

Five zero-rated sectors threaten to go on strike

The leaders of five value-added sectors — textile, sports, surgical goods, leather and carpet — have threatened to go on strike if the govt. withdraws zero-rated regime on their exports in budget FY20 to be unveiled on 11th Jun'19(Today). They claimed that during negotiations with the govt., it was initially stated that 16-17% sales tax would be imposed on exports to be refunded later. However, the last offer put that figure only at 7.5%. Zubair Motiwala — leader of the forum of five-zero rated sectors — said that currently only 20% of textiles constitute local sales, 1% carpets, 5-7% surgical goods whereas leather goods are all exports. *Dawn*.

Tax exemptions surge 80% to PKR 972.4Bn in FY2019

The govt. has provided massive PKR 972.40Bn in tax exemptions and concessions to various economic sectors during FY19, up by a staggering 80%. Sales tax exemptions cost the govt. PKR 597.7Bn, up 111.6%. Sales tax losses related to zero-rating amounted to PKR 86.7Bn, local supply under 5th schedule cost PKR 53.5Bn, imports under 6th schedule were recorded at PKR 53.7Bn and local supply under 6th schedule cost PKR 247Bn. Duty exemptions given to Chinese imports cost PKR 31.62Bn. Income tax concessions and exemptions cost the govt. PKR 141.60Bn *The News*.

Raw material: govt. likely to do away with 3% duty

The govt. is likely to do away with the 3% duty on raw materials imposed by the last govt. In this regard, an announcement is likely to be made today (11th Jun'19). This has materialized after concerted efforts of PM's Advisor on Commerce, Abdul Razak Dawood, who fought the case of industry with the FBR, Finance Advisor Abdul Hafeez Shaikh and PM Imran Khan. Earlier, the FBR showed willingness to withdraw 3% duty on some categories of raw materials and lower it on some other categories. Dawood also cautioned that if the govt. continues to implement 3% duty on raw materials, he will not be part of that decision. Talks on 5 zero-rated sectors are still ongoing but most probably, these sectors will no longer be allowed to get zero rating. However, there are very bleak chances that the scheme maybe extended for another 3-6 months. *BR*.

The Economic Survey 2018-19

Lack of ownership by the Advisor to the PM on Finance, Dr. Hafeez Sheikh, is aptly evident in the contents of the Economic Survey FY19 as it compares achievements of his govt. with targets set by the previous govt. According to the Economic Survey FY19, the LSM sector registered a 2% decline, Agriculture output of major and some minor crops declined and the services sector registered a growth of 4.7%. General govt. consumption rose to 12.6% of GDP compared to 11.7% in FY18. Domestic savings declined to 4.2% of GDP compared to 5.1% in FY18 and private and public investment declined to 9.8 and 4% of GDP in FY19 as compared to 10.3 and 4.8% in the revised estimates of 2017-18; *BR*.

ECONOMIC SURVEY 2018-19: Manufacturing contracts amid slowing economy

LSM index in FY19 fell to its lowest in the decade as its contribution to the GDP fell to 13% mainly due to a rise in the cost of production amid persistent fall in rupee's value, according to the Economic Survey of Pakistan. The govt. blamed poor agriculture performance, power slippages, global commodity price shocks, and contraction in demand of domestic consumer goods for the dismal outturn in the manufacturing sector. Moreover, sharp cuts to the development spending coupled with the slowdown in the private sector construction and declining consumer spending on durable goods also took their toll on the sector's performance. *Dawn*.

Public debt, twin deficit reach record high

Conceding rising public debt, current account and budget deficits as serious threats exposing Pakistan to default, the govt. has missed all major macroeconomic targets, including GDP growth rate by a big margin during the first year of the current govt. Adviser to PM on Finance Dr. Abdul Hafeez Shaikh has said that country's fiscal position had weakened to such an extent that it needed loans to pay back interest on the already obtained and piled-up loans. *The News*.

'Homegrown' revenue mobilization strategy

The Federal govt. has apparently accepted the target for FBR revenues of PKR 5.55Tn in FY20 as a prior condition to the approval by the IMF of the 39 month Extended Fund Facility of \$ 6Bn to Pakistan. The likely outcome of FBR revenues in FY19 is close to PKR 4Tn, based on the performance in 11MFY19. Therefore, the target of PKR 5.55Tn implies that FBR will have to achieve a growth rate of almost 39% next year. The highest growth rate achieved by the FBR in 17 years was near 21% in FY16. Therefore, the 39% growth in FBR revenues will be completely unprecedented. It will also have to be achieved at a time when the economy is struggling and the GDP growth rate has fallen to 3.3% only. *BR*.

PM threatens legal action against tax evaders

PM Imran Khan has urged Benami assets/account holders to declare their assets and accounts, both domestic and foreign, until 30th Jun'19 otherwise the govt. has sufficient information to go after them. He further stated that Pakistanis pay the least amount of taxes in the world, adding that if the citizens want, the country can gather up to PKR 10Tn in taxes. *BR*.

Sindh in a crunch due to PKR 140Bn less federal transfers: Murad

CM Sindh Murad Ali has said that due to a shortfall of around PKR 140Bn in federal transfers, his govt. is caught in a very complicated situation, making it difficult to provide relief to the poor people of the province. He said that the Sindh's finance department had received a letter, informing them that PKR 35Bn more had been curtailed from the share of the provincial govt. *The News*.

