## Key Economic Indicators

<table>
<thead>
<tr>
<th>Parameter</th>
<th>FY15A</th>
<th>FY16A</th>
<th>FY17A</th>
<th>FY18A</th>
<th>10MFY19 (Actual)</th>
<th>FY19P</th>
<th>FY20F</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP* (US$ Bn)</td>
<td>271</td>
<td>279</td>
<td>305</td>
<td>313</td>
<td>NA</td>
<td>280</td>
<td>288</td>
</tr>
<tr>
<td>GDP Growth in PKR terms (%)</td>
<td>4.1</td>
<td>4.6</td>
<td>5.2</td>
<td>5.5</td>
<td>NA</td>
<td>3.3</td>
<td>2.7</td>
</tr>
<tr>
<td>GDP per capita (US$)</td>
<td>1,514</td>
<td>1,529</td>
<td>1,630</td>
<td>1,652</td>
<td>1,497</td>
<td>1,333</td>
<td>1,341</td>
</tr>
<tr>
<td>CPI** (%)</td>
<td>4.5</td>
<td>2.9</td>
<td>4.2</td>
<td>3.9</td>
<td>6.8</td>
<td>7.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Imports (US$ Bn)</td>
<td>41.2</td>
<td>41.3</td>
<td>48.7</td>
<td>56.6</td>
<td>44.0</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Exports (US$ Bn)</td>
<td>24.1</td>
<td>22.0</td>
<td>22.0</td>
<td>24.8</td>
<td>20.1</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Fiscal Deficit (% of GDP)</td>
<td>5.3</td>
<td>4.6</td>
<td>5.8</td>
<td>6.5</td>
<td>5.0</td>
<td>5.5</td>
<td>N/A</td>
</tr>
<tr>
<td>CAD (% of GDP)</td>
<td>1.0</td>
<td>1.7</td>
<td>4.1</td>
<td>6.3</td>
<td>4.03</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>SBP Forex (US$ Bn)</td>
<td>13.5</td>
<td>18.1</td>
<td>16.1</td>
<td>9.7</td>
<td>8.7</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>PKR to USD parity</td>
<td>101.408</td>
<td>104.404</td>
<td>104.779</td>
<td>111.209</td>
<td>135.789</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

A: Actual  P: Provisional   F: Forecast

*The forecasted figure for FY20 has been calculated assuming that the GDP in US$ terms would increase as per world bank’s forecast of 2.7% and assuming that devaluation tracks inflation

**The forecast inflation rate for FY20 is from Asian Development Bank

Source: SBP, MoF, World Bank, ADB
**Our analysis**

- FY19 will go down as a year of missed targets

GDP growth, exports, fiscal deficit, revenue generation, inflation and other key indicators were all, well off the mark. The only respite came due to a contraction of current deficit due to higher remittances and lower imports. GDP grew by 3.3% against an ambitious target of 6.3%. Exports surprisingly contracted by 1.3% YoY despite significant currency devaluation. Critically, revenue generation remained flat which aggravated the fiscal deficit. During the (Jul-Mar) period of FY19, total revenues of the government were 9.3% of GDP compared to 10.3% in the same period of the previous year. This is troubling despite the 18% boost to revenue collection due to higher import duties and currency devaluation. As a consequence, fiscal deficit for FY19 is expected to be approx. 7.0% VS a target of 5%.

- FY19 was also a year of uncertainty

An ambitious budget for the year was announced by the previous government, revised by the new government and modified again. Concessions granted to the export related sector in the form of subsidized energy costs and tax breaks failed to yield results. The incumbent government also could not calm the markets on the issues related to external sector vulnerabilities. While the government was able to stop the bleeding in the forex reserves through mobilization of support from friendly countries, delays in finalization of an IMF program was seen as a major contributing factor which adversely impacted market sentiments. As a consequence the benchmark PSX index touched a multi year low of 33,166 points and the market capitalization was down almost 50% in USD terms from its peak.

