatedly put on record that spare land not in the use of the mill had to return to the provincial government anytime its other utilisation comes up.

The SSGCL wrote to the steel mill a few days ago that its board had endorsed the commitment "to facilitate the privatisation of PSM and in principle agreed to issue NOC to PSM for 1,229 acres of land, plant and machinery subject to conditions". Both companies earlier jointly appointed a third-party land price evaluator, K.G. Traders, which worked out the market value of the 1,400 acres at about Rs55bn — or Rs39.3 million per acre — based on the prevailing real estate value.

The SSGCL, however, decided to have a re-evaluation through its own evaluator, Iqbal A. Nanji & Co, who reportedly put the price tag at Rs32m per acre — or around Rs43bn — after excluding about 43 acres under a nullah (Badal Naala). Interestingly, the entire valuation of the steel mill under its privatisation had been worked out at about Rs60m per acre. At this rate, only the real estate value of PSM's 18,600 acres worked out at Rs1.116 trillion.

The SSGCL has now asked the steel mill to give additional land as advised by Nanji & Co — which is a total of 1,505 acres against the settlement of Rs48bn liabilities and yet the SSGCL will have a charge on the remaining land of PSM against the non-admitted amounts. Also, it would be the responsibility of the PSM to provide a no-objection certificate from the Sindh government, which has claimed ownership of the subject land. Besides, the SSGC has asked the steel mill to sign a chart of land holdings of the entire 18,600 acres along with allocations and leases before a settlement deal could be signed.

On top of this, the gas utility has also directed the mill to notarise the fact that after transferring 1,505 acres to SSGCL and 1,229 acres to Steel Corp, the total value of the remaining 15,866 acres stands at Rs507.7bn at the rate of Rs32m per acre. However, PSM's board members were strongly averse to allowing such a transaction. They pointed out that actual gas dues stood at Rs23bn besides a 3pc late payment surcharge under the gas sales agreement.

Dawn 20-3-2023

TARIFF AGREED WITH IRAN ON ADDITIONAL 100MW POWER TO GWADAR

ISLAMABAD: Iran is said to have agreed on a deal of providing additional 100-MW electricity to Gwadar at a rate within the range of Cents 8.4 to 12.4 per unit, after two day's tough negotiations with Pakistan, well informed sources told Business Recorder.

Federal Minister for Power Engr Khurram Dastgir Khan led a 3-member delegation to Tehran from 11-13 March 2023 to negotiate and finalize tariffs for the recently completed 220-kV Polan-Gabd electricity transmission line.

The Iranian side initially insisted on fixing the tariff range between Cents 9.9 to 15.3 per unit and making it applicable with immediate effect on both the new Polan-Gabd electricity transmission line and the existing Jakigur-Mand interconnection line (the tariff agreement for which expires on 31 December 2024). However, towards the latter half of the second day of negotiations, the two sides managed to agree on a new pricing formula. The agreement was signed on March 13, 2023, before our delegation's return to Pakistan.

The Iranian side agreed to keep the tariffs unchanged for the existing Jakigur-Mand interconnection line till December 2024 and agreed to bring the new tariffs for the Polan-Gabd electricity transmission line down to the range of Cents 8.4 to 12.4 per unit, which are in Pakistan's favour.

Prime Minister Shehbaz Sharif will inaugurate the electricity project soon after which 24 hours a day supply of electricity to Gwadar will be ensured. Analysts argue that the settlement of tariffs is a positive development that will make possible operationalization of the 220-kV Polan-Gabd transmission line.

In addition, the additional 100-MW electricity to be supplied to the region via the line will account for addressing the electricity issues of Gwadar for the next 5-10 years. It will also allow for development of port, industry and city in the region.

Last month, Iran had urged Islamabad to revise rates of existing supply of 76-MW to Pakistan and also fix rate of additional supply of 100-MW at par with revised rates. However, Pakistan did not accept Iran's demand.

Pakistan and Iran have completed transmission lines within their respective areas. Pakistan has completed 29-kilometer transmission line within its territory.

On March 15, 2023, during a press conference, Minister for Power Dastgir did not disclose the rates at which electricity would be imported from Iran, saying that this will be disclosed later on.

