HAMSTRUNG BY FOREX CONSTRAINTS, GOVT MAY NOT BE ABLE TO PURCHASE 3 MORE LNG SPOT CARGOES

ISLAMABAD: The country's forex woes are unlikely to allow the government to take a prompt decision for purchase of three additional cargoes of LNG on spot whose price is around $ 13.4 MMBTU in the international market. Well informed sources told *Business Recorder* that M/s Pakistan LNG Limited (PLL) has apprised Petroleum Division that during April 2023 to September 2023 terminal capacity for additional 2-3 LNG cargoes per month is available at Terminal-2, while spot LNG prices are currently at $13.4 MMBTU ($ 43 million per cargo).

Accordingly, PLL has suggested that power sector be requested to analyze the possible savings with respect to power generation based on imported additional LNG through replacement of any other fuel.

Petroleum Division has requested Power Division to provide views/ comments on the proposal of PLL in order to save cost of generation against any other imported fuel.

Last year, the government maintained that it could not purchase spot LNG because its price was over $40 MMBTU. According to existing plan, PLL will ensure one cargo each from March to September 2023. However, total cargoes to be imported by both PSO and PLL will be nine in March, May, June and September whereas 10 cargoes will be imported for April, July and August 2023.

National Electric Power Regulatory Authority (Nepra), in its determinations and through letters, has repeatedly urged Power Division and Petroleum Division to supply agreed quantity of RLNG to power plants so that cost of expensive fuel like RFO is not passed onto consumers.

National Power Control Centre (NPCC), an arm of National Transmission and Despatch Company (NTDC), which is also facing an investigation for its failure to take remedial measures to stop power breakdowns, has also time and again complained during public hearings at Nepra that they are not being supplied required quantity of RLNG for the plants due to which they are operating expensive plants.

Meanwhile, on March 17, 2023 Directorate General of Gas (Petroleum Division) in a letter to Power Division that M/s Sui Northern Gas Pipeline Limited (SNGPL) has expressed its serious concerns that the system pack has reached saturation level despite taking all mitigation steps, i.e., increase in supply to captive power from 50 per cent to 100 per cent, repeated requests to power to increase off-take and curtailment in supplies from local gas fields. M/s SNGPL has reiterated that the situation has arisen mainly due to lesser off-take by power against its given demand of 521 MMCFD. The average off-take by power since March 01 is 378 MMCFD while it is off-taking around 300 MMCFD right now and it is apprehended that consumption would further drop due to weather predictions. As per plan, SSGC had to retain 70 MMCFD while its average retention during March is only 11 MMCFD.

According to the letter, under the prevailing situation SNGPL is constrained to further reduce indigenous gas input to mitigate the situation which however has an impact on diversion of RLNG (diversion to domestic during March has been 140 MMCFD against the projection of 20 MMCFD).

Directorate General of Gas argues that immediate increase in power off-take and maximum RLNG retention by SSGC is; therefore, very critical. Indigenous input from local gas fields shall be normalized as soon as power starts off-taking gas per its given demand. Directorate General of Gas has requested Power Division to advise the concerned quarters to increase RLNG consumption as per their demand for smooth operation of the gas system.

CPEC IPPs: EPTL THREATENS TO SHUT DOWN PLANT

ISLAMABAD: M/s Engro Powergen Thar Private Limited (EPTL) has cautioned the federal government that it would shut down the plant if its financial issues remain unaddressed. The company has written several letters to Central Power Purchasing Agency -Guaranteed (CPPA-G), specifically the letter of February 22, 2023, wherein it requested for payment of its outstanding liabilities and informed CPPA-G about upcoming debt servicing requirements to the tune of Rs 28 billion.

The power company claimed hat it has only received Rs 4.125 billion as of March 20, 2023 and still requires Rs 24 billion to ensure successful debt servicing by end of May 2023.

The Company's Chief Financial Officer (CFO), Wang Pu, in a letter to CFO CPPA-G has clarified that this amount required for debt servicing is over and above the normal payments required for continued and sustainable operations of power plant, including fuel, O&M and insurance, i.e., Rs 7 billion per month.

