MORNING BRIEFING

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NEWS

[Cotton arrivals in Pakistan plummet by 59% in September 2024]

As of September 30, 2024, cotton arrivals in Pakistan experienced a staggering 59% decrease compared to the same period last year, according to data from the Pakistan Cotton Ginner's Association (PCGA) released on Thursday. Total arrivals reached **2.04 million bales**, down from **5.025 million bales** in September 2023, marking a drop of **2.985 million bales.**

On a positive note, there was a **42% improvement** in cotton arrivals on a fortnightly basis, rising from **1.434 million bales** recorded on September 15, 2024.

This significant decline in cotton arrivals, a vital raw material for the textile industry, poses a serious concern for Pakistan. The textile sector, which accounts for a large portion of the country's exports, has been grappling with falling demand and escalating energy prices.

According to the PCGA, both Punjab and Sindh provinces reported notable declines in cotton arrivals. In Punjab, arrivals reached **0.727 million bales**, down **65%** from **2.069 million bales** during the same period last year. However, cotton arrivals in Punjab saw a **35%** fortnightly increase compared to **0.539 million bales** on September 15, 2024.

Sindh also faced a significant drop of **56%,** with cotton arrivals at **1.313 million bales** compared to **2.956 million** bales in the previous year. Yet, similar to Punjab, Sindh experienced a substantial fortnightly increase, with arrivals rising by **47%** from **0.895** million bales reported on September 15.

IMF tranche boosts SBP reserves by $ 1.168bn, now stand at $10.70bn

Foreign exchange reserves held by the State Bank of Pakistan (SBP) increased by $ 1.168 billion to $10.701 billion during the week ended on September 27, 2024.

According to data released by the central bank on Thursday, the increase in SBP's reserves is mainly due to the receipt of 1.026 billion from the International Monetary Fund (IMF) under the Extended Fund Facility.

The total liquid foreign reserves held by the country stood at $15.982 billion as of September 27, 2024.

The break-up of the foreign reserves shows foreign reserves held by the SBP recorded $10.701 billion while net reserves held by commercial banks recorded 5.281 billion.

on Wednesday, the SBP Governor Jameel Ahmed said that Pakistan's foreign exchange reserves have risen to a level sufficient to cover two months' worth of imports, following the arrival of the first tranche from the IMF under a $7 billion Extended Fund Facility (EFF).

The SBP received the first tranche of $1.03 billion (SDR 760 million) from the IMF on September 30, 2024, right after a crucial approval from the IMF board.

The governor noted that the recent IMF disbursement has alleviated pressure on the rupee and facilitated a smoother dollar supply in the market. "Overseas workers' remittances have increased, and the supply of dollars has improved," he said, highlighting the positive impact of declining inflation on monetary policy.

Pakistan and Malaysia sign four key MoUs to boost trade relations

Pakistan and Malaysia have taken a major step toward strengthening bilateral trade ties with the signing of four key Memorandums of Understanding (MoUs). Federal Minister for Commerce, Jam Kamal Khan, oversaw the signing ceremony, which took place in Islamabad, marking a significant development in economic cooperation between the two countries.

As per details among the agreements, Fauji Meat Limited and NSK signed a Letter of Intent (LOI) for a profit-sharing partnership, aimed at the distribution, wholesale, and retail of meat products, expanding Pakistan's meat export footprint. Additionally, Gobi VC Investment Fund pledged an initial $300,000 investment in Qistbazar, with plans to establish a $50 million fund to support and scale Pakistani startups in the coming years.

In a separate MoU, SNA Equity committed to investing $5 million in Gamalux Pakistan, with a total investment target of $15 million by 2026. This investment will support Pakistan's growth in the textile and recycling sectors. Furthermore, the Business Councils of Pakistan and Malaysia inked an MoU to promote enhanced cooperation in the halal trade, capitalizing on the growing global demand for halal products.

Fiscal pact under IMF umbrella inked

Both conditions are part of the National Fiscal Pact that the federal and the four provincial governments signed under the IMF's mandate. Sindh was the last province to sign the pact, a day after the September 30 deadline

According to a major condition, the provincial Anti-Corruption establishments will coordinate with the newly established Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) Authority and other relevant agencies for the implementation of the national AML and CFT strategy. These provincial governments will also coordinate with the Financial Monitoring Unit (FMU), the Federal Board of Revenue (FBR), and the National Accountability Bureau (NAB).

Under the pact, provincial governments are no longer allowed to set agriculture support prices. They must also amend their agriculture income tax laws to increase taxes on small farmers to rates equal to the federal personal income tax, and set corporate agriculture income tax rates equal to the federal corporate income tax rate.

Sources said the Sindh government was unwilling to accept the condition regarding the agriculture support price, despite signing the deal.

Another major condition states that the federal government will reduce its footprint in accordance with the 18th Amendment. However, due to Sindh's objections, the final decision will be made by consensus through the Council of Common Interests (CCI) or the National Economic Council (NEC).