The Power Division, sources said, has to seek Federal Cabinet's approval of Memorandum of Understanding signed between Pakistan and Iran. Presently, Pakistan is importing 104-MW of electricity to Balochistan's bordering areas. With addition of 100-MW, total import of electricity will reach 204-MW.

Iran, sources said, has also sought update on an earlier understanding with Pakistan according to which Iran will supply 5,000-MW of electricity to Pakistan.

R 20-3-2023

LAW OF LIMITATION: GOVT DEPT CANNOT BE TREATED DIFFERENTLY FROM ORDINARY LITIGANT - LHC

LAHORE: The Lahore High Court held that a government department could not be treated differently from ordinary litigant in the matter of limitation as it is very clear in the law that delay in filing proceedings could not be condoned unless sufficient reasons of the delay are explained.

The court while dismissing a reference application of collector of customs being time barred held that the party seeking advantage of Section 5 of Limitation Act, 1908 must satisfy the court that it had not been negligent and had been pursuing the case with due diligence and care. This reference application filed by the applicant department is vividly time barred and application for condonation of delay did not disclose any cogent, convincing and justified reasons for condonation of delay, the court observed.

Law on the subject is very clear that each and every day's delay is to be satisfactorily explained and negligence does not constitute sufficient cause to condone delay, the court held.

Law of limitation reduced an effect of extinguishment of a right of party when significant lapses occurred and when no sufficient cause of such lapses, delay or time-barred action was shown by defaulting party, the opposite party was entitled to a right accrued by such lapses, the court added.

The court said law on the subject is very clear that presumption of correctness is attached to the judicial proceedings in terms of Article 129 (e) of the Qanun-e-Shahadat Order, 1984, and in order to displace the same, some evidence is required to be produced by the applicant department along with application for condonation to make out a case for condonation of delay within the contemplation of provisions of Section 196(8) of the Act of 1969 read with Section 5 of the Limitation Act, 1908.

The court observed that perusal of record reveals that appellate tribunal neither contended in the application for condonation of delay that the judgment was reserved or was kept in wait for orders or any effort was made to ascertain as to whether the judgment has been passed by appellate tribunal, nor register of appellate tribunal has been produced to show that the copy of impugned judgment was not dispatched to the applicant department.
Brief facts of the case are that respondent Company Messrs Assas Enterprises imported Automotive Safety Glasses from China and filed in-bond Goods Declaration declaring it at US$ 0.38/kg. The value declared by the respondent was enhanced by the department on the basis of valuation ruling No.175, issued under Section 25-A of the Customs Act, 1969 at the rate of 1.50/kg. These valuation rulings challenged before customs appellate tribunal and the same was allowed and the department challenged the decision through this reference application.

R 19-3-2023

SIGNIFICANT BOOST IN EXPORTS LIKELY: UBG: PM FELICITATED ON TWO-YEAR EXTENSION IN GSP PLUS STATUS

KARACHI: The United Business Group (UBG) has expressed the hope that grant of two-year extension in the GSP Plus status for Pakistan by the European Union (EU) will lead to a significant increase in exports. President of the UBG Zubair Tufail, Chairman Shehzad Ali Malik, Secretary General Zafar Bakhtawari, Chairman for Sindh Region Khalid Tawab, Secretary General (Sindh) Hanif Gohar and Central Spokesperson Gulzar Feroze congratulated Prime Minister Shehbaz Sharif and Commerce Minister Syed Naveed Qamar over the grant of extension in the prestigious status.

The EU is the largest export market for Pakistani goods, as it accounts for nearly one-third of the country's exports. The UBG leaders said that the government of Pakistan had requested the EU to extend the Generalised System of Preferences (GSP) Plus status for two years, which has been approved. They also welcomed the announcement about the EU's efforts to make the GSP Plus programme tax-free. The extension is being seen in a positive light and it is gratifying that many European countries are presenting the GSP Plus case of Pakistan as a test case for its implementation. Zubair Tufail also welcomed the approval of the barter trade framework by the cabinet and said that goods can be traded for products from Central Asia, Africa, Afghanistan, Iran and China.