According to CFO EPTL the power company's outstanding receivables from CPPA-G have increased to a alarmingly critical level of approximately Rs 63.5 billion, with approximately Rs 55 billion overdue, adding that this significant overdue amount has resulted in a severe liquidity crunch for the company, as it is now facing substantial liabilities to settle, with payments to lenders and suppliers becoming due. "This situation poses a severe threat to our operations and, if left unaddressed could potentially force us to shut down," said Pu in his letter. He has also claimed that EPTL is one of the most cost-effective power plants on the Economic Merit Order (EMO). The electricity produced from Thar Coal is providing critical relief to the national exchequer by reducing the overall basket price of electricity and resulting in foreign exchange savings of $ 50-60 million every month.

CFO, in his letter requested prompt payments to reduce the outstanding receivables of EPTL and ensure the continued operation of the plant and the benefits it provides to the national economy.

China's embassy has also raised the issue of Chinese IPPs at the highest level but the government has not yet formulated any mechanism to sort their financial issues which is the main reason for M/s Sinosure denying insurance of loans for new projects in Pakistan, said in insider in government who is dealing with Chinese IPPs.

The government recently sought approval from the power regulator, i.e., National Electric Power Regulatory Authority (Nepra) to impose surcharge of Rs 3.23 per unit from November 2023 onward for indefinite period meant to pay interest on loans of Power Holding Limited (PHL) and power generators. The Authority is expected to issue its determination within a week or so. The issue of Pakistan Energy Revolving Accounts (PERA) meant for Chinese IPPs is still unresolved.

Finance Division has stated that pursuant to the ECC's decision of October 31, 2022, it has accorded concurrence to Power Division/CPPA-G for draw of 56 instalments for the month of March 2023 from PERA amounting to Rs. 4 billion for onward exclusive payment to CPEC-IPPs after completion of all codal, financial, procedural and legal formalities as per laid down rules and regulations. Regarding ex-post facto approval/ concurrence of the Finance Division for the period from Nov 2022 to Jan 2023, it will be processed once the requisite data of payables to CPEC-IPPs is received on specified format duly verified/ signed by Power Division/ CPPA-G. The data is required to ascertain the undisputed payable amount and remittance made by the CPPA-G from Nov 2022 onwards.

CPEC IPPs: CPPA-G ASKED TO STOP CAPACITY PAYMENT CUTS

ISLAMABAD: Minister for Planning, Development and Special Initiatives, Ahsan Iqbal has barred Central Power Purchasing Agency -Guaranteed (CPPA-G) from capacity payment deductions of CPEC IPPs as plants are unable to import coal due to forex scarcity, well informed sources told *Business Recorder*. He issued these directions at virtual meeting held on March 25, 2003 attended by Chief Economist/ Project Director CPEC, MDPPIB, CEO CPPA-G, Energy Specialist CPEC Secretariat and CEOs of Port Qasim and Sahiwal power plants. During the meeting, Minister for Planning, Development and Special Initiatives endorsed the continuous efforts of all CPEC IPPs for helping Pakistan. The respective CEOs also acknowledged the support and facilitation from concerned Ministries.

According to sources, after detailed deliberations, Minister for Planning, Development and Special Initiatives, directed Power Division to sit with respective CPEC IPPs on Monday (today) and find out way forward of two following issue keeping in view of all technical and legal aspects;(i) immediate stoppage of capacity payments deductions because of forex unavailability for buying coal and;(ii) settlement mechanism of already accumulated capacity payments deduction.

CPEC IPPs have raised the issue of deduction of capacity payments at every forum including with the Prime Minister, Shehbaz Sharif but CPPA-G flouted their directions. Recently, Chinese Charges d' Affairs also wrote a letter to Minister for Planning, Development and Special Initiatives, seeking his help in this regard.

