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SHAHID LEGAL GROUP

SLD NEWS UPDATES

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IN NEWS

Business & Finance » Taxes

PTBA urges FBR to extend tax return filing deadline

Return Filing Deadline Extension: Pressure Mounting on FBR

FBR Issues Tax Guidelines for Permanent Establishment in Pakistan

Markets » Cotton & Textile

Weekly Cotton Review: Market witnesses extreme volatility

Stock & Commodity

Wall Street Week Ahead: Jobs data to test US stock market's soft-landing hopes

Sri Lanka shares end higher

London stocks log weekly jump on China stimulus

Bourses in Gulf end mixed on geopolitical tensions

Nikkei rallies 2pc on softer yen

Business & Finance » Money & Banking

Australia, NZ dollars energised as China optimism boosts risk

Yuan slips as traders take profits after rally

Indian rupee ends weaker

Rupee Expected to Remain Robust Amid IMF Inflows

Business & Finance » Industry

'Govt should devise strategy to accelerate industrial pace'

UG Patron-in-Chief advocates reduction in electricity tariffs

RCCI Appeals to FBR for One-Month Extension in Tax Return Filing Deadline

Business & Finance » Companies

Cheezious opens 'largest pizza dine' in Lahore

Testing the waters?: Xiaomi electric cars seen at Karachi port

Tata iPhone component plant disrupted by fire, 10 given medical aid

Economic distress

Senior economist says a 'maxi budget' will be unavoidable

Minister stresses urgency of reform to reshape 'DNA'

$7bn IMF lending: no grounds for complacency

Fuel and Energy

Markets – Rates

Business & Finance » Taxes

PTBA URGES FBR TO EXTEND TAX RETURN FILING DEADLINE

Recorder Report Published September 29, 2024

KARACHI: The Pakistan Tax Bar Association (PTBA) has called on the government to extend the tax return filing deadline to October 25, 2024, following a significant announcement to abolish the non-filer status in the country.

According to the PTBA, the government's decision to eliminate the non-filer category comes after persistent advocacy from the PTBA, who argue that such a status has no legal basis. It said that this move is expected to bolster confidence among existing tax filers and encourage compliance from those previously outside the tax net. "This initiative will increase tax revenue and improve Pakistan's overall tax system," a PTBA stated. "It brings us in line with other strong economies where the concept of 'non-filer' doesn't exist."

The association emphasised that this change will have far-reaching consequences for those who have avoided filing taxes. Non-filers will now face restrictions on property purchases and opening bank accounts, compelling them to enter the formal tax system.

PTBA stressed the importance of efficient tax collection and utilization, stating that tax money should be directed towards essential sectors such as health, education, transport, and infrastructure. They believed this approach would help reduce inflation and the tax burden on citizens over time.

While commending the government's decision, the PTBA has requested an extension of the tax return filing deadline from September 30 to October 25. They argued that this extension would provide a final opportunity for non-filers to comply with the new regulations and contribute to the national economy.

RETURN FILING DEADLINE EXTENSION: PRESSURE MOUNTING ON FBR

September 29, 2024

Karachi, September 29, 2024 – The Federal Board of Revenue (FBR) finds itself under mounting pressure to extend the deadline for filing income tax returns for the tax year 2024. With the September 30 deadline looming, only a single day remains for taxpayers to submit their returns, and complaints of system breakdowns and technical delays are pouring in from across the country.

As the apex tax-collecting authority in Pakistan, the FBR is being inundated with requests from individuals and organizations alike, urging for an extension. Despite the persistent clamor, the board has yet to make an official decision on the matter. However, given the pattern in previous years, sources within the FBR suggest that an extension may be on the horizon. Last year, the FBR granted a one-month extension, pushing the deadline to October 31, 2023, and many believe a similar reprieve might be announced this time as well.

One of the primary concerns fueling these extension demands is the ongoing dysfunction of the IRIS portal—the primary platform for e-filing tax returns in Pakistan. Over the past few weeks, the portal has been riddled with technical glitches and frequent crashes, leaving users frustrated and unable to submit their returns in a timely manner. This breakdown in the system has caused significant disruptions for taxpayers and tax professionals, many of whom are scrambling to meet the deadline despite the platform's failures.

The Federation of Pakistan Chambers of Commerce and Industry (FPCCI), the country's foremost business representative body, has thrown its weight behind the call for an extension. The FPCCI has formally requested the FBR to grant a 30-day extension, citing the numerous technical difficulties and system inefficiencies that have plagued the tax filing process this year.

Atif Ikram Sheikh, President of the FPCCI, voiced his concerns over the situation, pointing out that the FBR's online filing system has struggled to cope with the sheer volume of submissions. "The system is cumbersome for the common man, and it needs urgent improvements to address delays and downtimes," Sheikh remarked. He also noted that the technical challenges faced by taxpayers, particularly small business owners and individuals unfamiliar with digital filing processes, are becoming untenable. The FPCCI believes that without an extension, many law-abiding taxpayers may find themselves penalized for circumstances beyond their control.

Adding to the chorus of demands, the Pakistan Tax Bar Association (PTBA) has also petitioned the FBR, citing the near-complete paralysis of the IRIS system as the primary reason for the filing delays. PTBA President Anwar Kashif Mumtaz, in a letter to FBR Chairman Rashid Mehmood, urged the board to announce a one-month extension to alleviate the mounting pressure on taxpayers. He stressed that the technical failings of the IRIS portal have created a situation where compliance is virtually impossible, and extending the deadline is the only logical solution.

The IRIS portal has long been the backbone of Pakistan's online tax filing system, but its performance in recent years has left much to be desired. According to the PTBA, the system's frequent shutdowns, computational errors, and sluggish response times have rendered it ineffective at handling the increased volume of tax returns.

As the clock ticks toward the September 30 deadline, the pressure on the FBR to act grows more intense. While the board has yet to announce any formal extension, the volume of complaints and the backing of key business and professional organizations suggest that an extension may be inevitable. However, unless significant improvements are made to the IRIS portal, even an extension may not be enough to restore confidence in Pakistan's e-filing system.

FBR ISSUES TAX GUIDELINES FOR PERMANENT ESTABLISHMENT IN PAKISTAN

September 29, 2024

Karachi, September 29, 2024 – The Federal Board of Revenue (FBR) has introduced new guidelines for the taxation of permanent establishments in Pakistan for the tax year 2024-25. These guidelines, extending the current regulations, govern the taxation of permanent establishments under Section 105 of the Income Tax Ordinance, 2001.

A permanent establishment (PE) refers to a fixed place of business through which a non-resident person carries out business in Pakistan. The taxation of such establishments is crucial for ensuring fair tax practices and compliance. According to the FBR, Section 105 outlines the principles to determine the taxable income of a permanent establishment in Pakistan.

The key points of these guidelines include the following:

Independent Entity Concept

The first principle laid out by the FBR is that a permanent establishment in Pakistan is treated as a distinct and separate entity. This means that even though the PE is part of a non-resident company, it is taxed as if it operates independently. Its profits are computed based on its activities in Pakistan, under the same or similar conditions as any local entity performing comparable functions.

Allowable Deductions

The FBR clarifies that deductions are allowed for expenses incurred by the PE for its business activities. This includes executive and administrative expenses, regardless of whether they are incurred in Pakistan or in another country. This provision ensures that PEs are only taxed on their net profits after considering legitimate business expenses.

However, certain payments made by the PE to its head office or other branches are not eligible for deductions. These include:

1. Royalties, fees, or similar payments for using tangible or intangible assets.

2. Compensation for services, such as management services, performed by the head office for the PE.

3. Interest on debt, except for loans connected to banking businesses.

This rule ensures that PEs do not artificially reduce their taxable income by transferring profits to their head offices or other branches through these types of payments.

Internal Charges

Similarly, when a PE charges its head office for services or assets, these amounts are not considered when calculating the PE's taxable income. This rule is designed to prevent manipulation of profits by inflating internal charges between a PE and its head office.

Limit on Head Office Expenditures

The FBR has set a limit on the amount of head office expenditure that can be deducted by a PE in Pakistan. This limit is proportional to the PE's turnover in Pakistan relative to the worldwide turnover of the non-resident company. The purpose of this rule is to ensure that head office expenses are allocated fairly and that PEs in Pakistan are not deducting an excessive share of their parent company's costs.

Exclusions from Deductions

There are further restrictions on deductions for certain types of expenditures. For instance, no deduction is allowed for:

1. Interest on debt used to finance the operations of the PE.

2. Insurance premiums paid on such debt.

This prevents PEs from claiming deductions for financing costs that are not directly related to their business operations in Pakistan.

Definition of Head Office Expenditure

The FBR also defines what qualifies as "head office expenditure" for the purposes of calculating deductions. These include general administration costs incurred outside Pakistan, such as rent, taxes (excluding foreign income tax), salaries for head office employees, travel expenses, and other prescribed costs.

In conclusion, the FBR's updated guidelines ensure transparency and fairness in the taxation of permanent establishments. By treating PEs as independent entities and restricting certain deductions, the FBR aims to prevent tax avoidance and ensure that non-resident companies pay their fair share of taxes on profits earned in Pakistan. These guidelines are vital for strengthening the tax system and ensuring compliance by multinational corporations operating in the country.

