

### Budget deficit escalates to highest ever in eight years

Details of fiscal operations released by Ministry of Finance divulge that Pakistan's budget deficit has escalated to highest-ever in the last 8 years, rising to 8.9% of GDP in FY19 as opposed to 8.8% of GDP in FY12. This budget deficit is the 2<sup>nd</sup> largest in last 43 years as once it had escalated to 10.3% of GDP in FY76. In absolute terms, the budget deficit climbed to PKR 3.44Tn in FY19, the highest-ever in the history of the country against PKR 2.26Tn or 6.6% of the GDP in FY18. Total revenues stood at PKR 4.9Tn in FY19 against PKR 5.22Tn in FY18, witnessing a decline of PKR 328Bn or 6.27%. Overall tax to GDP ratio flattened out to 12.7% compared to 15.2%. In absolute numbers, the current expenditure amounted to a mammoth PKR 8.35Tn compared to PKR 7.49Tn. Total expenditures stood at PKR 8.35Tn in FY19 against PKR 7.49Tn in FY18. *The News*.

### Anomalies in withholding tax deduction detected

The tax authorities have detected anomalies in the deduction of withholding tax by the withholding agents, which is causing revenue losses to the national exchequer. LTU Karachi has said that withholding agents are not deducting the WHT according to the changes made through Finance Act, 2019. The unit has strictly directed the taxpayers to ensure correct deduction of withholding tax as per the changes. *The News*.

### Banks' investment in govt debt falls near 8% in FY19

Banks' investment in govt. securities fell 7.94% to PKR 6.79Tn at the end of Jun'19 from PKR 7.37Tn in Jun'18. The decline was driven by higher budgetary borrowing by the govt. from the SBP, as it was depending more on external inflows to finance its increasing budget deficit. Banks' share in overall investments in the govt. papers remained at 76.4%. Govt. debt holding in short-term market treasury bills (MTB) fell to PKR 4.48Tn in Jun'19 from PKR 4.79Tn in Jun'18. Their share in MTBs was recorded at 88.3%. *The News*.

### FBR develops new application for effective monitoring of sales tax returns, FED

The FBR has developed a new software to effectively monitor the sales tax returns, besides identifying tax gaps and determining actual Sales Tax and FED liabilities of all taxpayers. The software, called 'Centralized Sales Tax and FED Assessment and Processing (CSTAP)' is aimed at ensuring effective monitoring of sales tax returns and for the purpose of expeditious processing of refund claims. *BR*.

### Withholding tax on yarn rejected

Yarn merchants have rejected 4% WHT imposed on textile value chain. They say that in a meeting with FBR, it was agreed that only 1% WHT would be imposed on yarn. 4% tax will prove disastrous for entire textile value chain since advance income tax could not be collected on total amount of every receipt. *Dawn*.

### Govt clears six development projects worth PKR 218.5Bn

The federal govt. has cleared six more development projects worth PKR 218.5Bn, including two Karachi-based mass transit projects funded by international creditors. The Central Development Working Party (CDWP) took up two mass transit schemes of Karachi – for the second time in the past four months. It recommended the ADB-funded Bus Rapid Transit – Red Line – to Ecneq for approval at a cost of PKR 78.6Bn. However, the World Bank-funded Karachi Urban Mobility project – Yellow Line – was conditionally referred to Ecneq at a cost of PKR 61.5Bn. The CDWP has asked authorities to remove technical objections and present it before the forum in its next meeting. *Tribune*.

### Half of Karachi households have no access to piped water: study

A recent study, conducted by the World Resources Institute, based on data collected from 15 cities in the global South (an emerging term used by the World Bank to refer to countries located in Asia, Africa, Latin America and the Caribbean and considered to have low and middle income) found that on average, almost half of all households lacked access to piped water in Karachi. The water crisis currently affects more than 50Mn people. The study noted that in Karachi, the average availability of piped water supply is 3 days a week for less than 3 hours. The total water requirement for Karachi is around 1,100 MGD but it receives less than 50% of the demand. *Tribune*.

### Sindh govt. to provide incentives to industrialists: minister

Sindh Minister for Industries Jam Dharejo has said that the Sindh govt. will provide incentives to industrialists to establish industries in the province and meetings will be held with chambers of commerce and representatives of the industrialists very soon in this regard. The minister emphasised the need to motivate industrialists for new industries in the province especially agro based, marble, and plastic pipe production industrial units. He directed to cooperate with police to resolve the issue of law and order situation in certain industrial estates. *BR*.

### Number of 3G, 4G users reaches 69.64Mn by end July: PTA

PTA has said that the number of 3G and 4G users in Pakistan reached 69.64Mn by Jul'19 while the number of mobile phone users in Pakistan has reached 161.24Mn. *BR*.

### Auto industry rejects move

Pakistan's auto industry has shown resentment over the liberalization of used vehicles' import, as it will result in closure of the domestic industry. Under the 2016-21 auto policy, import of used cars was discouraged but the FBR has proposed for liberalization of used vehicles. *The News*.