R 27-3-2023

OGRA URGED TO PROVIDE LEVEL PLAYING FIELD TO ALL OIL FIRMS

LAHORE: The Oil Marketing Association of Pakistan has pointed out serious flaws in the policy of Oil and Gas Regulatory Authority (Ogra) regarding foreign exchange loss adjustments and demanded from the regulator to provide level playing field to all companies. A letter written by Chairman Oil Marketing Association of Pakistan (OMAP) Tariq Wazir Ali to Chairman Ogra Masroor Khan held the later responsible for distress to emerging oil marketing companies.

"Your deliberate negligence towards the demands has been deeply condemned by all oil marketing companies in a recent meeting," stated the letter. It added that the entire industry, barring PSO, was facing an existential crisis and it was mainly driven by the lack of a coherent policy by Ogra. It is the duty of Ogra to ensure that the industry gets a level playing field and the industry has been miserably failed by the regulator, stated the oil marketing association's letter to the chairman Ogra, adding, "You have consistently failed to settle foreign exchange losses adjustment, negative IFEM, pricing, oil marketing companies margin revision, and other related issues."

The record is evident that OMAP is repeatedly knocking on the doors of Ogra and petroleum ministry to adopt an efficient mechanism for forex losses disbursement to ensure that each penny of national money goes to the true and eligible entities, without any pick & choose and ill-intended calculation to fetch a fortune for non-entitled entities, it added.

All top companies including multinational players pointed out the serious flaws in the formula and demanded Ogra to fix the formula and ensure a level playing field for the industry except PSO being the benchmark company, the letter pointed out. The OMAP strongly suggested the establishment of foreign exchange adjustment pool for justified distribution of forex losses among genuine and rightful entities, stated the letter, adding the regulator failed to initiate OMCs margins review, negative IFEM, and stock holding cost and had only focused on negating the demands of the industry on exchange losses. The regulator's current role is also seriously closing the doors for new FDIs in the sector and also impacting investor confidence and the ability of the sector to maintain strategic reserves, wrote Tariq Wazir Ali to the chairman Orga. "It was very unfortunate to observe that on the hidden instruction of the regulator, OMAP, the only legal entity & strong voice of emerging OMCs, was denied the right to present its complete point of view, in a very derogatory & deprecatory way, that seems to be a pre-planned intrigue," the letter stated.

"The statement issued by Ogra to newspapers is quite weak, unclear, and fails to address the actual issue at hand. The allegations of disbursement of foreign exchange losses adjustment to non-deserving entities are serious and require a thorough investigation. Instead of providing a clear explanation of how these entities were selected and why they were given preferential treatment, your wage statement merely refutes the allegations without providing any evidence or explanation," states the letter. "Your statement does not address the larger issue of Ogra policies in favor of big oil marketing companies and discriminatory policies towards emerging OMCs. This is a major concern for the industry and the people of Pakistan, and it requires a clear and transparent response from the regulator," it added. "We hope you will take appropriate action to address these concerns and work towards creating a level playing field for all players in the market," concluded the letter.

TN 27-3-2023

SECP DECIDES TO AMEND VPS RULES

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) has decided to amend the Voluntary Pension System (VPS) regulatory framework to introduce employer-specific pension funds similar to retirement plans in the USA.

SECP officials told Business Recorder that the SECP has decided to amend the Pension System (VPS) Rules to address development of annuity market, utilization of life insurance distribution network and awareness of the voluntary pension schemes in the corporate and public sector. In line with the recommendations of the Pension and Annuity Working Group set up by the Commission, and extensive industry and stakeholder engagement, necessary work was initiated for amendments in the VPS Rules to address development of annuity market, utilization of life insurance distribution network and awareness of the voluntary pension schemes in the corporate and public sector.