Markets » Cotton & Textile

WEEKLY COTTON REVIEW: MARKET WITNESSES EXTREME VOLATILITY

Naseem Usman Published 26 minutes ago

KARACHI: The cotton market witnessed unprecedented volatility over the past four days, with prices fluctuating by Rs 3,500 per maund. Spot rates saw a variation of Rs 1,700 per maund. Trading volume initially surged but later dwindled.

Supply of Phutti increased briefly before declining again. Import contracts for cotton are being executed, and the textile sector remains active. Textile exports have seen an increase.

Head Transfer of Technology Central Cotton Research Institute Multan Sajid Mahmood has said despite this, the market continues to face a financial crisis. Recent rains in Punjab's cotton-producing regions have boosted crop yields, potentially helping Pakistan escape the IMF's grip.

However, All Pakistan Textile Mills Association has said that cotton yarn and cotton of worth $2.5 billion will be imported. It expressed severe concerns over the misuse of the Export Finance Scheme (EFS) facilities.

The local cotton market witnessed a significant decline in prices last week due to a substantial increase in Phutti supplies. Cotton price was dropped by Rs 1,500 to Rs2,000 per maund. This decrease prompted textile spinners to increase their purchases, resulting in higher trading volume and prices.

According to reports from Sindh and Punjab, the recent rains have led to a remarkable surge in Phutti supplies, indicating a possible resurgence of the cotton season. The quality of Phutti has also improved significantly, with better yields. Initial concerns about cotton production have ended, and Phutti production is now expected to exceed initial estimates. The increased supply of high-quality Phutti has revitalised the market, boosting hopes for a better cotton season.

Despite the textile sector's ongoing crisis, a relative improvement is being observed. The government's measures against Independent Power Producers (IPPs) are expected to lead to better energy supply in the coming days. Additionally, payments of stuck sales tax refunds are improving, fostering hopes that business activities will gradually transition from despair to recovery.

However, private textile spinners are facing increasing difficulties due to rising cotton yarn imports. A substantial increase in cotton yarn imports has been witnessed. Locally, decreased cotton prices and the surge in global cotton prices, particularly prices of New York cotton, have prompted mills to show greater interest in purchasing domestic cotton over imports.

Currently, Pakistan's cotton consumption exceeds production, as a result of which imports will be increased. If conditions remain favourable, around 60 lac bales will be imported. So far, contracts for approximately 22 lac bales have been finalised, with additional import agreements under way.

Shipments of cotton and yarn from previous contracts have started arriving. Estimates suggest that around $2.5 billion will be spent on cotton and yarn imports this year.

The cotton market experienced unusual fluctuations over the past four days, with prices swinging by Rs 3,500 per maund. Spot rates also varied by Rs 1,700 per maund. In Sindh, cotton prices after fluctuations remained in between Rs 17,500 to 18,000 per maund while Phutti prices were in between Rs 7,000 to 8,200 per 40 kg.

In Punjab, cotton prices were remained in between Rs 18,000 to 18,500 per maund while Phutti prices were remained in between Rs 7,500 to 8,500 per 40 kg.

In Balochistan, cotton prices were in between Rs 17,800 to 18,200 per maund. Balochi cotton prices were quoted between Rs 18,800 to 19,000 per maund.

The Karachi Cotton Association's Spot Rate Committee reduced the spot rates by Rs 700 per maund and closed it at Rs 18,000 per maund.

Chairman of the Karachi Cotton Brokers Forum, Naseem Usman, stated that the international cotton market is witnessing an upward trend in prices. The recent surge in New York cotton prices is attributed to hurricane concerns and reduced production. Despite ongoing trade tensions between China and the US, New York cotton prices continue to rise.

According to the USDA's weekly export and sales report for the 2024-25 season, as many as 87,800 bales were sold. Turkey led the purchases with 31,500 bales, followed by Pakistan with 31,100 bales, and Vietnam with 13,300 bales.

The All Pakistan Textile Mills Association (APTMA) has expressed serious concerns over the misuse of the Export Facilitation Scheme (EFS) following the withdrawal of sales tax exemptions on local supplies for export manufacturing under the Finance Act 2024. This policy change has led to the rampant misuse of EFS, resulting in a significant increase in yarn and other intermediate inputs imports, largely for domestic market sale under the guise of export manufacturing.

Chairman APTMA emphasised that this misuse harms local industry, affecting the livelihoods of millions nationwide. In August, Pakistan's textile and apparel exports saw a 13% increase. However, the country may spend $2.5 billion on cotton yarn imports due to low domestic cotton production. He stressed that APTMA continues to highlight the negligence in policy-making, which has led to this crisis. The association urges the government to address the issue and prevent further damage to the local textile industry.

However, Sajid Mahmood, head of the Technology Transfer Department at the Central Cotton Research Institute in Multan, emphasised the significance of cotton production and exports in Pakistan's economy. He noted that the IMF's $7 billion loan to Pakistan is equivalent to approximately 5 million bales of cotton, highlighting the importance of cotton in the country's economy.

Mahmood stated that Pakistan's textile industry earns $1.5 billion in foreign exchange from exporting products made from just 1 million bales, while Bangladesh exports around $6 billion worth of products from the same amount. He stressed that if the government financially supports the Central Cotton Committee and updates its research programs, Pakistan can regain its past production levels of 15 million bales.

Investing in research and development will not only increase cotton production but also improve its quality, leading to increased exports and foreign exchange. This would eliminate the need for IMF loans, making Pakistan's economy self-sufficient. Mahmood emphasised that investing in research is crucial to achieving desired results.

Furthermore, if Pakistan's textile industry (APTMA) honestly pays cotton cess and implements the Cotton Cess Act correctly, cotton production can be further increased. This would save billions of dollars spent on importing cotton, meeting domestic needs through local production. As a result, the country's economic situation will improve, and local farmers and the agricultural sector will be stabilised.

Stock & Commodity

WALL STREET WEEK AHEAD: JOBS DATA TO TEST US STOCK MARKET'S SOFT-LANDING HOPES

Reuters Published 27 minutes ago

NEW YORK: Investor hopes for a soft landing for the US economy will be put to the test next week, as the government releases closely watched labor market data following a series of disappointing jobs reports.

Wall Street's benchmark S&P 500 index is up 20% year-to-date near a record high. With the third quarter ending on Monday, the index is on track for its strongest January-September performance since 1997.

Hopes for a soft landing in which the Federal Reserve tames inflation without badly hurting growth, have helped drive those gains, along with a 50 basis point rate cut the central bank delivered at its monetary policy meeting this month.

Some worry that the rate cuts may not be enough to avert a downturn, and Wall Street views the monthly employment report as one of the more critical reads on the economy. The prior two monthly reports have shown weaker-than-expected job increases, raising the stakes for the Oct 4 data.

"Stocks are priced for a Goldilocks/soft landing-type scenario," said Wasif Latif, president and chief investment officer at Sarmaya Partners. "The jobs report could potentially either confirm that or derail that." Some recent payrolls reports have roiled markets, particularly data showing an unexpected slowdown that helped spark a sharp, days-long selloff in the S&P 500 in early August. The index has since recovered those losses and gone on to make fresh highs.

For the September report due out next week, nonfarm payrolls are expected to have increased by 140,000, according to Reuters data on Friday.

The labor data could help solidify views on the Fed's next move at its Nov 6-7 meeting. Futures tied to the fed funds rate currently show bets almost evenly split between a 25 basis point cut or another 50-basis-point reduction.

"While the totality of the data will always be important, the burden will be on incoming labor market data to provide the Fed with greater confidence that the softening trend is stabilizing," economists at Deutsche Bank said in a recent note.

Investors will also watch an address from Fed Chairman Jerome Powell, set to speak on the economic outlook before the National Association for Business Economics on Monday.

Hefty gains in US stocks so far this year bode well for the rest of 2024, if history is any indication.

Since 1950, the S&P 500 has gained at least 15% through September in 17 instances, according to Keith Lerner, co-chief investment officer at Truist Advisory Services. In the fourth quarter of those years, the index rose a median of 5.4% and posted a gain in all but three of them, Lerner found.

Still, the state of US growth is a focus for investors. A survey of fund managers earlier this month named a US recession as the top "tail risk" for markets, according to BofA Global Research.

Garrett Melson, portfolio strategist at Natixis Investment Managers Solutions, said the recent strength in defensive sectors such as utilities and consumer staples reflect concerns over a looming downturn.

Strong economic data, on the other hand, could provide a boost for economically sensitive groups such as industrials and financials, he said. The S&P 500 industrial sector has gained nearly 11% in the quarter, and the financial sector is up around 10%.

"There's still probably a case to be made that we've priced in too much recession risk at this point," Melson said. "There's plenty of scope for further upside into year-end."

SRI LANKA SHARES END HIGHER

Reuters Published 27 minutes ago

BENGALURU: Sri Lankan shares gained on Friday, after the country's central bank kept interest rates unchanged as widely expected, in the wake of a newly elected president taking over the reins of the island country. The CSE All-Share index settled up 0.87% at 11,773.9.