The barter trade framework will be fully utilised for trade and through the framework Pakistan's goods can be exported to the mentioned countries, he added. Hanif Gohar said that GSP Plus status is very beneficial for Pakistan as it has played an important role in expanding trade with the European Union. UBG Spokesperson Gulzar Feroze said that GSP Plus is a constructive engagement for improving the Pakistani economy and promote the economic agenda. The scheme has a positive synergy with the social agenda of the government. It provides tariff-free access of Pakistani manufacturers to the largest apparel market besides a solid platform and incentive structure to drive further reforms in the industry.

R 20-3-2023

LIVING WITH DATA BREACHES IN UNREGULATED CYBERSPACE: IT BECOMES CRITICAL TO FORM AND TRAIN CYBER FORCE TO ASSIST GOVT IN TACKLING CYBER CONFLICT

ISLAMABAD: Data fusion, cloud computing and internet-enabled devices have brought us the greatest threat since the Cold War: the risk of cyber-attacks from proxy states. With Pakistan's public sector institutions frequently being attacked by the terrorist adversaries operating the anonymous TOR networks, it is becoming critical to train and organise a cyber force to assist the government in managing the escalation in case of a cyber conflict.

Recently, LeakBase accessed the consumer data of Paysys Labs, an intermediary that integrates SBP's Raast services through its middleware, and published data of more than 50,000 users on the dark web.

Philippine Cyber Alliance has attempted to attack over a dozen government websites this month; not to mention some cyber terror group that has published personal details of the Punjab government employees.

Data of many private companies such as AM International and medIQ has reportedly been released on hacker forums. It is crystal clear that individuals, businesses, and local governments can't bear this additional burden of ensuring cyber security and this domain must be dealt by specialist organisations with niche technology to safeguard from these attacks. Not only short-term defensive measures are required urgently, but there is also a need to take a strategic approach to build resilience in IT systems.

What it means for policymakers is to isolate database systems from each other, wherever possible, and avoid funding programmes that lead to data fusion. For example, integrating NADRA, FBR and banking systems is too dangerous, though such an integrated system offers a dream dashboard for authorities.

Though their individual APIs are secure, the architecture inherently promises too much power for hackers.

Similarly, the fact that NTDC has online dashboard available, which could be manipulated by any malicious user, is prone to attack incidents in the entire electricity supply chain. Russia has been attacking Ukrainian infrastructure including power grids and banks for a decade now.

Tracking such an attack or locating the cyber terrorists is tricky. A Russian hacker, over a VPN running in the US, may be using phishing emails to install malicious software in computers connected to our government's intranet for stealing data by uploading it on a Chinese cloud server.

Using the US as a proxy to launch attack while collecting data on another server in China makes it difficult to geolocate such individuals. Tracking people in cyberspace becomes a jurisdictional nightmare, making cyber warfare a weapon of choice for ransom groups. With multiple elections due to be conducted this year, adequate cyber security measures need to be taken timely as many countries have cyber weapons to influence election results as well as public opinion. By leveraging social media platforms run by Meta, it is very easy to use behavioural tools along with targeted ads to influence public sentiment on lines of Cambridge Analytica. What we need to do is to create awareness for promoting data privacy and best practices to handle the online public data at large. Resilience of our critical infrastructure and essential services must be the top priority and strict SOPs need to be built into the system.

Cyber audits need to be conducted by the concerned regulatory authorities of critical assets including the banking system and security auditors need to thoroughly review protocol stacks and software components every quarter; building a list of every components' license, patch releases, and dependencies.

So, in case a particular software component gets compromised, all organisations whose IT systems were built using that component could be timely alerted.

However, cyber security can also lead to less ease of doing business as a stringent SOP can slow down the clock speed of commercial operations.

For example, if NADRA stops issuing online ID cards and other certificates, fearing that fingerprints and signatures could be leaked and forged on illegally issued stamp papers to seal fake contracts, the inconvenience caused to an ordinary citizen will be enormous.

Similarly, the IoT devices that are penetrating quickly among the masses to control household appliances remotely are a great convenience but unfortunately all our data also get dumped into servers located overseas.

In a worst-case scenario, our electrical appliances could also be controlled by any foreign cyber terrorist or a ransomware group.

Overall, the future of cyber security will require continued investment in latest technologies and approaches to keep pace with the evolving threats.

However, surveillance of citizens on the pretext of cyber security must be discouraged and a policy shift towards cyber security that ensures minimal infringement on citizens' rights of privacy is needed while taking holistic security measures.

TR 20-3-2023