- FY19 was also a year of stabilization measures which yielded some success

The government adopted the traditional tools (fiscal and monetary tightening) for curbing aggregate demand. Discount rate increased by 575 basis points during the year. Combined with devaluation and a slew of regulatory duties, the current account deficit (CAD) contracted. FY19E CAD is ~4% of GDP compared to 6.1% in FY18. In absolute terms CAD is expected to decline to ~USD 12.5bn compared to USD 19bn in FY18. While fiscal tightening failed to achieve desired results, the Public Sector Development Program (PSDP) expenditures were curtailed significantly and registered a negative growth of 34% YoY. PSDP in absolute terms declined by PKR 337bn in the nine month period and an annualized level of PKR 450bn.

### Looking at the crystal ball

The government is targeting an ambitious GDP growth of 4% for FY20 which contrasts with a more meager 2.7% forecasted by IMF. The government forecast is predicated on the PSDP target of PKR 1.3trn. Historically, the PSDP allocation is used as a balancing number to meet the fiscal deficit targets. Any slippage on the rather difficult PKR 5.5trn revenue target would impact PSDP and consequently, growth.

Much will also depend on the IMF program negotiated by the government. While details of the staff level agreement are yet to emerge, it appears that IMF has insisted on front loading various measures. Additional taxation of around PKR 700bn and increase in tax to GDP by 3.5% over a three year period, reduction in primary deficit, flexible exchange rate mechanism appear to be some of the key conditions. Comparisons of the likely IMF program have been made with Egypt as a benchmark. If that indeed proves to be the case then currency devaluation will become a regular feature during the tenure of the IMF program. Electricity and gas prices will also be raised to allow for full cost recovery and elimination of circular debt.

Exchange rate depreciation and utility price increases will lead to a further increase in inflation in FY20. However, inflation is expected to moderate in the medium term due to base effect.

Solutions to Pakistan’s problems and frequent boom bust cycles have been evident for a while. Bridging the savings-investments gap, increase in exports, curtailing non productive expenditures, reducing the losses of PSEs or outright divesting them etc. However, the will to implement these reforms has been lacking. Many successive governments have undertaken stabilization measures half heartedly at the start of their tenure and then resorted to fiscal profligacy when the situation permits and certainly before a new election. IMF programs in the past have also been more accommodative (Pakistan’s geo-strategic importance has led to waivers on various KPIs and the external imbalances were not as critical).
Silver linings

This time around, things just might be different. IMF’s insistence on prior actions and unavailability of ‘get out of jail cards’ would mean that the structural reforms are implemented and seen through. Greater data availability and data mining solutions might result in an expansion of tax base. The growing importance of Belt and Road Initiative (BRI) and the key position occupied by the CPEC component within the overall BRI would mean that FDI inflows to Pakistan will gradually become robust. The second phase of CPEC will see greater cooperation in the Industrial and Agricultural sector. Various special economic zones are also being developed where industries from China will relocate to Pakistan. Given the trade tensions between US and China this provides an opportunity to Pakistan. However, early mover advantage vests with economies like Vietnam and Myanmar who will likely capitalize on the already established industrial base and customer relationships.

Another CPEC component which will assume increased importance going forward is the transit trade potential due to development of Gwadar port and free zone. This process might accelerate given the geopolitical tensions in the Persian Gulf. Exports have remained subdued during the year, however, discussions with textile and rice sector players reveal that their order books have swelled up and they are undertaking BMR. Consistent policy focus on re-industrialization and reduction of rent seeking opportunities (Real estate) could set the base for a strong industrial growth rebound.

Realization that the business of the Government is to stay out of business and increasing awareness of the benefits of Public Private Partnerships along with focus on improving ease of doing business are some of the other areas where a different approach will improve competitiveness of the economy.