The Central Bank of Sri Lanka kept interest rates steady, citing domestic and global uncertainties, but said inflation was likely to remain low and the economy was doing much better than initially expected.

The central bank kept the Standing Deposit Facility Rate at 8.25% and the Standing Lending Facility Rate at 9.25%. Industrial Asphalts (Ceylon) and Kotmale Holdings were the top percentage gainers on the CSE All-Share index, rising 33.3% and 17.1%, respectively.

Trading volume on the CSE All-Share index fell to 126.8 million shares from 238.2 million in the previous session. The equity market's turnover fell to 2.95 billion Sri Lankan rupees ($9.87 million) from 4.31 billion rupees in the previous session, according to exchange data.

LONDON STOCKS LOG WEEKLY JUMP ON CHINA STIMULUS

Reuters Published 27 minutes ago

LONDON: British equities ended the week on a high note on signs US inflation is continuing to ease, boosting the view that the Federal Reserve will continue its monetary loosening, while China's aggressive stimulus measures lifted mining and luxury stocks.

The bluechip FTSE 100 index was up 0.4%, while the domestically-focused FTSE 250 midcap index rose over 1%. Both the indexes rose on a weekly basis, buoyed by hopes for a turnaround in the Chinese economy after policymakers this week announced numerous aggressive stimulus measures. Still, the FTSE 100 has lagged the European benchmark STOXX 600, which gained more than 2% for the week.

In the latest move, China's central bank on Friday lowered interest rates and injected liquidity into the banking system, with more fiscal measures expected to be announced before China's week-long holidays starting on Oct. 1.

Among sectors, personal goods led gains with a 5.4% rise on the day and recorded their best week since Feb. 2017, boosted by over 17% weekly gains in Burberry shares.

BOURSES IN GULF END MIXED ON GEOPOLITICAL TENSIONS

Reuters Published 27 minutes ago

DUBAI: Stock markets in the Gulf put in a mixed performance on Sunday as geopolitical tensions in the region escalated, with the Saudi index snapping a seven-day winning streak.

Israel struck more targets in Lebanon on Sunday, pressing Hezbollah with new attacks after killing the Iran-backed group's leader, Sayyed Hassan Nasrallah, and a string of its other top commanders.

Concerns have grown about the prospect of a wider conflict. Israel has mobilised reserve brigades and says it is ready for all options, including a ground operation in Lebanon.

Hezbollah has said it will cease fire only when Israel's offensive in Gaza ends.

Saudi Arabia's benchmark index dropped 0.8%, snapping seven sessions of gains and weighed down by a 1.3% fall in aluminium products manufacturer Al Taiseer Group.

Among other losers, oil behemoth Saudi Aramco retreated 1.3%.

Oil prices - a catalyst for the Gulf's financial markets - fell last week as investors weighed expectations for higher global supply against fresh stimulus from top crude importer China.

Meanwhile, the Organization of the Petroleum Exporting Countries and its allies, together known as OPEC+, will go ahead with plans to increase production by 180,000 barrels per day each month starting from December, Reuters reported on Friday, citing two OPEC+ sources.

NIKKEI RALLIES 2PC ON SOFTER YEN

Reuters Published 28 minutes ago

TOKYO: Japan's Nikkei share average rallied more than 2 percent on Friday, buoyed by further softening of the yen after a strong advocate of "Abenomics" took the lead in first-round votes in the ruling Liberal Democratic Party's leadership election.

The Nikkei ended 2.32% higher at 39,829.56, its highest close since July 19, while the broader Topix finished up 0.73% at 2,740.94.

The gains extended after right-wing economic security minister Sanae Takaichi and former defence minister Shigeru Ishiba qualified for the second round of voting to replace Prime Minister Fumio Kishida as the leader of Japan's ruling party.

Business & Finance » Money & Banking

AUSTRALIA, NZ DOLLARS ENERGISED AS CHINA OPTIMISM BOOSTS RISK

Reuters Published about an hour ago

SYDNEY: The Australian and New Zealand dollars basked near multi-month highs on Friday as hopes for truly potent Chinese stimulus boosted risk assets and commodities.

Just the chance of a revival in Chinese demand proved a saviour for iron ore, Australia's single biggest export earner, lifting it above $100 a metric ton and away from lows of $88.40.

"The combined weight of the monetary and fiscal measures announced and mooted is highly likely to lead to the 5.0% growth target for 2024 being achieved and should also see a similar outcome in 2025," said Westpac economist Illiana Jain.

"Success thereafter will be determined by how the private sector, particularly the consumer, responds." The Aussie was little changed at $0.6889, having rallied 1.1% overnight to as high as $0.6904. Resistance lies at Wednesday's 19-month top of $0.6908, followed by $0.6949.

It was aided by buying for carry trades against the yen , which saw it pierce the 100.00 yen barrier again for a weekly rise of 2.2%.

The kiwi dollar paused at $0.6326, after climbing 1% overnight and back toward the nine-month peak of $0.6355. The next stop is a top from last December at $0.6369.

Domestically, the Aussie was supported by a steady rate outlook from the Reserve Bank of Australia (RBA) this week, which has seen markets price in just a 20% chance of an easing at the next policy meeting in November.

YUAN SLIPS AS TRADERS TAKE PROFITS AFTER RALLY

Reuters Published about an hour ago

SHANGHAI: China's yuan slipped on Friday but still hovered near its strongest level in 16 months after Beijing rolled out a slew of monetary and fiscal stimulus that boosted market sentiment this week.

Some traders said they took profits on the recent yuan rally, as onshore markets will be closed for the Golden Week holidays starting next Tuesday.

China's central bank said on Friday it would cut the amount of cash that banks must hold as reserves by 50 basis points and lower the borrowing cost of its seven-day reverse repurchase agreements by 20 basis points, part of efforts flagged on Tuesday aiming to get the ailing economy back on more solid footing.

The yuan has gained 0.5% this week to around the strongest level since May 2023, and is now up 1.2% so far this year, underpinned by the Federal Reserve's rate cuts that have weighed on the dollar and China's most aggressive stimulus package since the pandemic.

Following Tuesday's policy easing announcement, China's Politburo on Thursday signaled a more supportive and coordinated policy approach, said Tao Wang, chief China economist at UBS.

"The Politburo meeting and its clear policy tone, including on the need for 'counter-cyclical fiscal policy', raised market expectations of a meaningful fiscal stimulus that has been absent this year and in the latest announcements," Wang said.

Reuters reported on Thursday that China plans to issue special sovereign bonds worth about 2 trillion yuan ($284.43 billion) this year as part of fresh fiscal stimulus, citing two sources with knowledge of the matter.

Citi's traders took profits on long offshore yuan against the dollar due to the magnitude of the recent rally, according to a note to clients.

"In the interest of risk management and cognizant of liquidity being impaired ahead of the Golden Week holidays, we think it is prudent to take profit on this position for now," Citi traders said.

INDIAN RUPEE ENDS WEAKER

Reuters Published about an hour ago

MUMBAI: The Indian rupee ended lower on Friday pressured by month-end dollar demand from importers, with traders expecting the future path of US monetary policy and the Chinese yuan to be key drivers of the currency's trajectory.

The rupee closed at 83.70 against the US dollar, compared to its previous close of 83.6425. The currency slipped 0.1% for the week.

The dollar index was down slightly at 100.5 while broader Asian currencies were mixed, with the Chinese yuan retreating from a 16-month high and the Malaysian ringgit rising 0.4%.

The rupee declined this week after failing to hold above its key resistance level of 83.50.

Traders pointed to strong dollar demand from local importers, paring of speculative longs, and likely absorption of dollar inflows by the Reserve Bank of India as factors that have kept a lid on the currency's gains. The rupee was has been unable to benefit much from a strong pickup in inflows, lower crude oil prices and a rally in most of its regional peers this month.

RUPEE EXPECTED TO REMAIN ROBUST AMID IMF INFLOWS

September 29, 2024

KARACHI – The Pakistani rupee is anticipated to sustain its recent gains against the US dollar in the upcoming week, buoyed by positive sentiment surrounding the economy after Pakistan received over $1 billion from the International Monetary Fund (IMF) as part of a larger $7 billion loan package, dealers and analysts reported.

The local currency witnessed a marginal but notable uptick against the dollar in the interbank market this week. Starting at 277.86 per dollar on Monday, the rupee strengthened slightly to close at 277.63 on Friday, reflecting growing confidence in the market following the IMF's endorsement of Pakistan's economic measures.

The IMF's executive board approved the $7 billion, 37-month Extended Fund Facility (EFF) earlier this week, providing a crucial lifeline for the nation's ailing economy. The approval triggered the immediate disbursement of $1 billion, which is expected to enhance Pakistan's foreign exchange reserves and stabilize the currency in the near term.

Dealers echoed optimism about the rupee's trajectory, attributing its resilience to the long-term IMF program, which is set to bolster investor confidence and shore up foreign reserves. "The IMF inflow will act as a catalyst for further rupee stability. With reserves climbing and foreign debt repayment fears easing, we anticipate the rupee to continue its modest appreciation against the dollar in the forthcoming days," one dealer commented.