In this regard, the SECP is currently in the process of amending the VPS regulatory framework to introduce employer specific pension funds similar to retirement plans in the USA and allowing asset management companies to offer various types of annuity plans of pension payments including life contingent annuities to VPS participants at the time of retirement. Moreover, the government of Khyber Pakhtunkhwa in close coordination with SECP initiated pension reforms through provincial legislation resulting in the introduction of a Defined Contributory Pension Scheme for its new service entrants from 2022-23, under the VPS framework. They said that the amendments in investment framework of the VPS framework has been revamped to foster development of VPS schemes and contribute to a significant savings dimension and economic growth by removing the restriction on transfer of individual pension account from one pension fund manager to another or from one pension fund to another. To incentivize the pension fund managers, the regulatory cap on management fee has been removed and the concept of Expense Ratio has been introduced for pension funds to bring them in line with mutual funds. Further, in order to encourage employers into offering VPS as a retirement benefit, for the first time, pledging of individual pension account for loan or advance given by the employer to the employee has been allowed.

The SECP has issued guidelines which set out principles and requirements applicable to mutual fund digital distribution platforms for Collective Investment Schemes (CIS) and or Voluntary Pension Funds (VPS). These guidelines will also apply to all licensed Investment Advisors and Securities Advisors in conducting their licensed/regulated activities relating to order execution and/or advisory services in respect of distribution of CIS/ VPS units through online platforms.

The SECP has introduced various innovative asset classes and allocation structures for pension fund assets. Circular 12 of 2021 issued by SECP has allowed of pension funds to invest in Real Estate Investment Trusts, Private Equities, Venture Capital Funds and Exchange Traded Funds. For the first time, pension funds have been allowed passive investment strategy in the form of Index sub fund. Moreover, investment limit for IPO and pre-IPO has been increased from 5 percent to 10 percent. VPS participants have been provided flexibility to change allocation ratios of their accounts and they have also been allowed to freeze their portfolio allocation and percentages at a point in time.

The amendments to the Voluntary Pension System (VPS) Rules were proposed to address the development of the annuity market and utilization of the life insurance distribution network.

The SECP has allowed pension funds to invest in REITs, Private Equities, Venture Capital Funds and ETFs. Moreover, pension funds have also been allowed passive investment strategy in the form of Index sub-fund. The total assets of 22 pension funds managed by 14 Pension Fund Managers (Voluntary Pension Systems) stood at Rs41.64 billion as on June 30, 2022. This asset class also witnessed a growth of 4.9 percent in 2022, they added.

R 27-3-2023

SECP-REGISTERED INTERMEDIARIES MUST ENSURE COMPLIANCE WITH AML LAWS

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) has declared that the registered intermediaries are legally bound to ensure compliance with the anti-money laundering (AML) laws. In this connection, the SECP has issued an order against a registered law firm, which is also registered as an intermediary under the Intermediaries Regulations framed under the Companies Act.

The said law firm has violated Anti-Money Laundering Act, 2010 (the AML Act) and AML/CFT Sanctions Rules, 2020 (the AML Rules).

An SECP official informed that the Anti-Money Laundering Act, 2010, places compliance obligations on the company service providers (intermediaries) to conduct customer due diligence and report suspicious transactions to Financial Monitoring Unit. The intermediaries while performing their functions, shall ensure that their clients are not involved in any illegal or suspicious activities, implying money laundering or terrorist financing.
Further, the intermediaries shall also ensure that the client is not placed on the United Nations Security Council's (UNSC) list of designated persons or entities linked to terrorist financing or against whom a ban, sanction or embargo subsists, the official added. According to the order of the Director/Head of Wing (Adjudication-I) SECP, apart from being a registered Law Firm, the Respondent, is also registered as an intermediary under the Intermediaries Regulations, framed under the Companies Act, 2017 (the law administered by the Commission). Moreover, in terms of the Intermediaries Regulations, a registered intermediary is required to ensure compliance with AML laws. Thus, the respondent's stance that the Commission went beyond its jurisdiction conferred upon it by the SECP Act and issued a show cause notice to a law firm is not tenable. The respondent is a registered entity and falls under the ambit of the Commission to the extent of its business with regard to Intermediary Services, SECP order added.

R 26-3-2023

SBP URGED TO ADOPT ACCOMMODATIVE POLICY STANCE

LAHORE: The Federation of Pakistan Chambers of Commerce and Industry's Businessmen Panel (BMP) on Sunday urged the central bank that it must not hike the key policy rate any further as the economic crisis continues to deepen due to wrong economic policies amidst record high mark-up rate in the region.