Services sector is expected to receive a further boost due to tourism related activities. Pakistan’s ranking on various tourism related measures/surveys has improved and combined with government focus and improved law & order situation, the tourism industry is expected to add to the GDP.
ECONOMIC REPORT - 2019

ECONOMIC SNAPSHOT

Inflation (Year-on-Year)

<table>
<thead>
<tr>
<th>Month</th>
<th>Inflation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov-18</td>
<td>6.5%</td>
</tr>
<tr>
<td>Dec-18</td>
<td>6.2%</td>
</tr>
<tr>
<td>Jan-19</td>
<td>7.2%</td>
</tr>
<tr>
<td>Feb-19</td>
<td>8.2%</td>
</tr>
<tr>
<td>Mar-19</td>
<td>9.4%</td>
</tr>
<tr>
<td>Apr-19</td>
<td>8.8%</td>
</tr>
</tbody>
</table>

Average (Jul- Apr ) 7.0%

Trade deficit

<table>
<thead>
<tr>
<th>Month</th>
<th>Trade deficit (bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul-Apr FY19</td>
<td>~23.9 bn</td>
</tr>
</tbody>
</table>

Current account deficit

<table>
<thead>
<tr>
<th>Month</th>
<th>Current Account Deficit (bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul-Apr FY19</td>
<td>~11.6 bn</td>
</tr>
</tbody>
</table>

Policy rate

The State Bank of Pakistan (SBP) has further increased the policy rate by 150bps to 12.25% effective 21th May 2019.

~15.7 bn

Remittances

<table>
<thead>
<tr>
<th>Month</th>
<th>Remittances (bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul-Apr FY19</td>
<td>~17.9 bn</td>
</tr>
</tbody>
</table>

Foreign Exchange Reserves

<table>
<thead>
<tr>
<th>Month</th>
<th>Foreign Exchange Reserves (bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun-18</td>
<td>16.4 USD</td>
</tr>
<tr>
<td>Jul-18</td>
<td>16.9 USD</td>
</tr>
<tr>
<td>Aug-18</td>
<td>16.4 USD</td>
</tr>
<tr>
<td>Sep-18</td>
<td>14.9 USD</td>
</tr>
<tr>
<td>Oct-18</td>
<td>14.0 USD</td>
</tr>
<tr>
<td>Nov-18</td>
<td>13.8 USD</td>
</tr>
<tr>
<td>Dec-18</td>
<td>14.8 USD</td>
</tr>
<tr>
<td>Jan-19</td>
<td>14.9 USD</td>
</tr>
<tr>
<td>Feb-19</td>
<td>17.4 USD</td>
</tr>
<tr>
<td>Mar-19</td>
<td>15.7 USD</td>
</tr>
<tr>
<td>Apr-19</td>
<td>~8.7 bn</td>
</tr>
</tbody>
</table>

SOCIAL INDICATORS

Population 212 Million

66 years Life Expectancy

PKR 14,000 to 15,000 per month

Minimum wage rate 24.3%

Current poverty rate

Literacy rate (percentage of adult population) 57%
MACRO-ECONOMIC HIGHLIGHTS

► Pakistan’s GDP growth tapered off – Pakistan’s economy slowed down sharply in the current fiscal year, hitting a nine-year low at 3.3% and missing the 6.2% target by a wide margin. IMF has forecasted that the Country’s GDP growth will slow down to 2.7% in the following fiscal year.

► Contracting current account deficit – Pakistan’s current account deficit declined to US$ 11.586 billion in July-April FY19 as compared to US$ 15.864 billion in the same period last year showing a contraction of 28.9%. This contraction can be attributed to reduced imports and growth in workers’ remittances during the year.

► Slight decline in trade deficit - During July-April FY19, Pakistan’s trade deficit decreased by US$ 1.879 billion to US$ 23.934 billion in the current fiscal year compared to US$ 25.813 billion in FY18.

► Widening fiscal deficit – During first nine months of FY19, consolidated fiscal indicators performance suggests that total revenue registered zero growth over same period last year, while total expenditures increased by 8.7% for the same period. Therefore, fiscal deficit as percent of GDP reached 5.0% as compared 4.3% in comparable period of last year.

► Average Highlight inflation – Average CPI for the period July-March FY19 was 6.79%, compared to an average of 3.78% for the same period last year. Devaluation of PKR against the greenback and the relative inelasticity of Pakistani imports are major contributors to the hike inflation rate during the year.

► Pakistan’s credit rating – S&P Global Ratings lowered its credit rating for Pakistan on 4th February 2019 to B- from B, partly due to the slow negotiations between the cash-strapped government and the IMF on a financial support deal.