The State Bank of Pakistan's foreign exchange reserves have already risen to $9.53 billion as of September 20, further solidifying the local currency's position. The IMF's inflow is expected to sustain this upward momentum, alleviating pressures on Pakistan's external account and mitigating concerns over looming debt repayments.

In its recent statement, the IMF emphasized that the success of the EFF program will require stringent policies and sweeping reforms to address Pakistan's structural challenges. The Fund stressed that these reforms are critical to achieving macroeconomic stability and fostering conditions for sustainable, inclusive growth. "Continued robust support from development and bilateral partners will be essential for Pakistan to achieve the program's objectives," the IMF highlighted.

The economy has shown signs of recovery, with growth rebounding, particularly in the agricultural sector, and inflation significantly easing to single digits. Tight fiscal and monetary policies have contained the current account deficit, while calm foreign exchange market conditions have allowed for a measured rebuilding of reserve buffers, offering further optimism for the rupee's strength in the weeks ahead.

Business & Finance » Industry

'GOVT SHOULD DEVISE STRATEGY TO ACCELERATE INDUSTRIAL PACE'

Press Release Published about an hour ago

FAISALABAD: "The rising cost of doing business over the last several years has stalled fresh investment in the textile industry and hampered export growth & turnover.

The government should devise a comprehensive strategy to counter the issue in order to accelerate the industrial pace and save the livelihood of millions of workers."

This was stated by the newly elected Chairman of the Pakistan Textile Exporters Association Sohail Pasha during the annual general meeting of the Association here on Saturday.

The meeting was presided over by the Chairman PTEA Arif Mahmood Qureshi and participated by a large number of exporter members.

Addressing the members, newly elected Chairman Sohail Pasha said that in prevailing economic conditions, Pakistani exports are under pressure due to the economic and industrial crisis in the country as well as the persistently high cost of production. The heavy burden of taxes and high energy cost is badly affecting the industrial and trade activities and productivity output.

Expressing concern over the continuous downfall in industrial production, he said that the export sector has been experiencing a troubling trend of negative growth right from the beginning of the ongoing fiscal year as the economic slowdown had restricted the growth pace.

Due to the inefficient and unfriendly socio-economic environment, the cost of doing business in Pakistan has escalated enormously. The intermittent rise in energy inputs and raw materials has rendered our exports uncompetitive in the international market.

The government, instead of re-designing the export policies for reversal of further catastrophe, is taking counterproductive measures.

Referring to the recent tax changes under the Finance Act 2024, he said that the additional disadvantage compared to regional competitors is stifling the growth and expansion of export-oriented industry in Pakistan, prompting businesses to seek growth opportunities outside the country.

Export opportunities arising from a business shift from Bangladesh will be captured by other regional players. He emphasized the unity of the textile sector to force the government to focus on consolidation and strengthening of the economy and uplifting the industrial productivity in the country.

He appreciated the successful efforts of the outgoing team in resolving the issues confronting exports. He assured that PTEA will continue the efforts for the viability of textiles in the international market.

Earlier the outgoing Chairman PTEA Arif Mahmood Qureshi, presenting his annual report said that despite the turbulent economic environment, the Association continued its efforts to put the business on the path of economic diversification and growth by enhancing its value proposition. This year, we envisioned the idea of striving towards pro-business reforms to ensure a favorable environment that is conducive to growth, boost productivity, and enhance competitiveness with regional rivals in international markets.

To achieve the same, we worked closely with the Government quarters and all relevant flora to build mutual grounds for the betterment of the textile industry in general and textile exporters in particular.

UG PATRON-IN-CHIEF ADVOCATES REDUCTION IN ELECTRICITY TARIFFS

Recorder Report Published September 29, 2024

KARACHI: SM Tanveer, Patron-in-Chief of the United Business Group (UBG), emphasized that to save the country, electricity prices must be lowered.

He stated that the capacity charges amount to Rs. 9, and last year's average fuel cost was Rs. 9.50. Combining all costs, the per-unit electricity price comes to Rs. 25, so the government should not set the price higher than this.

Speaking to the media at a luncheon in Karachi, S.M. Tanveer said the business community is confident that electricity prices will decrease within a month as the task force is working on it. He expressed hope that electricity rates will be reduced in October, as saving the country is vital.

Present at the event were UBG President Zubair Tufail, Chairman Sindh Zone Khalid Tawab, Secretary-General Hanif Gohar, FPCCI Senior Vice President Saqib Fayyaz Magoon, Vice President Zaki Ijaz, Mian Zahid Hussain, and Ahmad Chinoy.

Responding to a question from the media, S.M. Tanveer remarked that the approval of the IMF loan is an important achievement, but there is also a need for a significant reduction in government expenditures.

He said that the loan obtained from the IMF has to be repaid by running businesses, and the practice of borrowing for interest payments can no longer continue.

He also stated that CPI inflation in September will be at 7.5%, and interest rates should be brought down to single digits accordingly. Additionally, he noted that dollarized inflation is now zero; the dollar was at Rs. 280 in September last year and remains Rs. 280 this September.

Regarding exports, SM Tanveer emphasized that export-oriented industries are zero-rated, and the government will need to reinstate this zero-rating facility.

The sale of loss-making institutions is part of IMF conditions. It's not just PIA and the steel mills, but 80 identified loss-making entities that need to go through privatization to save the national treasury.

RCCI APPEALS TO FBR FOR ONE-MONTH EXTENSION IN TAX RETURN FILING DEADLINE

September 29, 2024

Islamabad, September 29, 2024 – The Rawalpindi Chamber of Commerce and Industry (RCCI) has called on the Federal Board of Revenue (FBR) to extend the deadline for filing tax returns by one month, citing several logistical challenges and technical issues that have hindered taxpayers from completing their submissions on time.

In an official statement released on Sunday, RCCI President Saqib Rafiq highlighted significant concerns regarding the functionality of FBR's online system, Iris, which has been plagued by slow processing speeds and technical glitches due to an overwhelming number of filings. He emphasized that these issues have created severe obstacles for businesses and individuals attempting to meet the current filing deadline.

"The FBR's system has been running sluggishly, particularly over the last few weeks, with complaints pouring in from traders and members alike," said Rafiq. "Many have expressed frustration over the system's inability to handle the heavy traffic during peak filing times, causing significant delays in submitting tax returns."

The RCCI President also pointed out that the recent closure of banks and other related financial institutions on weekends, coupled with Friday's political unrest in Rawalpindi, has further exacerbated the difficulties faced by taxpayers. "The closure of banks on Saturdays and Sundays limits access to essential documentation and services, putting taxpayers at a disadvantage," he remarked. "Moreover, the political demonstrations in Rawalpindi on Friday have disrupted business activities, making it even more challenging for individuals to collect the necessary documents for tax filing."

Given these multifaceted challenges, Rafiq urged the FBR to grant a one-month extension for tax return submissions to provide relief to the affected taxpayers. He stressed that such an extension would ensure compliance while preventing unnecessary penalties and undue stress on businesses already grappling with economic pressures.

"Taxpayers deserve adequate time to ensure that their filings are accurate and complete. An extension would provide much-needed breathing space and help avoid a situation where they are forced to make errors or omissions due to system constraints," he added.

As the deadline approaches, RCCI's call for an extension has garnered widespread support from various business groups and industry leaders, who share similar concerns about the technical challenges and practical difficulties that have arisen during this filing season. The business community now awaits a response from the FBR, hoping for a decision that facilitates smoother compliance and avoids further complications.

Business & Finance » Companies

CHEEZIOUS OPENS 'LARGEST PIZZA DINE' IN LAHORE

Recorder Report Published about an hour ago

LAHORE: Cheezious, a proud Pakistani fast-food brand, opened Pakistan's largest pizza dine in Lahore spanning over 43,560 square feet.

The restaurant offers a chic yet family-friendly environment with a seating capacity of over 700+ guests, making it the ultimate destination for gatherings, celebrations, and casual dining.

The opening of this state-of-the-art signature outlet represents Cheezious' biggest milestone to date, solidifying its position as a leader in the country's culinary landscape.

This flagship diner is a testament to Cheezious' continued investment in Pakistan, reflecting its commitment to bringing world-class dining experiences to local communities.

To mark this special occasion, Zohaib Hassan, Head of Marketing, stated, "We're thrilled to introduce a groundbreaking experience to the vibrant city of Lahore.

Opening Pakistan's largest pizza diner here is a milestone we're deeply excited about." He further added, "It's a symbol of our dedication to pushing culinary boundaries and offering our customers a perfect blend of quality, innovation, and unforgettable flavors."

TESTING THE WATERS?: XIAOMI ELECTRIC CARS SEEN AT KARACHI PORT

Bilal Hussain Published September 28, 2024

Xiaomi electric cars – SU7 Max – have been spotted at Karachi port amid reports that Air Link, which manufacturers Xiaomi cell phones in Pakistan, will be launching electric cars in the Pakistani market in partnership with the Chinese giant.