FPCCI former President and Businessmen Panel (BMP) chairman, Mian Anjum Nisar said that already unprecedented inflation and high mark-up rate have drastically reduced private sector borrowings during the first quarter of the current fiscal year. He said that the central bank raised its key interest rate by 300 basis points, exceeding investor expectations, as the cash-strapped country attempts to encourage the International Monetary Fund to release critical funding. The key rate of the State Bank of Pakistan now stands at 20%, its highest level since October 1996.

Now there are reports that the SBP would raise the interest rate by another 2 percent at the upcoming meeting of the Monetary Policy Committee (MPC) to unlock the stalled IMF loan program.

The Businessmen Panel (BMP) chief suggested the Central Bank to adopt an accommodative monetary policy stance, asking the finance minister to fulfil his commitment of reining in inflation besides cutting interest rate and strengthening the undervalued local currency against dollar.

Demanding competitive interest rate at regional countries' level, he said that the SBP's stance of keeping monetary policy rate at 17% was already high compared to the mark-up rate of China, India and Bangladesh. Yet, the central bank jacked up the key policy rate by another 300 basis points to 20% in last monetary policy, leading to the crash of economy, which will remain bearish until announcement of next Policy announcement.

The hike in the interest rate by 300 basis points by the State Bank during the auction of T-bills has increased investors' problems. In addition, there is a fear of further hike in the interest rate in the monetary policy announcement on 2nd April because of which there is constantly selling pressure in the market, he added. He said that expectation of further monetary tightening and high current account deficit had sparked panic selling across the board, leading to the capital market's massive tragedy. Mian Anjum Nisar said that the SBP had brought forward its policy meeting from an original date of March 16, saying the rate hike was a key requirement to get the IMF funding released.

In its last policy meeting in January the bank raised the rate by 100 bps to 17%. It has now raised rates by a total of 1025 bps since January 2022.

The MPC noted that the recent fiscal adjustments and exchange rate depreciation have led to a significant deterioration in the near term inflation outlook and a further upward drift in inflation expectations, as reflected in the latest wave of surveys.

The SBP sees inflation rising further before it begins to fall. The central bank states that the average inflation for the year is now expected in the range of 27-29% against the November 2022 projection of 21–23%.

In this context, the MPC emphasized that anchoring inflation expectations is critical and warrants a strong policy response. He said that while the CPI can potentially increase more with the fiscal actions related to subsidy removals and exchange rate weakness, the government needs to focus on improving the supply side urgently, especially of food and agricultural items.

The government, for its part, should try to cut expenditure and increase revenue through taxes, and has allowed the rupee to depreciate. As per the ninth review of a previous deal with the international lender, the IMF is due to release a tranche of over $1 billion to Pakistan. He stressed the need for reduction in the discount rate, arguing that low key policy rate is essential to make the Pakistani exports sector, as well as, the local industry competitive. Anjum Nisar said that in view of achieving exports target and stabilisation of the economy we need accommodative monetary policy measures by extending reduction in the policy rates so that the debt liability of the business sector is compensated through lower mark-up rate.

The BMP chief said that trade and industry need continued support from the government in the form of lower interest rates, amid such external shocks, he suggested. He also demanded the immediate reduction in the electricity tariff, especially for the Small and Medium Enterprises (SMEs) as a first step towards a cut in the production cost, while the second and vital step towards this direction would be bringing discount rate to the regional level with a view to provide level-playing field, especially to the export industry.

The FPCCI former president said the central bank should announce an initiative related to loans for the Small and Medium Enterprises (SMEs), as the sector has to show collateral to banks, which are always reluctant to offer them concessional credit.

PSMA CALLS FOR CHANGES IN TAX RATES FOR SCRAP DEALERS

LAHORE: The Pakistan Steel Melters Association (PSMA) on Sunday said that withholding tax on supply of scrap should be fixed at 0.25 percent for non-registered dealers till the time Letters of Credit (LCs) are allowed by banks.