1.0 GROSS DOMESTIC PRODUCT

Current situation:

► Previously, the country achieved a GDP growth of 5.5% in FY18 – a 13 year high. However, this growth of 5.5% was achieved at the cost of widening macroeconomic imbalances as manifested in a five-year high fiscal deficit and a record high current account deficit in FY18.

► The provisional GDP growth rate for FY19 is estimated at 3.3% on the basis of 0.9%, 1.4% and 4.7% growth in agricultural, industrial and services sectors respectively. Each sector is discussed in more detail below:

  • Agricultural sector: The agriculture sector grew by 0.85% compared to 3.81% last year. The crops sector has witnessed negative growth of 4.4% during FY19 against a positive growth of 3.83% during FY18. This is mainly due to negative growth (-6.6% in FY19 vs 3.57% in FY18) in important crops due to decline in production of cotton, rice and sugarcane.

  • Industrial sector: During FY19, the provisional growth in industrial sector has been estimated at 1.40% as compared to 5.8% growth in FY18. This is mainly because of decline in growth to 2.06% (6.13% growth in FY18) in large scale manufacturing sector while mining and quarrying sector has witnessed a negative growth of 1.96% (3.04% growth in FY18).

  • Services sector: Provisional estimates has shown that the services sector posted a growth 4.71% during FY19 against growth of 6.43% in FY18. Wholesale and Retail Trade sector grew at a rate of 3.11% in FY19 versus a growth of 7.51% in FY18. Transport, Storage and Communication sector has registered a growth of 3.34% against growth of 3.58% achieved in FY18.
1.0 GROSS DOMESTIC PRODUCT (CONT’D)

Current situation (Cont’d):

► A graph showing the historical growth rates of the three sectors is presented on the right.
► Low economic growth during the year is primarily owed to the measures taken by the Govt. to mitigate the current account deficit by slowing down domestic demand.
► As the Rupee weakened against the greenback by ~30% during the 11 months of FY19, the size of the economy has shrunk in Dollar terms.

Forecast:

► In the current and the coming financial year, growth prospects of Pakistan seem subdued.
► Economic growth projections are further downgraded as the global economic recovery loses momentum amid trade tensions, Brexit and other factors.
► The World Bank has forecasted that Pakistan’s economic growth will slow down to 2.7% in FY20, as fiscal and monetary policies are tightened to address macroeconomic imbalances.
► The impact of tight fiscal and monetary policies in efforts to attain macroeconomic stability have caused a decline in the aggregate demand.
► Reforms are needed in order to achieve sustainable growth in Pakistan, as currently the country’s inefficient tax collection systems and underdeveloped export sector are insufficient drivers of growth.

Ease of doing business index: Pakistan’s DB score for 2019 increased by 2.53% to 55.31 compared to 52.78 for 2018. The country’s ranking improved by 11 notches to 136th position, for the first time in 15 years.
2.0 TWIN DEFICIT

Trade deficit:

- Pakistan’s trade deficit was recorded at $23.934bn with a ~7.3% reduction during the first ten months of FY19. Exports decreased slightly to $20.01bn during 10MFY19 compared to US$ 20.49bn in the corresponding period of FY18. Meanwhile, imports were recorded at $44.03bn, a contraction by ~4.9% compared to the same period last year.

- The trade balance has remained stable during 10MFY19 as trade deficit decreased by US$ 1.879 billion to US$ 23.934 billion in the current fiscal year compared to US$ 25.813 billion in FY18. Imports have decreased and more worryingly so has exports. Pakistan should concentrate its efforts towards export led growth to effectively tackle the crises of trade deficit. Otherwise, this stability in balance of trade will be temporary and is likely to reverse in the future.