Rupee falls sharply against dollar in interbank on budget eve

After relative calm in the currency market during the last few weeks, the dollar gained PKR 2 against the local currency in the interbank market and closed at PKR 150.30. *Dawn*.

Most of the targets not met: Hafeez

Advisor to the PM on Finance, Dr. Abdul Hafeez Sheikh, has accepted that the govt. has missed almost all the major economic targets for FY19. While launching the Economic Survey FY19, he laid blame on the previous govt.s for the current economic problems. He said that the basic issue of the country - reforms - has been ignored. On the expenditure side, Sheikh said that spending is more than income by PKR 2.3Tn and consequently the govt. had to print currency notes. He said that there is a need to mobilize revenue and undertake aggressive campaign on austerity. GDP growth has been projected at 3.3% for FY19 against the target of 6.2% following poor performance by agriculture, industrial and services sectors. He added that the govt. will protect the vulnerable segment of society by allocating PKR 216Bn in the budget and also protect low-consumers of electricity. *BR*.

Cost of war against terror glossed over

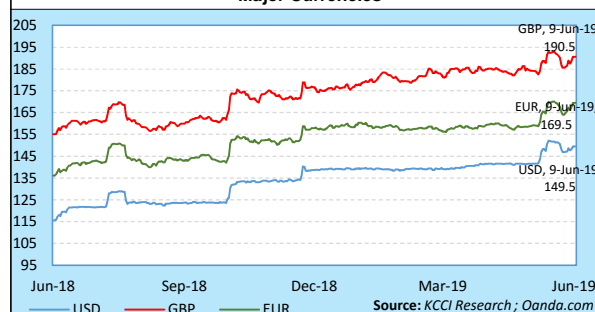
The govt. has omitted the cost of war against terrorism in its flagship official publication and has also shied away from disclosing the current situation of poverty. Dr. Hafeez Shaikh has said that there are no more significant losses because of terrorism in Pakistan. The govt. has disclosed the terms of the Chinese loans that it had dropped from the official publication a few months ago. China Development Bank has provided \$ 2.23Bn worth of commercial loans on six-month floating Shanghai Interbank Bank Offered Rate plus 2.5%, which at the current rate translated into over 5.5%. The Industrial and Commercial Bank of China gave \$ 300Mn on six-month LIBOR plus 2.75%. *BR*.

Economic Indicators

List of Indicators	Date / Period	Unit	Value	Change Daily
USD-Interbank	10-Jun	PKR	150.10	1.01%
USD-Open MKT	10-Jun	PKR	150.00	1.01%
KSE-100 index	10-Jun	Pts.	34,568	-2.64%
FIPI	10-Jun	\$ Mn	4.42	NM**
Crude (AP'19)	10-Jun	\$/bbl	53.35	0.95%
Gold (MA'19)	10-Jun	\$/oz	1,328.7	0.14%
Gold (10g) Local	10-Jun	PKR	62,071	3.72%
Silver (MA'19)	10-Jun	\$/oz	14.68	-0.64%
Cotton(KHI) -40 kg	10-Jun	PKR	9,431	0.00%
Kibor-6M	10-Jun	%	13.03	0.00%
Forex Reserves	31-May FY19	\$ Bn	14.89	-1.32% YoY
Remittances	Jul-Apr 19	\$ Bn	17.88	8.46%
Exports*	Jul-Apr 19	\$ Bn	19.17	-0.11%
Imports*	Jul-Apr 19	\$ Bn	45.47	-7.88%
Trade Balance*	Jul-Apr 19	\$ Bn	-26.30	12.82%
Current Account	Jul-Apr 19	\$ Bn	-11.59	26.97%
Foreign Direct Inv.	Jul-Apr 19	\$ Bn	1.38	-51.70%
LSM Growth*	Jul-Feb 19	%	-1.72	
Avg. CPI	Jul-Apr 19	%	7.00	
Discount Rate	May-19	%	12.25	

Sources: KCCI Research, PMEX, NCCPL, KSE, SBP, PBS*
** Not Meaningful on week;

Major Currencies

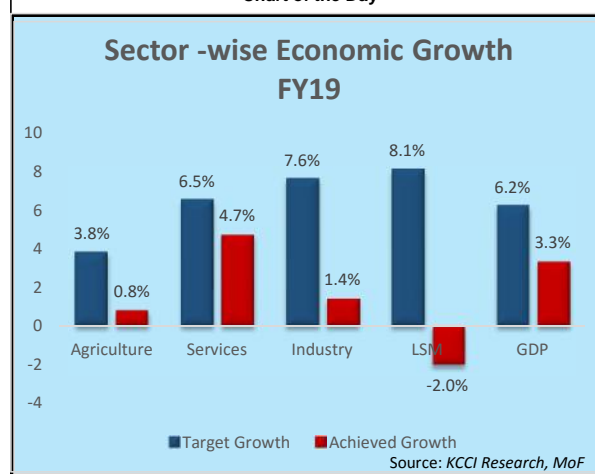


Quote of the Day

"A budget tells us what we can't afford, but it doesn't keep us from buying it."

William Feather

Chart of the Day



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