

NEWS

[Buying dollars to shore up reserves](#)

- The State Bank of Pakistan (SBP) has purchased approximately \$3.8 billion from the domestic market between July and October 2024 to bolster the country's foreign exchange reserves.
- Such interventions are crucial for maintaining the external value of the Pakistani rupee, especially given the nation's reliance on imported goods like fuel and cooking oil.
- A stable rupee helps mitigate imported inflation, contributing to a decrease in the Consumer Price Index (CPI) from 28.3% in January 2024 to 2.4% in January 2025.
- However, this stability remains vulnerable to fluctuations in international commodity prices.

[Government announces reduction in electricity prices across Pakistan](#)

- The Government of Pakistan has announced a reduction in electricity tariffs, providing relief to consumers nationwide.
- According to an official notification, state-run distribution companies (DISCOs) will implement a decrease of Rs1.22 per unit, while K-Electric users will benefit from a Rs1.23 per unit reduction. This adjustment is attributed to the monthly fuel price adjustment mechanism.
- For DISCOs, the reduction pertains to the fuel charge adjustment (FCA) for December, whereas K-Electric's adjustment applies to November's FCA. Consumers can expect to see these changes reflected in their February electricity bills.
- Prime Minister Shehbaz Sharif indicated that the International Monetary Fund (IMF) had expressed openness to Pakistan's plan to lower electricity prices.

[CAREC Corridor Project: Chinese-led JV wins all four packages of Tranche-III](#)

- A Chinese-led joint venture has won all four packages of Tranche-III of the Central Asian Regional Economic Cooperation (CAREC) Corridor Project, securing the contracts in a transparent bidding process and saving a total of Rs13.24 billion.
- Local partners M/s Rustam Associates and M/s Dynamic Constructors.
- The project, funded by the Asian Development Bank (ADB), aims to expand N-55 between Rajanpur, Dera Ghazi Khan, and Dera Ismail Khan, converting the existing two-lane highway into a four-lane carriageway. This initiative is expected to significantly improve connectivity and regional trade routes.

Salaried class tax payments surge to Rs285bn in seven months, minister hints at relief

- In the first seven months of the current fiscal year, Pakistan's salaried individuals have contributed a substantial Rs285 billion in income taxes.
- Breaking it down, non-corporate sector employees paid Rs122 billion, corporate sector employees Rs86 billion, provincial government employees Rs48 billion, and federal government employees Rs29 billion.
- In response to this significant contribution, Finance Minister Ishaq Dar has indicated potential tax relief measures for the salaried class. He acknowledged the increasing tax burden on these individuals and emphasized the government's commitment to providing financial relief. While specific details were not disclosed, the minister assured that upcoming fiscal policies would aim to ease the financial strain on salaried workers.

Sugar and other essential commodities: ECC concerned over continuous rise in prices

- The Economic Coordination Committee (ECC) of Pakistan's Cabinet has expressed serious concerns over the continuous rise in prices of essential commodities, particularly sugar.
- The committee identified factors such as low sugar recovery rates and lower-than-expected crop yields, which are attributed to adverse climatic conditions, as potential contributors to the price surge.
- In response, the ECC has proposed providing essential commodities like sugar, cooking oil/ghee, and pulses at reduced prices through Sasta and E-bazaars during the upcoming month.

Pakistan banks to launch SME index to boost financing for small businesses

- The Pakistan Banks' Association (PBA) is introducing the SME Environment & Performance Index (SEPI) to enhance financing for small and medium-sized enterprises (SMEs). Developed in collaboration with Ipsos and Reenergia, SEPI will provide key insights into SME performance, sector trends, and challenges.
- There are approximately 5 million SMEs in Pakistan, employing around 80% of the non-agriculture labor force.
- These businesses contribute to 40% of Pakistan's GDP and account for 25% of the country's exports. Only 155,000 SMEs, or about 3% of the total, are currently receiving financing from the banking sector, and SME financing represents just 6% of the total domestic private sector credit.
- By offering data on business conditions, the index will help banks assess credit risks more effectively and design tailored financial products.

ANALYSTS:

Syed Danyal Hussain | Danyal.hussain@vis.com.pk

Abdul Ahad Jamsa | ahad.jamsa@vis.com.pk