Air Link did not respond to a request by BUSINESS RECORDER to confirm the development.

It was also not clear how many units were imported, and whether this was a precursor to a wider plan to assemble the vehicle in Pakistan.

Back in China, where the sector has grown rapidly, Xiaomi launched its first electric vehicle in Beijing in March this year.

Xiaomi is known for its affordable smartphones and home appliances, and its CEO Lei Jun, according to an AFP report in March, said that he is putting his "reputation on the line" with the SU7 EV, challenging Chinese car giant BYD and Elon Musk's Tesla.

The AFP report, quoting Lei, had also added that a basic SU7 model will cost 215,900 yuan (US$30,917 or around PKR8.55 million).

After electric two- and three-wheelers, Pakistan is now seeing the influx of electric cars.

Master Motors introduced its high-end Changan's Deepal EVs while DFML began assembling relatively affordable EVs – Honri 2.0 and 3.0. Chinese automotive giant BYD has also made its official entry into the Pakistani market.

Air Link Communication CEO Muzzaffar Hayat Piracha in April highlighted the company's vision for technology transfer and its role in positioning Pakistan as a global technological hub in a meeting with Minister of State for IT and Telecommunication, Shaza Fatima Khawaja, at the company's smartphone manufacturing facility.

He was quoted as saying that his company aspires to expand into EVs and advance the landscape of Internet of Things (IoT) products in Pakistan.

"We envision a future where our technological innovations not only meet domestic demand but also drive significant foreign exchange through exports," he was quoted as saying in a report.

Recently, GNEXT Technologies, Apple's authorised distributor for Pakistan, tapped Air Link Communication Limited as its premium partner in the country.

Similarly, Air Link Communication has also partnered with Xiaomi to produce smart TVs at its manufacturing facility in Lahore.

Air Link's share price settled at Rs126.32 on Friday after a fall of Rs3.23 or 2.49% during trading.

TATA IPHONE COMPONENT PLANT DISRUPTED BY FIRE, 10 GIVEN MEDICAL AID

Reuters Published September 28, 2024

HOSUR: At least 10 people received medical treatment, with two hospitalised, after a major fire on Saturday disrupted production at a key Tata Electronics plant in southern India which makes Apple iPhone components.

The incident is the latest to affect Apple's iPhone supply chain just as the company is looking to diversify beyond China and sees India as a key growth market. It is also the latest in a string of incidents to affect Apple suppliers in India over the last few years.

The fire occurred at the plant in the city of Hosur in Tamil Nadu state which makes some iPhone components. It broke out near another building inside the Tata complex which will in coming months turn out complete iPhones.

"The fire has been extinguished but there's still a lot of smoke," the district's top administrative official K.M. Sarayu said.

While the fire was contained to one building, she said, "we can't ascertain the extent of the damage till the temperature comes down and the fumes stop", allowing further investigations.

Apple's India iPhone output hits $14bn, Bloomberg News reports

Savitri, an eyewitness who lives near the plant and only gave her first name, said she heard "loud sounds around 5.30 a.m. (midnight GMT) that sounded like crackers going off. After that we just saw plumes of smoke from the building, and there was thick smoke till at least 10 in the morning."

Emergency protocols

Tata Electronics is one of the major contract makers of iPhones in India, along with Foxconn. The company said it was investigating the cause of the fire and would take the necessary steps to safeguard employees and other stakeholders.

"Our emergency protocols at the plant ensured that all employees are safe," a Tata Electronics spokesperson said.

J. Saravanan, a senior district official charged with handling industrial safety, said it was not yet possible to say when production at the facility will resume, as "we will need to go in to understand more, depending on the damage."

He said the injuries were all related to smoke inhalation but give no further detail.

Production was halted and employees sent home for the day following the fire, a person with direct knowledge of the incident said earlier, describing the blaze as chemical-related.

A second industry source said it was not yet clear if a neighbouring building where smartphone manufacturing was due to start by year-end had also been affected.

With the facility inaccessible at the moment, the source said, an assessment of damage from the fire will have to be done later.

Apple made no immediate comment on the incident.

The fire began in an area used to store chemicals, a fire official said on condition of anonymity as he was not authorized to speak to the media.

Last year, Apple supplier Foxlink halted production at its assembly facility in the southern Indian state of Andhra Pradesh after a massive fire led part of the building to collapse.

Economic distress

SENIOR ECONOMIST SAYS A 'MAXI BUDGET' WILL BE UNAVOIDABLE

Tahir Amin Published about an hour ago

ISLAMABAD: With conventional foreign financing lines largely dry off and expecting a massive shortfall in revenue, no a mini budget but a 'maxi budget' would be unavoidable for the government, besides facing tough quarterly review of the International Monetary Fund (IMF) under the new loan programme.

This was stated by Dr Hafeez Pasha, former finance minister, while speaking at "PAISA BOLTA HAI" with Anjum Ibrahim.

Dr Pasha said that trade deficit and current account deficit improved during the first two months of current fiscal year. However, the improvement was not due to increase in exports or decrease in imports but due to massive increase of 40 per cent in remittances.

No new taxation measures or mini-budget under study: FBR

He said that due to stabilisation of rupee, hundi/ hawala was controlled and it produced good results in terms of increasing remittances.

However, Dr Pasha warned that second part of balance of payment; i.e., financial account is not in a good position. He said that net external inflow in financial account decreased by $3 billion during the first two months of current fiscal year compared to the same period of last fiscal and inflow remained around $200 million; resultantly, financial account weakened.

To a question, he said that in the past, the country received disbursement from multilateral bilateral sources and it met requirements, but now bilateral loans is nominal as China has also stopped lending new loans to Pakistan.

He further said commercials banks were the traditional sources for borrowing; however, interest rate has gone to double digits of up to 13 per cent. Despite the fact that Moody and Fitch upgraded Pakistan and globally interest rate came down, but Pakistan is getting expensive loans, which shows the country's vulnerability.

Dr Pasha said the most dangerous is budgetary position due to shortfall in Federal Board of Revenue (FBR)'s revenue, of around Rs250 billion. Growth in revenue is 20 per cent during the first two months of the current fiscal year which should have been 40 per cent to reach the target.

Further, the money which was due to come from the State Bank of Pakistan (SBP) through profit remained half; i.e., short by Rs1,250 billion, said Dr Pasha, adding that the provincial governments which had committed to generate surplus of Rs1,250 billion is hardly to reach Rs700 billion.

Financial position domestically is very weak and quarterly review with the IMF would be very dangerous with respect to tough conditions, said former finance minister, adding that in next few days and weeks, government would require to produce a 'maxi' and not a mini budget.

He said the government has revenue target of Rs12.970 trillion compared to Rs9.3 trillion achieved last year. With a 20 per cent growth in revenue would hardly reach Rs11.300 trillion and likely to face massive shortfall of Rs1700 billion at a time when shortfall is also coming in other revenue sources.

In response to another question, Dr Pasha said GDP growth last year was on account of production of different crops, which witnessed around 16 per cent growth after floods. In the current year, cotton, as well as, wheat production target will be missed and the 3.5 per cent growth target would be hardly achieved, said Dr Pasha, adding that manufacturing output increased by around 2.5 per cent in July 2024 compared to the same period of last year but declined when compared to June 2024. The growth rate would further decline when the government imposes more taxes, he added.

He said inflation has come down, but there is still manipulation. Currently, inflation is in the range of 12.5–13 per cent and is understated by around four per cent as house rent, impact of energy prices and other things are understated.

He expected rise in inflation, after the implementation of the market determined exchange rate policy as agreed with the IMF as it would result in depreciation of rupee compared to dollar. The IMF has given the assessment in staff-level agreement in July that rupee would go to Rs320, said Dr Pasha, adding that rupee is currently being controlled skilfully by restricting imports through delaying opening of LCs and restricting imports of non-essential items.

He said that exporters are hit hard by massively increasing electricity and other energy prices, withdrawing subsidies, high interest, high taxes, and not giving the benefit of exchange rate to them and exports are expected to further hit negatively in the coming days.

The nominal increase in exports during the first two months of current fiscal year was mainly due to increase in rice exports, he added.

He said every year development budget is cut and this time around is likely be cut by around Rs700 billion. The cut in interest rate would result in decreasing debt services expenditure by up to Rs400 billion but due to massive shortfall in revenue, budget deficit is expected to reach 7.5- 8 per cent and the IMF would come very hard, he added. Replying to another question, Dr Pasha said the system is being run on ad-hoc basis and lack comprehensive and a well-thought-out plan.

The lifeline is to increase exports and revenue and reduce expenditure both civilian and military. Military expenditure including pensions and civil armed forces has reached around Rs2,700 billion which needs to be reduced. Further, the 20–25 per cent increase in salary for government officials/ officers was inappropriate.

Referring to the Punjab government’s decision of giving subsides of Rs45 billion on electricity, he termed it inappropriate on part of the provincial government. Pakistan has centralised system at level of the Nepra; therefore, it is inappropriate for a province to take a decision on price.

He said unemployment ratio has touched 11 per cent; i.e., eight million people are unemployed in the country; poverty rate has surged to 43 per cent while saving rate turned negative.