### Dutch firm to invest \$ 1.5Bn in LNG terminal

Dutch company Royal Vopak is going to invest \$ 1.5Bn in a land-based LNG terminal facility in Pakistan. This was stated by the head of a delegation of Royal Vopak, which called on Adviser on Commerce A. Razak Dawood to discuss new opportunities for investment related to the LNG terminal and storage facilities in Pakistan. The company also aims to invest \$ 150Mn in the construction of a polypropylene plant and \$ 800Mn in Parco coastal refinery, which will provide storage facility. The delegation head urged the commerce adviser to permit more investment in Pakistan in order to establish long-term economic ties between Pakistan and the Netherlands. *Tribune*.

### Airspace closure caused PKR 8.5Bn loss to Pakistan

Federal Minister for Aviation, Ghulam Sarwar Khan has said that the Civil Aviation Authority (CAA) has suffered a loss of PKR 8.5Bn because of airspace restrictions put in place following the 26<sup>th</sup> Feb'19 ingress by Indian warplanes into Pakistan territory. The minister said that the airspace closure hit Indian aviation very hard as the loss suffered by it was almost double. *Daily Times*.

### Airspace closure, trade route ban for India under study: Fawad

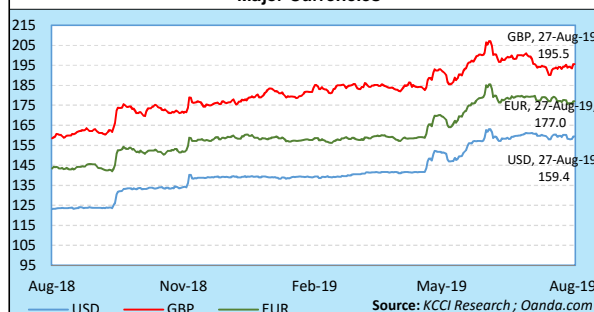
Federal Minister for Science and Technology Fawad Chaudhry has said that the govt. is considering imposition of a blanket ban on the use of Pakistani airspace by flights taking off from India. It also considering banning India from using Pakistan's territory for Indo-Afghan trade. *Dawn*.

### Economic Indicators

List of Indicators	Date / Period	Unit	Value	Change Daily
USD-Interbank	27-Aug	PKR	157.26	-0.06%
USD-Open MKT	27-Aug	PKR	156.90	-0.25%
KSE-100 index	27-Aug	Pts.	30,585	0.21%
FIPI	27-Aug	\$ Mn	-0.10	NM**
Crude (AP'19)	27-Aug	\$/bbl	55.44	3.01%
Gold (MA'19)	27-Aug	\$/oz	1,542.4	0.97%
Gold (10g) Local	27-Aug	PKR	76,390	1.44%
Silver (MA'19)	27-Aug	\$/oz	18.14	3.86%
Cotton(KHI)-40 kg	27-Aug	PKR	8,574	0.00%
Kibor-6M	27-Aug	%	14.09	0.00%
Forex Reserves	17-Aug	\$ Bn	15.60	0.17%
	FY19			YoY
Remittances	Jul-19	\$ Bn	2.04	5.70%
Exports*	Jul-19	\$ Bn	1.88	14.63%
Imports*	Jul-19	\$ Bn	4.15	-15.13%
Trade Balance*	Jul-19	\$ Bn	-2.27	30.15%
Current Account	Jul-19	\$ Bn	-0.58	72.82%
Foreign Direct Inv.	Jul-19	\$ Bn	0.11	-21.64%
LSM Growth*	Jul-Jun 19	%	-3.64	
Avg. CPI	Jul-19	%	10.34	
Discount Rate	Jul-19	%	13.25	

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

### Major Currencies

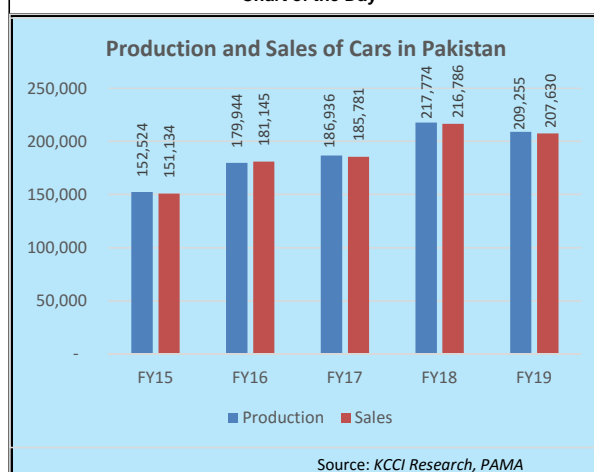


### Quote of the Day

"I think it is possible for ordinary people to choose to be extraordinary."

Elon Musk

### Chart of the Day



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