- The key commodities contributing to the curtailment of the trade deficit were Furnace Oil (Mineral Products), Base Metals, and Machinery and mechanical appliances. These are discussed in more detail below:
  - The imposition of ban on import of furnace oil has yielded positive results as imported mineral products shown a 17% increase in the current fiscal year compared to a growth of 30% in the same period last year.
  - During 8MFY19, Iron and Steel imports witnessed a ~10% decline on the back of the Government imposed anti-dumping Duty (ADD) on top of already imposed regulatory duties on finished steel products.
  - A significant increase in import last year was reported in capital goods such as steam and gas-turbines, electric transformers, parts of auxiliary power plants and other equipment. During 8MFY19, Machinery and Mechanical Appliances made up ~10% of the imports, saw a 23% reduction in import payments as CPEC moves to Phase-II.
  - During the period Jul-May 2019 PKR devalued by around 30% against USD. The currency has been devalued by ~25% against USD in 2018. The impact of recent Rupee depreciation will be witnessed in more positive results in exports in the following months.

Current Account Deficit:

- Pakistan’s Current Account Deficit for the ongoing fiscal year shows mitigation of almost ~27% in 10MFY19 compared to the first ten months of FY18.

- This contraction comes on the back of a reduction in trade deficit coupled with a notable increase in the workers remittances.

- Workers’ remittances saw an uptick of ~8.5% compared to the same period last year, as a result of the increased vigilance on money laundering, crackdown on hundi/hawala and currency devaluation. Apart from these factors, workers’ remittances has also seen organic growth during the year.

![Deficit (USD billion):](image-url)

*Pakistan’s exports decreased slightly to $20.1 billion, while imports were recorded at $40 billion during July to April 2018-19. A ~7.3% reduction in Trade deficit during the first ten months of the ongoing fiscal year 2018-19*

*Source: MoF*

![Imports by commodities (USD mn):](image-url)

*Source: PBS, SBP, World Bank*
3.0 INFLATION & MONETARY POLICY

Inflationary pressure:

► Despite seeing one of the most aggressive monetary tightening policies in Asia since 2018, the Country’s inflation rose to a five year high of 8.8% on year-on-year basis in April 2019 as compared to 9.4% in the previous month and 3.7% during corresponding month of last year.

► Due to the Country’s import demand being relatively inelastic, the recent price hike is driven by exchange-rate pass-through to domestic prices.

► The persistence of inflation with tight monetary policy has had sharp negative bearing on the Country’s economic growth. Similarly, the hiking prices will have negative consequences for employment and poverty levels.

► The economy is expected to suffer from stagflation; with unemployment expected to rise following relatively weak performance on the economic growth front.

Monetary Policy May 21, 2019:

► The current account deficit narrowed to US$ 9.6 billion in Jul-Mar FY19 as compared to a deficit of US$ 13.6 billion during the same period last year, a fall of 29%.

► Despite the improvement in the current account and a noticeable increase in official bilateral inflows, the financing of the current account deficit remained challenging. Consequently, reserves declined to US$ 8.8 billion as of 10th May 2019 from US$ 10.5 billion at end-March 2019.

► The overall fiscal deficit is likely to be considerably higher during FY19 as compared to last year. From a monetary policy perspective, a growing portion of the fiscal deficit has been financed through borrowings from SBP. In absolute terms, the government borrowed Rs 4.8 trillion from SBP during 1st Jul-10th May FY19, which is 2.4 times the borrowing during the same period last year.

► The consumer price index (CPI) rose 9.4% in March 2019 and 8.8% in April 2019, on a YOY basis.

► In this backdrop, the MPC had decided to increase the policy rate to 12.25% effective 21st May 2019.

“Late in May this year, the government had reached a staff-level agreement with the International Monetary Fund for a loan of $6 billion over a period of 39 months.”

State Bank of Pakistan
4.0 CURRENCY

PKR/Dollar:

- During the period Jul-June 2018/2019 PKR devalued by around ~30% against USD. There came a point that the Rupee dropped to an all-time low of 154 to the US dollar in the interbank market.
- Earlier, the rupee had broken its record low against the US dollar to reach Rs154 in the open market and Rs153.5 in the interbank market on May 21. However, during the last week of May, the PKR regained Rs1.42 in its value against the greenback, bouncing back from State Bank of Pakistan’s mid-rate of Rs150.90 to Rs149.53 in the interbank market.
- During the month of Ramadan, the USD dollar reached certain stability. However, since the end of the festive season the USD has risen again and it is speculated that it will increase even further.
- Consensus of market participants is that PKR will continue to depreciate till June 2019, leaving the exchange rate at 160-165 PKR/USD. The measure which most accurately tracks currency over/under valuation is REER which indicates a stable level at PKR/USD of 155.