According to the signed pact, the federal government, in consultation with the provincial governments, will review the social protection programmes implemented by provincial governments and the Benazir Income Support Programme (BISP). The aim is to identify overlapping programmes and fiscal allocations and take prudent fiscal measures that strengthen and improve the generosity and coverage of social protection.

In response to Sindh's objection, the federal government excluded the BISP from the expenditure-sharing list.

The finance minister stated on Wednesday that discussions with Sindh are ongoing regarding the sharing of expenses for the BISP. For the current fiscal year, the government has allocated Rs592 billion for BISP spending.

The finance ministry relaxed the condition of transferring provincial projects funded by the federal government to the provinces, linking any such transfer to the consent of the NEC.

Earlier, speaking at the launch of the Pakistan Economy Dashboard, a digital platform featuring economic statistics since 1973, the finance minister called for "leveraging" Pakistan's improving economic position to achieve lasting macroeconomic stability.

[Cement sales fall to 2017 level]

Consequent to increased cement prices due to "irrational" taxation, coupled with low demand, local sales have dropped 18% and reached the 2017 level, says an industry association.

Cement dispatches decreased 5.63% in September 2024 and stood at 3.540 million tons against 3.751 million tons in the same month of last fiscal year.

According to the data released by the All Pakistan Cement Manufacturers Association, local sales of the industry totaled 2.650 million tons in September 2024 compared to 3.233 million tons in September 2023, showing a decline of 18.02%.

On the export side, shipments increased 71.52% as volumes jumped from 570,692 tons in September 2023 to 978,871 tons in September 2024.

North-based cement mills dispatched 2.407 million tons, showing a decline of 12.78% against 2.759 million tons sold in September 2023. South-based mills dispatched 1.246 million tons, higher by 14.23% compared to 0.992 million tons in September 2023.

In domestic markets, the northern mills sold 2.222 million tons of cement in September 2024, registering a fall of 15.51% against 2.630 million tons in September 2023.

Similarly, south-based mills supplied 470,931 tons to local markets, which was 28.95% less compared to dispatches of 662,786 tons in September 2023.

Exports from north-based mills rose 42.93% as supplies surged from 142,226 tons in September 2023 to 203,280 tons in September 2024. In the same manner, exports from the south increased 81.02% to 775,591 tons in September 2024 from 428,466 tons last year.

Overall, in the first three months (July-September) of the current fiscal year, total cement dispatches (domestic sales and exports) were calculated at 10.269 million tons, down 13.59% from 11.885 million tons in the corresponding period of last year.

In a statement, a spokesman for the All Pakistan Cement Manufacturers Association commented that September was the fourth straight month when the industry experienced a decline in cement dispatches.

[World Bank official, FBR chief discuss FBR transformation plan]

The Country Director of World Bank, Najy Benhassine along with Tobias Akhtar Haque (Lead Country Economist), Lucy Pan (Senior Economist) and Irum Touqeer (Public Sector Specialist) visited Federal Board of Revenue HQs on Thursday and met Chairman FBR Rashid Mahmood Langrial to discuss FBR transformation plan.

The chairman FBR briefed about the vision of the government for transformation of FBR and transformation plan approved by the prime minister. A detailed overview of the FBR transformation plan and major reforms was given which also focused on aligning initiatives under Pakistan Raises Revenue Project.

The chairman FBR informed that the purpose of reforms was to maximise revenue growth while facilitating compliance. He highlighted the key reform areas to plug the gap in tax compliance i.e. tax policy reforms, digitalization initiatives, capacity building of HR, anti-smuggling initiatives and broad-based tax administration reforms.

Privatisation of PIA: Plan faces slowing momentum on queries by bidders

As a result, the bidding deadline, previously set for October 31, 2024, may be extended.

The Senate Standing Committee on Privatization meeting, held on Thursday, discussed the progress being made on privatisation of PIA and power distribution companies (DISCOs).

The meeting of the committee chaired by Senator Muhammad Tallal Badar expressed dissatisfaction over the absence of the minister at the meeting.

The privatisation secretary added that the timeline depends on the evaluation and terms, as some bidders are seeking more time, and negotiations are still underway. Additionally, there is the issue of legacy liabilities.

The chair directed the privatisation secretary to finalise the process by 31st October, emphasising that Pakistan's future depends on it. The chairman also expressed optimism that the privatisation efforts by the PIACL will yield positive results.

Muhammad Tallal Badar emphasised that the committee's primary concern is receiving further updates on the privatisation transaction, stressing that delays and failure to execute the transaction create complications for the country.

Kremlin talks: TAPI gas, trade & road transport pact top the agenda

In this meeting, both the delegations of Pakistan and Russia held a detailed discussion on agreement of international road transport while TAPI Gas, bilateral trade, communications, proposed rail track and other projects were also reviewed.

Deputy Prime Minister of Russia Overchuk appreciated Pakistan's interest in the North-South International Transport Corridor and said that it would help Eurasia and North South countries to have the best trade corridor.

Provident Funds: Profit rate fixed at 13.97pc per annum

The Government of Pakistan has decided that the rate of profit applicable to the subscriptions and the balances in the various Provident Funds during the financial year beginning on the 1st July 2023 shall be 13.97 percent per annum.

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