

#### 10th NFC notified

The Finance Ministry has notified the 10<sup>th</sup> National Finance Commission (NFC) after the approval of the President to discuss and work out a mechanism to distribute resources between the federal govt. and the provinces as well as allocation of resources for AJK, Gilgit-Baltistan and the newly-merged districts of the KP from the Divisible Pool of taxes. The NFC Award has been due from 2015 after the expiry of the 7<sup>th</sup> NFC Award and discussion on previous, 9<sup>th</sup> NFC remained inconclusive owing to differences between the federal and provinces over the distribution of resources. *BR.*

#### Centre, Sindh threaten to reimpose lockdown

The federal cabinet has taken serious note of flagrant violation of the govt's Standard Operating Procedures (SOPs) following reopening of several businesses as Centre and Sindh threaten to reimpose the lockdown if people do not observe social distancing in markets and workplaces. Similarly, Sindh CM Syed Murad Ali Shah has said that people's non-serious attitude has compelled the provincial govt. to reconsider re-imposing lockdown restrictions. *Dawn.*

#### ECC takes up cell phone manufacturing policy today

The country's first mobile device manufacturing policy is all set to be considered by ECC today (13<sup>th</sup> May'20). The major recommendations of the policy include: removal of Regulatory Duty for CKD/SKD manufacturing by PTA for approved manufactures under Input/Output Co-Efficient Organisation (IOCO) approved quota; removal of fixed income tax on CKD/SKD manufacturing of mobile devices up to \$ 350 category; increase in fixed income tax on \$ 351-500 category by PKR 2000 and \$ 500 by PKR 6300 on CKD/SKD manufacturing; and removal of fixed sales tax on CKD/SKD manufacturing of mobile devices. *BR.*

#### ECC may allow recovering PKR 35Bn loss from consumers

ECC is likely to approve the passing of PKR 35Bn loss of SSGC on account of gas theft and leakage to honest consumers that are paying bills regularly. SSGC claims it suffered a loss of PKR 35Bn following LNG swap with domestic gas due to the lack of a dedicated gas pipeline from Karachi to Lahore when Pakistan started importing LNG in 2015. ECC would take up the matter in its meeting today (13<sup>th</sup> May'20). *Tribune.*

#### Suspension of domestic flights extended till May 29

The govt. has decided to further extend the suspension of domestic flight operations till 29<sup>th</sup> May'20 as part of precautionary measures aimed at combating the novel coronavirus. *Dawn.*

#### WB, ADB to provide \$ 4Bn in budget, balance of payment support

The World Bank (WB) and Asian Development Bank (ADB) will jointly provide around \$ 4Bn in budget and balance of payment support to Pakistan over the next 18 months to address the immediate impacts of COVID-19, mitigate socio-economic disruption and support reforms. In addition, both banks will continue to work with the govt. to accelerate or repurpose existing commitments. *The Nation.*

#### Public debt piles up to PKR 34.1Tn till March-end

Public debt rose by PKR 2.3Tn in 9MFY20 as the govt.'s budget financing needs continued to increase with revenue constraints. Public debt stood at PKR 34.1Tn at the end of Mar'20, up 7.4% from PKR 31.7Tn in Jun'19. Domestic debt was PKR 22.4Tn, 8.42% up from PKR 20.73Tn. Foreign debt rose 5.45% to PKR 11.65Tn. The govt. adhered to its commitment of zero borrowing from the central bank and mobilised funds through commercial banks and national savings scheme to finance the budget deficit. Weaker tax revenues and higher interest payments incurred by the govt. amid tight monetary policy also led to surge in domestic debt. *The News.*

#### Zero car sales in April

Overall car production and sales during 10MFY20 plunged 52% year-on-year each to 88,628 and 86,330 units. Meanwhile in Apr'20, some manufacturers posted marginal sales in light commercial vehicles, pickups and jeeps despite nil production. In the two/three-wheeler segment, only Atlas Honda Limited registered sales of 2,783 units even though there was no production. The govt. had suspended production and trading activities under lockdown from the third week of Mar'20 to contain coronavirus. *Dawn.*

#### July-March 2019-2020: LSMI witnesses 5.4% decline

Large Scale Manufacturing Index (LSMI) has witnessed a decline of 5.4% during 9MFY20 against 9MFY19. Similarly, the LSMI on Month-on-Month (MoM) basis also witnessed a reduction of 21.99% in Mar'20 as compared to Feb'20. During 9MFY20, automobile industries growth declined by 36.50%, iron and steel production declined by 7.90%, coke and petroleum products declined by 17.46%, electronics by 13.54%, pharmaceuticals by 5.38%, engineering products by 7.05%, chemicals 2.30%, textile 2.57%, wood products declined by 22.11%, and food, beverages and tobacco 2.33%. *BR.*