In a statement, the association demanded that the Federal Board of Revenue (FBR) should take certain measures during the interim period before the opening of LCs, including imposition of additional sales tax of one percent on supplies from non-registered scrap dealers. The PSMA also demanded that cash purchases be allowed from non-registered scrap dealers till the issue of LCs is resolved.

The association said that due to non-availability of imported scrap and non-opening of LCs, the steel melting industry is facing major problems. More than 70 percent of the imported scrap is utilised by the steel melting furnaces. The local scrap is of low quality and additional electricity is required to melt it. However, at this stage the industry has no other option but to use the local scrap. Therefore, urgent tax relief measures are required till the time the LCs issue is resolved. The turnover tax should be reduced to 0.50 percent on scrap supplies.

The steel melting industry is a highly capital-intensive and low-margin sector. One major problem faced by the documented steel manufacturers is that the local scrap suppliers are totally undocumented and the dealers so operating are not registered with the FBR.

The documented steel producers cannot buy steel scrap due to the taxation laws, which include a very high 9.5 percent withholding tax on supplies since all such dealers are not registered. Moreover, there's a levy of 5 percent additional sales tax as all the dealers are unregistered.

R 27-3-2023

PSA SEEKS ANNUAL LIMIT OF $800M FOR SOLAR IMPORTS

ISLAMABAD: The Pakistan Solar Association (PSA) has sought annual limit of $ 800 million for import of solar panels/equipment, claiming that the issue of money laundering is largely eliminated.

The Association which recently held a meeting with the Minister for Power KhurramDastgir Khan apprised him about their issues, and have now sent a letter to him with some recommendations. PSA's Secretary General, MohsinSahukat in his letter has requested the government to remove the solar energy sector from the list of non-essential items and consider it as an essential utility in the present times as recognised globally.

The import of solar panels in the previous fiscal was about 2.4 GW with an import value of solar panels and equipment of almost $ 1.2 billion in the last fiscal demand of around $ 1.8 billion during this year based on growth trends from previous years is predicted in the letter.

According to the letter given the adverse economic conditions, the PSA stands with the SBP and the government and understands the difficulty faced in financing imports. At the same time, with the genuine need for solar energy in context of the Pakistan market and about 1-year payback of each dollar spent on solar equipment vis-a-vis saving in oil imports, it will be beneficial for the country to at least partially resume solar imports.

The PSA has requested Power minister to advise SBP and commercial banks to facilitate the imports of solar equipment by allowing an annual limit of $ 800 million i.e. $ 65 million per month for import of solar equipment, representing a reduction of around 56 per cent versus the estimated market equipment.

The PSA has proposed that the limit for import may be implemented within the industry, based on previous import history with the following limitations: (i) only companies that are members of the Pakistan Solar Association and have been AEDB-certified for at least 3 years to be allowed to import solar equipment; (ii) Companies that have past track record of import of Tier-1 Panels in the past 5 years; and (iii) import to be limited to Tier 1 solar panels (as defined by BNEF classification) with only the direct manufacturer of the solar equipment being the "beneficiary" of the LC / payment documents for the shipment. The proposed conditions will ensure that import of solar panels is restricted to industry players, thereby significantly reducing, if not completely eliminating, the issues faced due to low-quality imports and chances of money laundering.

The PSA contends that it is evident from the report submitted by the PSA in 2016-2017 and subsequent meetings and correspondence with the SBP officials, the issue of money laundering under the HS Codes 84 and 85 was largely eliminated. The same issue was highlighted at that time with Pakistan Customs and to date, an effective procedure of "Goods Ruling Value" is implemented due to which there is no possibility for any importer to adopt over/under invoicing of goods under the stated HS Codes.