He said that the current finance minister is a person of integrity and a banker but does not appear to be very familiar and comfortable with the government’s financial issues including taxation and other policy issues due to lack of experience and background.

MINISTER STRESSES URGENCY OF REFORM TO RESHAPE 'DNA'

Tahir Amin Published about an hour ago

ISLAMABAD: Finance Minister Mohammad Aurangzeb on Sunday underscored the urgency of implementing structural reforms to reshape the country's economic "DNA," aiming to ensure that Pakistan will not require further assistance from the International Monetary Fund (IMF).

Speaking at a press conference, Aurangzeb acknowledged that these reforms may lead to short-term difficulties, but emphasised that they are crucial for achieving long-term sustainable growth.

Finance Minister also announced that in collaboration with provincial administrations, the government will soon sign a 'National Fiscal Pact', aimed at bringing uniformity to provincial taxes and boosting revenue collection.

IMF urges Pakistan to 'move away' from state-led growth model, calls for structural reforms

The agreement is set to formalise a unified approach between the federal government and all four provinces, with a focus on imposing taxes on agriculture and ensuring growth in provincial revenues, Aurangzeb added.

In a press conference held here, accompanied by Federal Board of Revenue (FBR) Chairman Rashid Langrial, Aurangzeb expressed his gratitude to the provincial chief ministers for their cooperation. "We have signed a staff-level agreement with the International Monetary Fund (IMF), and the provinces have agreed to impose taxes on the agriculture sector," he stated. The plan also includes reducing federal and provincial expenditures and enhancing transparency in governance.

He revealed that a committee has been working on "right-sizing" the federal government to reduce public expenditures. "Decisions have been made about six ministries, including the dissolution of the Ministry of Capital Administration and Development (CAD), while two other ministries will be merged," he explained. Additionally, the government is reviewing the structure of various ministries and subsidiaries, with plans for their reorganization already underway.

Aurangzeb added that 60 percent of vacant government positions totalling 150,000, have already been eliminated as part of an expenditure reduction strategy, which is expected to result in significant savings. "These are not just announcements; we are taking practical steps toward implementation," he said, noting that five more ministries will undergo final restructuring this fiscal year, in accordance with the 18th Constitutional Amendment.

In a major step toward enhancing tax collection efficiency, the finance minister announced that the FBR will hire 2,000 chartered accountants to improve auditing capabilities. “We are taking steps to curb under-filing, which hides nearly Rs1.3 trillion in taxes,” Aurangzeb emphasised.

He further noted that tax collectors will be offered incentives to increase revenue collection.

Aurangzeb acknowledged the challenges posed by under-filing and tax evasion, stating that the government is focused on transparency and swift correction of errors. He also announced that non-filers will face stricter penalties, including being barred from purchasing vehicles and property or opening current bank accounts.

Addressing Pakistan’s economic outlook, Aurangzeb noted that the macroeconomic stability achieved through the recently concluded nine-month Stand-By Agreement (SBA) with the IMF.

The last week, the IMF board approved 37-month $7 billion Extended Fund Facility (EFF) for Pakistan and the first tranche of funds has already been received,” he confirmed.

He emphasized on the structural reforms and macroeconomic stability, which he said are crucial for sustainable economic progress.

“Inflation, which once stood at 38 percent, has now declined to single-digit, and the policy rate has been lowered due to falling inflation rates,” he stated.

Aurangzeb also highlighted improvements in Pakistan’s foreign exchange reserves and exports, noting that there has been a 29 percent year-on-year increase in IT exports. “The economy is on the right track, and we are witnessing positive trends in key economic indicators,” he asserted.

The finance minister reiterated the government’s commitment to reforming state-owned enterprises (SOEs) and ministries to ensure they function effectively for the public. “We are working to improve performance and transparency, and any ministry or institution that remains will be restructured for optimal efficiency,” he said. As part of this effort, the government is also addressing pension reforms, which will require amendments to the Civil Servants Act to provide legal backing for future pension plans.

Aurangzeb discussed the ongoing efforts to combat smuggling, which has a Rs750billion impact on tax revenue. The government is establishing digital checkpoints at major border crossings to curb illicit trade.

Additionally, he stressed the need to increase the tax base by bringing more manufacturers and wholesalers into the sales tax net. “Only 14 percent of manufacturers and 25 percent of wholesalers are currently registered for sales tax, which is unacceptable,” he said.

He warned that non-compliant businesses would face strict measures, including the seizure of property, disconnection of utilities, and the blocking of mobile services. “We are using technology to minimize direct contact between businesses and tax authorities, ensuring greater transparency,” he explained.

Aurangzeb also outlined the government's long-term goals of joining the Group of 20 (G20) by increasing the level of documented economic activity. "The cash market in Pakistan is worth Rs 9 trillion, but only Rs 325 billion is documented," he said, stressing the need for reforms that will increase transparency and boost tax-to-GDP ratios.

He said that 723,000 new taxpayers have registered so far this year, bringing the total number of taxpayers to 3.2 million, up from 1.6 million last year. He also highlighted that non-filers will no longer be allowed to purchase property or vehicles, a significant step in the government's push to increase tax compliance.

He acknowledged that while these reforms may cause short-term discomfort, they are vital for Pakistan's long-term economic sustainability.

He pointed to two key challenges facing the country: an unsustainable population growth rate of 2.5% and the growing threat of climate change. He stressed the importance of addressing these issues in conjunction with economic restructuring, with the goal of making this the last IMF loan program Pakistan will need.

"Bringing structural reforms is not just an IMF requirement, but Pakistan needs them," Aurangzeb said. He added that macroeconomic stability achieved during the first quarter of the current fiscal year provides a foundation for inclusive and sustainable growth, but it must be maintained to ensure long-term success.

He further emphasised the government's commitment to consulting local think tanks while considering foreign advice for its home-grown economic reform agenda. "The measures we have taken are already showing positive results as indicated by economic indicators," Aurangzeb said, noting that these improvements are visible through practical outcomes.

Addressing tax reforms, the minister revealed that the government plans to implement a new interface to monitor taxpayer activity and prevent harassment by auditors. He acknowledged the need to fix loopholes in the tax collection system, stressing the importance of controlling under-filing in a "structured and professional manner." Independent auditors will be involved in the process to ensure fairness and transparency.

Aurangzeb also touched on the concerns of international investors regarding stalled dividends and profits in Pakistan. "This is a frequent topic in our meetings with international stakeholders," he said. "We must resolve this issue to maintain investor confidence."

In closing remarks, the finance minister encouraged the industry to focus on the Karachi Interbank Offered Rate (Kibor) rather than the policy rate. He noted that the Kibor is currently in negative territory and expressed optimism that as inflation falls, the policy rate will follow suit. Aurangzeb warned that without reforms, Pakistan will continue to rely on its salaried class and manufacturing sector for taxes, emphasising the urgency of changing the country's economic "DNA" to ensure that this is the last IMF program Pakistan requires.

Replying to a question about additional financing from IMF for mitigating climate change impact, the minister said that the matter was raised earlier, but Pakistan was urged for focusing on one programme at a time.

$7BN IMF LENDING: NO GROUNDS FOR COMPLACENCY

Published September 30, 2024 Updated 5 minutes ago

EDITORIAL: The IMF (International Monetary Fund) Executive Board has approved a 37-month programme amounting to approximately $7 billion for Pakistan under the Extended Fund Facility (EFF) with an immediate release of $1 billion tranche.

The prevailing sentiment is that the Fund has shown leniency towards Pakistan. Not only did it take a sympathetic view of Pakistan's economic plight during the Staff-Level Agreement (SLA) negotiations, it also showed a great deal of empathy so as to enable a cash-strapped country to successfully meet the gross financing requirement for its executive board's approval.

Notably, the programme reviews will take place every six months as opposed to every three months, further indicating some flexibility on the part of the lender of last resort.

It is important to note that Pakistan is perpetually engaged in IMF programmes, with one being followed or replaced by another. No lender including our best friends currently considers the country a solvent nation without the IMF's involvement. Pakistan is effectively using the IMF lending as working capital while meaningful reforms remain elusive. Without these reforms, achieving sustainable economic growth remains a pipedream.

Be that as it may, a potential windfall is on the horizon due to the softening in global commodity prices and a domestic economic slowdown, which are easing inflationary pressures and allowing interest rates to fall sharply without necessitating a currency adjustment. This situation makes the programme's numerical targets relatively easier to achieve. The overall conditions of this programme are not stringent per se. There is not much emphasis on broadening the tax base or enhancing the competitiveness through global integration.

Instead, the focus is on short-term goals such as meeting specific revenue levels, controlling the primary deficit, and achieving State Bank of Pakistan (SBP) reserves targets. However, there is not much clarity on how these targets will be ultimately achieved.

On broadening the tax base, there is a condition to rationalise agriculture taxes by the provinces, but no specific targets have been set. The retail tax target is modest. In other words, the burden will likely continue to fall on the existing tax base as evidenced by this year's budget. In terms of competitiveness, while there are some steps to lower tariffs, they are woefully insufficient to drive significant global integration.