#### Bol to facilitate French firms

Board of Investment (BOI) chairman and minister of state, Atif R Bokhari, while addressing a webinar arranged by MEDEF (Mouvement Des Entreprises De France) International, has said that Bol will facilitate French companies, through special interventions for creating linkages with major chambers and associations of trade and industry, in forming JVs with local and foreign companies and becoming part of global value chain. *BR.*

#### ML, TF feared in backdrop of Covid-19: SECP cautions regulated persons to remain vigilant

SECP has cautioned regulated persons (securities brokers, commodities brokers, insurers, Takaful operators, non-banking finance companies (NBFCs) and Modarabas to remain vigilant as criminals may try to exploit products and services for money laundering and terrorism financing purposes in the backdrop of Covid-19 pandemic. In this regard, the SECP has asked the Regulated Persons (RPs) to use Risk Based Approach to ensure effective compliance with the anti-money laundering (AML) regulations, as regulated persons are facing challenges in meeting their obligations under the AML/CFT Regime. *BR.*

#### Govt defers privatization of 6 PSEs, 28 properties till next fiscal year

The federal govt. has formally announced to defer privatization of 6 Public Sector Entities (PSEs) and 28 state owned properties till FY21, which would give a hit of PKR 400Bn in terms of non-tax collection during FY20. It has been apprised that substantial progress was made to conclude the transactions due to outbreak of COVID 19 the timelines had to be rescheduled. *The Nation.*

#### Debt servicing declines to \$ 2.72Bn

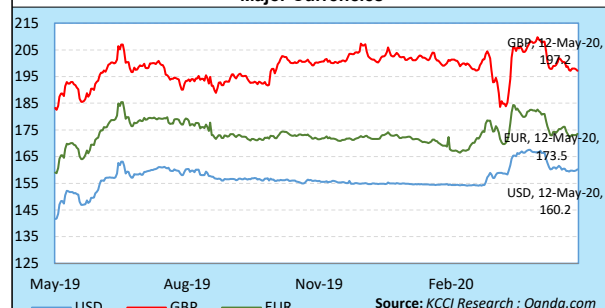
External debt servicing in the 3<sup>rd</sup> quarter of FY20 declined 30% to \$ 2.73Bn compared to \$ 3.91Bn in the 2<sup>nd</sup> quarter. The total amount paid in debt servicing during 3QFY20 was \$ 9.71Bn. Financial experts expect the total servicing costs to reach \$ 12-13Bn by end-FY20. Debt servicing costs continue to take a heavy toll on the country's foreign exchange reserves. *Dawn.*

#### Economic Indicators

List of Indicators	Date / Period	Unit	Value	Change Daily
USD-Interbank	12-May	PKR	160.46	0.24%
USD-Open MKT	12-May	PKR	161.00	0.16%
KSE-100 index	12-May	Pts.	33,603	0.96%
FIPI	12-May	\$ Mn	-1.52	NM**
Crude (AP'19)	12-May	\$/bbl	24.55	-0.77%
Gold (MA'19)	12-May	\$/oz	1,700.7	-0.32%
Gold (10g) Local	12-May	PKR	87,600	0.34%
Silver (MA'19)	12-May	\$/oz	15.65	-0.29%
Cotton(KHI)-40 kg	12-May	PKR	9,217	0.00%
Kibor-6M	12-May	%	8.12	0.02%
<b>FY20</b>				
Forex Reserves	30-Apr	\$ Bn	18.46	1.58%
Remittances	Jul-Apr 20	\$ Bn	16.99	5.51%
Exports*	Jul-Apr 20	\$ Bn	18.41	-3.92%
Imports*	Jul-Apr 20	\$ Bn	37.91	-16.50%
Trade Balance*	Jul-Apr 20	\$ Bn	-19.50	25.68%
Current Account	Jul-Mar 20	\$ Bn	-2.77	73.10%
Foreign Direct Inv.	Jul-Mar 20	\$ Bn	2.15	137.30%
LSM Growth*	Jul-Mar 20	%	-5.40	
Avg. CPI	Jul-Apr 20	%	11.22	
Discount Rate	Apr-20	%	9.00	

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

#### Major Currencies

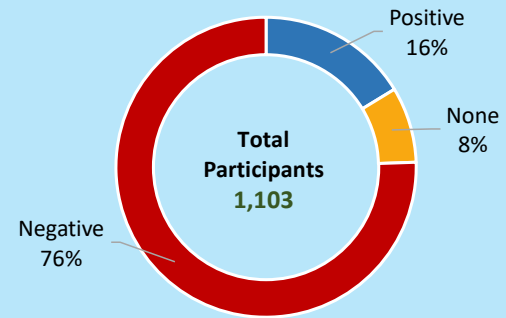


#### Quote of the Day

*An entrepreneur is someone who has a vision for something and a want to create'*

*David Karp*

#### Effect of Rupee Depreciation on Karachi Based Businesses



\*These findings pertain to the results of KCCI's Karachi Business Sentiment Survey available on <http://kcci.com.pk/research/>

Source: KCCI Research

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