Insight

- Currency devaluation was inevitable because of several reasons including increased CAD, debt servicing, and lower FDI which led to decreased foreign exchange reserves and an artificial cap on the value of dollar. These policies lead to a record high of twin deficits.
- In a bid to curtail imbalance in the external account and sustain higher growth trajectory, SBP devalued the Rupee.
- As the artificial control was removed, PKR/USD exchange rate, during the period, represented true value of the currency.
- Following this value, the exchange rate is expected to stabilize as the high policy rate by the SBP is set to attract increased foreign investment, therefore improving the demand for PKR. However, to achieve this effect SBP has to introduce policies to maintain a balance of rising inflation and the policy rate.
- The IMF wants a free float exchange rate with zero intervention from SBP.
- Pakistan may face a J-curve effect, whereby the depreciating currency will initially reduce the balance of trade, but will lead to an upswing in the future as the country’s export capacity is not being fully utilized. This, to an extent, is similar to the value of exports during 2012-14 when it was around 14% higher than in FY18.

The frequent depreciation in USD highly affects the business opportunities and cost of doing business.

It is forecasted that the Rupee will further depreciate in the coming days, due to macroeconomic factors and instability.

Currency performance:

Rupee depreciated by 20%+ vs. the US$ in 2018, one of the highest among peers. With rebuilding of FX reserves underway, further PKR slippage is likely to be modest in our view.

Sources: SBP, PBS, Brecorder, EY analysis
5.0 FOREIGN DIRECT INVESTMENT (FDI)

Current situation:
► Foreign investment is on a downward trajectory. It dropped by 51.7% in July-April FY19 to USD 1.376 billion as compared to USD 2.849 billion in July-April FY18.
► FDI from China reduced to 31.2% of overall inflows as compared to 60.5% in the preceding year. This is mainly due to completion of early harvest project under the CPEC.
► However, China continued to dominate direct investment followed by UK and Hongkong. A significant decline in investment from Malaysia has been observed in this period.
► In terms of sectors, construction sector substituted the power sector in attracting highest net FDI of US $ 386.8 million this was followed by oil and gas exploration US $ 287.3 million and financial business US $ 256.5 million.

Forecast:
► For the enhancement of FDI, the government has under taken different initiatives at the international level. Few of these initiatives have been listed below:
  ► Pakistan has recently signed offshore Gas Pipeline deal with Russia.
  ► Saudi Arab has shown interest to invest in a new oil refinery in Pakistan’s growing deep-sea port of Gwadar.
  ► Pakistan has the potential for mineral mining which can be leveraged to attract FDI.
► However to formalize the aforementioned, the Govt. needs to formulate reforms to ease foreign investment in Pakistan.

“ The lead route to attract investments is through construction of the Special Economic Zones (SEZs) and we are welcoming investments from multiple countries for these zones”

- Haroon Sharif, Chairman of the Board of Investment (BoI)
6.0 REMITTANCES

Current:

► Remittances have always been a significant source of balance of payment support. Remittances registered a substantial growth of 8.5% during July-April FY19 as compared to growth of 5.36% during the same corresponding period last year.
► In dollar terms, remittances stood at US$ 17.875 billion during first ten months of current fiscal year against US$ 16.482 billion during the same period last year.
► Remittances during July-April FY19 declined by 9.28% from EU countries and 5.40% from other GCC countries.
► However, a marginal increase in remittances has been observed from Saudi Arabia, 2.08% as compared to 9.5% decline in the same periods last year.
► A strong increase from USA and UK provided a major push to inflows. Remittances increased by 21.82% and 16.59% from USA and UK respectively.
► Malaysia has been facing workforce shortage in labor-intensive sectors, such as manufacturing, construction an agriculture. To address the problem, Malaysia raised the wages for both local and foreign workers in its minimum wage policy of 2013. Following this, the number of Pakistanis going to Malaysia for work has been rising since 2014-15, leading to increase in remittances from the country.