It is also important to note that some initial efforts to broaden the tax base have been made, but they remain inadequate. The current situation can be described as ‘business as usual.’ Structural reforms, particularly in public finance, are urgently required.

The government’s continued struggle in securing financial support underscores that even with an IMF programme, international investors and the global community remain unconvinced that substantial reforms are underway. Without a comprehensive overhaul of the public finance system, Pakistan is likely to face identical fiscal challenges when the current programme ends, leaving no room for sustainable growth.

For growth to occur without worsening the current account, fiscal space must be created—something that can only be achieved through fundamental reforms in public finance. The focus must be on structural changes and moving forward. Three core areas must be addressed:

There needs to be a clear, persuasive plan to expand the tax base. This is crucial not only for fiscal stability but also for creating a fairer economic environment for capital and labour allocation. A key step is to abandon the ineffective approach towards non-filers. While digitalization is a critical component, it will only succeed if it leads to genuine transformation and is rigorously enforced, supported by a strong legal framework.

A comprehensive strategy is needed to restructure government spending, shifting from recurrent expenditures to public investment.

The current budget does little to enhance spending efficiency. Without structural changes to recurrent spending, increasing public investment is not feasible as it risks triggering another balance of payments crisis. Simply increasing debt is not a solution; cutting unnecessary spending that would significantly reduce current expenditure must be a central priority.

The bias against industry in general and exports in particular along with absence of market-friendly policies in public finance must also be addressed.

Implementing these changes will require significant political will, followed by meticulous planning. Serious efforts must be made to ensure rapid and effective enforcement. A fiscal agreement with the provinces will be essential, but it must be grounded in principles that reflect structural reforms in their operations and revenue collection.

Here the Centre or Federation must not lose sight of the fact that the provinces are not delegates of the Federation, but they are fiscally and financially autonomous within their own spheres as allotted by the Constitution particularly since the passage of the 18th Constitutional Amendment.

The Federation and the provinces are also equally subjected to the limitations imposed by the Constitution. Last but not least, the current developments in relation to country’s economy are better or positive, but there are no grounds for complacency.

Fuel and Energy

OIL AND GAS COMPANIES EXPENDITURES: NA PANEL SEEKS DETAILS

Recorder Report Published September 29, 2024

ISLAMABAD: Pakistan People's Party (PPP) MNAs in a NA panel have sought details of expenditure incurred by private sector oil and gas companies under heads of production bonus, training of workforce and corporate social responsibility (CRS).

It was first time that a parliamentary committee most of the members belong to PPP sought details of expenditure from private sector oil and gas companies for uplift and welfare of communities living near exploration sites.

Earlier, the parliamentarians sought details from public sector companies – Oil and Gas Development Company (OGDCL), Pakistan Petroleum Limited of their CRS spending; however, later they enhance the scope by including private sector companies.

In National Assembly's Standing Committee on Petroleum meeting held on Thursday, member committee Naveed Qamar sought the details from the Petroleum Division.

US NATGAS PRICES JUMP

Reuters Published September 29, 2024

NEW YORK: US natural gas futures jumped about 5% to a 14-week high on Friday as Hurricane Helene battered the US Southeast after causing Gulf of Mexico producers to cut output and knocking out power to millions of customers in Florida, Georgia and the Carolinas.

Energy traders also noted that prices were supported as the amount of gas flowing to Venture Global's Plaquemines LNG export plant in Louisiana was on track to match a high of around 35 million cubic feet per day that it hit in mid-August. That is still a very small amount of gas. The first phase of the Plaquemines project will have the capacity to turn about 1.8 billion cubic feet per day of gas into LNG.

Analysts have said the plant could start producing LNG in test mode over the next month or so. Officials at Venture Global were not immediately available for comment.

On its first day as the front-month, gas futures for November delivery on the New York Mercantile Exchange rose 12.9 cents, or 4.7%, from where they traded on Thursday to $2.882 per million British thermal units (mmBtu) at 10:27 a.m. EDT (1427 GMT) on Friday, putting the contract on track for its highest close since June 18.

That, however, was up about 11% from where the less expensive October contract closed when it was still the front-month on Thursday. That expiration-caused price increase pushed the front-month back into technically overbought territory for the third time this week after hitting that level on Monday and Wednesday.

OIL HIGHER BUT FALLS ON WEEK ON FIRMER SUPPLY OUTLOOK

Reuters Published September 29, 2024

HOUSTON: Oil prices settled higher on Friday but fell on the week as investors weighed expectations for higher global supply against fresh stimulus from top crude importer China.

Brent crude futures settled up 38 cents, or 0.53%, at $71.89 per barrel. Front-month US West Texas Intermediate crude futures settled up 51 cents, or 0.75%, at $68.18. On a weekly basis, Brent settled down around 3%, while WTI fell by around 5%. China's central bank on Friday lowered interest rates and injected liquidity into the banking system, aiming to pull economic growth back toward this year's target of roughly 5%. More fiscal measures are expected to be announced before Chinese holidays starting on Oct. 1 after a meeting of the Communist Party's top leaders showed an increased sense of urgency about mounting economic headwinds. "Despite aggressive Chinese stimulus, concerns of oversupply from OPEC's plan to bring production back have pushed prices lower," analysts at Aegis Hedging said in a note on Friday. The Organization of the Petroleum Exporting Countries and its allies, together known as OPEC+, will go ahead with plans to increase production by 180,000 bpd each month starting from December, two OPEC+ sources said.

A Financial Times report on Wednesday said the planned increase is due to Saudi Arabia's decision to abandon a $100 oil price target and gain market share.

Saudi Arabia has repeatedly denied targeting a certain oil price, and sources at the wider group told Reuters that the plans to raise output from December do not represent any major change from existing policy.

And more barrels can be expected to enter the global market, after rival factions staking claims for control of the Central Bank of Libya signed an agreement to end their dispute on Thursday. The row had seen crude exports fall to 400,000 barrels per day (bpd) this month from more than 1 million last.

In the US, some operators have begun to resume operations in the Gulf of Mexico after Hurricane Helene made landfall in Florida on Thursday night, with Chevron on Friday redeploying personnel and restoring production at company-operated platforms. Meanwhile, the destruction of the hurricane, counted as the seventh most powerful to slam into Florida, could weigh on fuel demand in the state, which is the third-largest gasoline consumer in the US.

"The aftermath of the hurricane is bearish really for demand, a large amount of the state got battered enough that demand should take a hit," said John Kilduff, partner at Again Capital in

New York. Meanwhile, US consumer spending edged higher in August in a sign that the world's largest economy carried on momentum in the third quarter, as inflation pressures steady.

"US inflation data opens the door for further Fed rate cuts," UBS analyst Giovanni Staunovo said. The US Federal Reserve cut interest rates by half of a percentage point last week, kicking off what was expected to be a steady easing of monetary policy. Putting a floor on prices, Lebanon's caretaker Prime Minister Najib Mikati said Israel's attacks on Beirut's southern suburbs on Friday show it "does not care" about efforts to bring about a ceasefire.

TODAY PETROLEUM PRICES IN PAKISTAN – SEPTEMBER 30, 2024

September 30, 2024

Karachi, September 30, 2024 – As of today, the petroleum prices in Pakistan remain as follows: Petrol at Rs 249.10 per liter, High-Speed Diesel (HSD) at Rs 249.69 per liter, Kerosene at Rs 158.47 per liter, and Light Diesel Oil (LDO) at Rs 141.93 per liter.

These prices will be effective until midnight, as the government is set to announce a new revision in petroleum rates for the first half of October 2024.

The most recent adjustment to petroleum prices occurred on August 31, 2024, resulting in a significant reduction that became effective on September 16, 2024. As international oil prices have continued to decline, another reduction in prices is anticipated from October 1, 2024. However, it is expected that petrol prices will remain unchanged due to certain domestic factors, including existing petroleum levies and general sales tax (GST) imposed on fuel.

According to government sources, the petrol price is likely to stay at Rs 249.10 per liter, providing no immediate relief for motorists despite global trends. The government's decision to maintain the price is influenced by the high rates of petroleum levy and GST, which leave little room for adjustment in petrol prices. Therefore, consumers should not expect any reductions at the petrol pump for the time being.

While petrol prices may remain steady, there is a strong possibility of price cuts in other petroleum products. High-Speed Diesel (HSD), which plays a crucial role in transportation and agricultural sectors, is expected to decrease by Rs 2.11 per liter. This would lower the price of HSD from Rs 249.69 to Rs 247.58 per liter, providing some relief to those who rely heavily on diesel for their vehicles and machinery.

Similarly, Kerosene oil, which is widely used for household lighting and heating, especially in rural areas, could see a reduction of Rs 3.23 per liter. This would bring its price down from Rs 158.47 to Rs 155.24 per liter. Light Diesel Oil (LDO), primarily used in industrial settings, is also expected to experience a minor decrease, with prices forecasted to drop from Rs 141.93 to Rs 141.04 per liter.

As the government prepares to announce its revised petroleum prices, consumers across Pakistan will be watching closely to see how these changes will affect their daily costs.