At a recent meeting in Islamabad, Director SBP, DrAsif Ali argued the SBP has already issued the necessary instructions to banks for one-time facilitation for release of shipping documents to ease congestion at ports due to stuck-up containers (i.e. demurrage-related cases). In this regard banks have been advised to release the shipping documents for goods which have been shipped on or before January 18, 2023: (i) in case of deferment, on receipt of SWIFT message from the bank abroad that imports are on deferred payment basis for at least 180 days; or (ii) the funding arrangement has been made from abroad, on receipt of confirmation from suppliers' banks. The central bank maintains that it understands that with issuance of such instructions the matter of stuck up shipments including that of solar panels is being resolved to a great extent.

According to the SBP, it understands that as per current Customs Regulations, solar panels (HS code 8541.4300) have 0% customs duty; therefore, there is a possibility that import of solar panels could be misused by some unscrupulous elements to launder their illicit money abroad by over invoicing. "In our assessments, some of the suppliers providing deferred payment terms turn out to be related to Pakistani importers or the local importers have established trade entities abroad, which carry risk of over invoicing," said DrAsif Ali.

In this regard, the SBP has suggested that the relevant ministries may come up with a list of reputable suppliers from whom imports of solar panels could be allowed without any risk of money laundering/ over invoicing.

NAWABSHAH AIRPORT CLOSED FOR TWO MONTHS

NAWABSHAH: The Nawabshah airport has been closed for flight operations for two months, the Civil Aviation Authority (CAA) said Sunday.

According to the notification issued here, the airport will remain closed until May 23. The closure is due to a geotechnical study that needs to be carried out at the airport, it added.

ISRAEL, UAE SIGN FREE TRADE PACT INTO EFFECT

OCCUPIED JERU-SALEM: Israel and the United Arab Emirates on Sunday signed a free trade pact into effect, reducing or removing tariffs on about 96% of goods traded between the nations, Israel's Foreign Ministry said.

The countries first reached the agreement last May, promising to boost bilateral trade after they normalized ties in 2020 in a US-brokered deal.

The deal will also allow Israeli companies to gain access to government tenders in the UAE, the ministry said.

Israeli Foreign Minister Eli Cohen, who on Sunday gave a final signature for the tariff arrangement within the trade pact, said it would "strengthen the connection" with the UAE and that Israel was working to normalize ties with more Arab countries.—Reuters

BANKING STRESS BRINGS US CLOSER TO RECESSION: FED'S PRESIDENT

WASHINGTON: Recent stress in the banking sector and the possibility of a follow-on credit crunch brings the US closer to recession, Minneapolis Fed president Neel Kashkari said Sunday in comments to CBS show Face the Nation. "It definitely brings us closer," Kashkari said. "What's unclear for us is how much of these banking stresses are leading to a widespread credit crunch. That credit crunch ... would then slow down the economy. This is something we are monitoring very, very closely."

Kashkari, who has been among the most hawkish Fed policymakers in advocating higher interest rates to fight inflation, said it remained too soon to gauge the size of the "imprint" bank stress will have on the economy, and therefore too soon to know how it might influence the next interest rate decision of the Federal Open Market Committee.

The Fed raised interest rates a quarter of a point this week but opened the door to pause further increases until it is clear how bank lending practices may change following the recent collapse of the Silicon Valley Bank and New York-based Signature Bank.

"Right now the stresses are only a couple of weeks old," Kashkari said. "There are some concerning signs. On the positive side is deposit outflows seem to have slowed down. Some confidence is being restored among smaller and regional banks." "At the same time," he continued, "we've seen that capital markets have largely been closed for the past two weeks. If those capital markets remain closed because borrowers and lenders remain nervous, then that would tell me, okay, this is probably going to have a bigger impact on the economy. So it's too soon to make any forecasts about the next FOMC meeting."

The Fed has rolled out an emergency lending program meant to keep other regional lenders from trouble should deposit withdrawals increase. Recent data showed money moving from smaller to larger banks in the days following SVB's March 10 collapse, though Fed chair Jerome Powell said last week he thought the situation had "stabilized." Congress this week holds its first hearings on the SVB failure, which has sparked calls for tighter supervision of mid-sized banks, prompted the Fed to launch its own internal review of bank supervision, and led to calls for a broadening of the federal government's deposit insurance program.

R 27-3-2023