Forecast:

► Foreign remittances are likely to be stable in the coming years on the back of rising interest rates and increased employment opportunities in Qatar due to FIFA 2022, among others contributing factors.
► The current Govt. is also making efforts to incentivize channeling of remittances through legal means, and has already allowed SBP and its authorized dealers to implement B2C and C2B transactions through foreign correspondent entities under their existing home remittance agency agreements.
► Pakistan Post is partnering with National Bank to join Pakistan Remittance Initiative (PRI) for the delivery of international remittances through post offices. Under PRI, the oversees workers will be able send their remittances free of services charges.
► OPSCs has been designed as a product by CDNS to be launched for Overseas Pakistanis only. This will provide an investment avenue for foreign Pakistanis and also curb the remittance of money through illegal channels. It will be launched initially in the GCC market and then other countries.
► The Government is further taking measures to improve the inflow of remittances via media awareness, M-Wallet scheme, remittance summit, reduction in visa fee for GCC countries.

It is expected that the measures undertaken by the Government will help improve the inflow of remittance to a certain degree.
7.0 KSE-100 index

- The PSX index gained strength in July 2018, reaching 43,556 points, however there onwards a falling trend has led the index reaching its lowest at 35,974 points on May 2019.
- This downfall is mainly because of withdrawal of foreign investors from the market due to the following factors:
  - Reduction in returns due to currency devaluation;
  - Negative outlook of the economy which led to increase in risk associated with equity investment in Pakistan.
- The turnover of shares on the Pakistan Stock Exchange during July-April 2018-19 was 42.9 billion, compared to 46.5 billion shares in the twelve months of fiscal year 2017-18. Total paid-up capital with the PSX increased from Rs 1,297.4 billion in June 2018 to Rs 1,336.7 billion in April 2019.

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8.0 THIRD FINANCE BILL FY19

Salient features:
- Tax relief granted by PML-N revoked from salaried persons earning more than Rs200,000 per month; tax rates still lower than last year.
- Tax rate in highest income tax slab raised from 15% to 30%.
- Increased federal excise duty on imports of luxury vehicles and duties on ‘expensive’ cell phones.
- Customs duty increased on more than 5,000 ‘luxury’ items. Regulatory duty increased on import of more than 900 items.
- Rate of withholding tax on banking transactions for non-tax filers increased to 0.6%.
- Doubled the federal excise duty on cars of 1800cc engine capacity or more from 10% to 20%.
- The maximum tax rate will be 25% for salaried persons and 30% for non-salaried persons.
**“Saudi Arabia pledges $6bn package to Pakistan”**

Saudi Arabia in October stepped forward with a $6 billion bailout package for Pakistan’s ailing economy.

**“Saudi crown prince begins Asia tour with $20 billion Pakistan investment pledge”**

Saudi Arabia in October stepped forward with a $6 billion bailout package for Pakistan’s ailing economy.

**“Interloop raises Rs5.032b from investors at Pakistan Stock Exchange”**

Interloop Limited raised Rs.5.032b at the PSX by selling 12.5% of its shareholding. This has been the largest ever Equity raising activity in the private sector in the history of PSX.

**“Imran launches ‘Naya Pakistan Housing Scheme’”**

Prime Minister Imran Khan on Wednesday launched Naya Pakistan Housing Scheme to construct 141,000 houses across the country for the uplift of the poor strata of the society and to bring them into the national mainstream.

**“Saudi Arabia to give Pakistan $3.2b oil on deferred payments from July”**

Deferred payments of $3.2 billion Saudi oil and gas facility will become operational from July this year. This is expected to relieve the pressure from on external payments..

**“IMF reaches Staff-Level Agreement on Economic Policies with Pakistan”**

The IMF team have reached a staff level agreement on economic policies that could be supported by a 39-month Extended Fund Arrangement (EFF) for about US$6 billion.
“There can be economy only where there is efficiency.”

- Benjamin Disraeli