Markets – Rates

STOCKS END IN THE RED

Recorder Review Published about an hour ago

KARACHI: Pakistan Stock Exchange remained under pressure and closed in red zone during the outgoing week ended on September 27, 2024 as the investors opted to offload their holdings on available margins.

The benchmark KSE-100 index plunged by 782.32 points on week-on-week basis and closed at 81,292.13 points.

Trading activities remained low as average daily volumes on ready counter decreased by 16.7 percent to 391.07 million shares during this week as compared to previous week's average of 469.45 million shares while average daily traded value on the ready counter declined by 8.0 percent to Rs 16.94 billion during this week against previous week's Rs 18.40 billion.

BRIndex100 decreased by 74.16 points during this week to close at 8,541.16 points with average daily turnover of 307.116 million shares.

BRIndex30 declined by 1,215.58 points on week-on-week basis to close at 25,684.29 points with average daily trading volumes of 189.903 million shares.

The foreign investors remained on the selling side and withdrew $12.443 million from local equity market during this week. Total market capitalization declined by Rs 70 billion during this week to stand at Rs 10.653 trillion.

An analyst at AKD Securities said that the market remained volatile throughout the week, with the benchmark KSE-100 index losing 782points or 0.95 percent WoW, closing at 81,292points on Friday.

Though, anticipation of the IMF's board approval scheduled for Sep 25th, briefly lifted investor sentiment on Wednesday. However, the positive sentiment was overshadowed by continuation of foreign selling after rebalancing of FTSE Russell, political noise, and concerns regarding the potential termination of certain IPPs contracts, inducing selling pressure in power sector heavyweights. Consequently, Power Gen & Distribution Sector contributed the significant decline, eroding 800points from the index during the week.

Sector-wise, transport, fertilizer, inv. banks/ inv. cos/ securities cos., leather & tanneries and pharmaceuticals were amongst the top performers, up 7.3 percent/4.2 percent/4.8 percent/2.9 percent/2.0 percent WoW. On the other hand, Power generation & distribution, leasing companies, textile spinning, engineering & jute were amongst the worst performers with a decline of 11.4 percent/6.7 percent/5.1 percent/4.6 percent/4.0 percent WoW.

Flow wise, major net selling was recorded by Foreigners with a net sell of $12.44 million. On the other hand, mutual funds absorbed most of the selling with a net buy of $16.21 million.

Company-wise, top performers during the week were FFC (up 10.2 percent), GLAXO (up 10.1 percent), AKBL (up 9.7 percent), FFBL (up 9.2 percent) and THALL (up 6.3 percent), while top laggards were HUBC (down 13.5 percent), PGLC (down 12.2 percent), SML (down 9.7 percent), MARI (down 9.4 percent) and KEL (down 8.3 percent).

An analyst at JS Global Capital said that after reaching an all-time intraday high of 82,906, the KSE-100 lost momentum, ending the week with a WoW decline of 782 points.

FTSE outflows continued during the week with foreign selling during the week coming in at $12.5million.

This week marked a significant milestone as Pakistan's $7.0 billion extended fund facility was approved by the IMF executive board.

Prime Minister Shehbaz Sharif met with IMF managing director (MD) where she commended the reforms undertaken by the government. On the back of the IMF news, Pakistan received significant financing assurances from China, Saudi Arabia and the UAE that go beyond the required $12billion rollovers in FY25. Additionally ADB also stated that the IMF-backed reform agenda will accelerate Pakistan's economic growth to 2.8 percent in FY25.

FUTURES SPREAD DOWN 1,965BPS

Trading...

Recorder Review Published about an hour ago

KARACHI: The futures spread declined by 1,965bps to 7.49 percent on the last day of the outgoing week. Trading activities on the futures counter improved significantly as average daily volumes increased by 219.2 percent to 330.03 million shares during this week as compared to previous week's average of 103.38 million shares.

Average daily traded value on the futures counter increased by 201.2 percent to Rs 13.22 billion during this week against previous week's Rs 4.39 billion.

FURTHER IMPROVEMENT

Recorder Review Published about an hour ago

KARACHI: The rupee made further improvement during the previous week as it gained Re0.20 or 0.07% against the US dollar.

The local unit closed at 277.64, against 278.84 it had closed the week earlier against the greenback, according to the State Bank of Pakistan (SBP).

During the previous week, Pakistan received the first tranche of Special Drawing Rights (SDR) 760 million, equivalent to $1.03 billion, from the International Monetary Fund (IMF).

The development came after the IMF Executive Board approved the 37-month, $7-billion Extended Fund Facility for Pakistan.

Meanwhile, foreign exchange reserves held by the SBP increased by $24 million on a weekly basis, clocking in at $9.53 billion as of September 20. Total liquid foreign reserves held by the country stood at $14.87 billion. Net foreign reserves held by commercial banks stood at $5.34 billion.

The IMF inflow received last week will reflect in the SBP liquid reserves to be released on October 3, 2024.

Open-market rates

In the open market, the PKR gained 1.18 rupee for buying and 55 paise for selling against USD, closing at 278.26 and 280.15, respectively. Against Euro, the PKR gained 67 paise for buying and 76 paise for selling, closing at 308.20 and 311.11, respectively.

Against UAE Dirham, the PKR gained 9 paise for buying and 12 paise for selling, closing at 75.36 and 76.08, respectively. Against Saudi Riyal, the PKR gained 14 paise for buying and 18 paise for selling, closing at 73.61 and 74.28, respectively.

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THE RUPEE

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Weekly inter-bank market rates for dollar

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Bid Close Rs. 277.64

Offer Close Rs. 277.84

Bid Open Rs. 277.84

Offer Open Rs. 278.04

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Weekly open-market rates for dollar

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Bid Close Rs. 278.26

Offer Close Rs. 280.15

Bid Open Rs. 279.44

Offer Open Rs. 280.70

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OPEN MARKET FOREX RATES

Updated at: 30/9/2024 7:14 AM (PST)

Currency	Buying	Selling
Australian Dollar	191.00	193.25
Bahrain Dinar	732.30	740.30
Canadian Dollar	206.60	209.00
China Yuan	39.6	40.00
Danish Krone	41.12	41.52
Euro	308.55	311.30
Hong Kong Dollar	35.7	36.05
Indian Rupee	3.34	3.45
Japanese Yen	1.92	1.98
Kuwaiti Dinar	898.65	908.15
Malaysian Ringgit	63.65	64.25
NewZealand $	172.47	174.47
Norwegians Krone	26.04	26.34
Omani Riyal	716.67	725.17
Qatari Riyal	76.29	76.99
Saudi Riyal	73.75	74.30
Singapore Dollar	216.45	218.45
Swedish Korona	27.20	27.51
Swiss Franc	325.45	328.25
Thai Bhat	8.34	8.49
U.A.E Dirham	75.45	76.10
UK Pound Sterling	369.85	373.35
US Dollar	278.50	280.00

INTER BANK RATES

Updated at: 30/9/2024 7:14 AM (PST)

Currency	**Bank Buying TT Clean**	**Bank Selling TT & OD**
Australian Dollar	191.07	191.42
Canadian Dollar	205.93	206.30
China Yuan	39.68	39.75
Danish Krone	41.60	41.67
Euro	310.17	310.72
Hong Kong Dollar	35.70	35.76
Japanese Yen	1.9112	1.9147
Saudi Riyal	74.04	74.17
Singapore Dollar	216.21	216.60
Swedish Korona	27.42	27.47
Swiss Franc	327.75	328.34
Thai Bhat	8.57	8.59
UK Pound Sterling	371.98	372.65
US Dollar	277.70	278.20

GOLD RATE

Gold Price Today

As on Mon, Sep 30 2024, 02:58 GMT

Metal	Symbol	PKR for 10 Gm	PKR for 1 Tola	PKR for 1 Ounce	
Gold	XAU	237,239	276,422	737,907	
Palladium	XPD	85,758	99,922	266,743	
Platinum	XPT	89,621	104,423	278,759	
Silver	XAG	2,827	3,294	8,792	

Gold Price in Pakistan

As on Mon, Sep 30 2024, 02:58 GMT

Gold Rate	24K Gold	22K Gold	21K Gold	18K Gold
per Tola Gold	Rs. 276400	Rs. 253365	Rs. 241850	Rs. 207300
per 10 Gram	Rs. 237000	Rs. 217248	Rs. 207375	Rs. 177750
per Gram Gold	Rs. 23700	Rs. 21725	Rs. 20738	Rs. 17775
per Ounce	Rs. 671900	Rs. 615904	Rs. 587913	Rs. 503925

Gold Rates in other Major Currencies

Currency	Symbol	10 Gm	1 Tola	1 Ounce	
China Yuan	CNY	5,986	6,975	18,619	
Euro	EUR	765	891	2,378	
Japanese Yen	JPY	121,400	141,450	377,602	
Saudi Riyal	SAR	3,202	3,731	9,959	
U.A.E Dirham	AED	3,136	3,654	9,753	
UK Pound Sterling	GBP	638	744	1,986	
US Dollar	USD	854	995	2,656	