COVERAGE REPORT

Media-Briefing

Media Briefing Coverage

CLIENT

Released On

Tuesday
April 11th, 2023

DAWN
WEDNESDAY APRIL 12, 2023

OICCI warns of 'mass industrial layoffs'

A survey shows half of multinationals are either decreasing production or laying off staff

By Kazim Alam

KARACHI: Overseas Investors Chamber of Commerce and Industry (OICCI) President Amir Paracha warned on Tuesday of "mass industrial unemployment" caused by the curbs on raw material imports.

Speaking to a group of journalists at the OICCI head office, the chief representative of 200-plus multinational companies from 35 countries and 14 sectors said business continuity is at stake for most foreign players operating in Pakistan.

"Banks are either refusing to open the letters of credit (LCs) or opening them for small amounts only. How can you manufacture anything when there's no raw material?" said Mr Paracha, who also serves as CEO of Unilever Pakistan Ltd.

Pakistan has been facing a severe dollar shortage as the loan programme with the International Monetary Fund (IMF) remains in limbo. The government has put in place formal and informal restrictions on the outflow of dollars as a stop-gap measure to navigate the liquidity crunch. But the import curbs have turned into a semi-permanent feature over the last few months, closing down vast segments of the country's industrial sector for the unavailability of raw materials.

Moreover, multinationals haven't been able to fully repatriate their profits in the form of dividends to their overseas headquarters amid restrictions on the dollar outflow.

"My idea is that the pending repatriations are to the tune of $1.5 billion," said Mr Paracha in response to a question.

According to M. Abdul Aleem, secretary general of the OICCI, multinationals have explicitly told the chamber that their overseas headquarters want them to hold back on all new initiatives in Pakistan for the time being.

"Our members have told us they've projects worth $2bn ready to be rolled out. But they're all waiting for an opportune time," he said.

Foreign direct investment (FDI) in the first eight months of 2022-23 was $784.4 million, down 40.4pc from a year ago.

"That's the level of FDI a single company should ideally attract in a year," said Mr Aleem, adding that the country's potential for FDI is around $9bn a year as per the global standard of 3pc of GDP for developing economies.

According to noted economist Hafiz A. Pasha, the number of unemployed people will increase by over two million to 8m by the end of 2022-23. Given that the labour force consists of 75.3m people, he said the unemployment rate will approach 10pc "probably for the first time".

A new survey in which 69 OICCI members took part shows nine of every 10 businesses have been "impacted negatively" during the last three months.

The top issues they've faced in the last quarter are import/remittance restrictions (20pc), rupee devaluation (17pc), inflation/energy cost (15pc), high taxes/pending tax refunds (13pc), policy inconsistency (10pc) and political inconsistency (10pc).

The survey revealed that one of every two participants is "either decreasing the production or laying off staff". Moreover, half of the respondents are "either considering restructuring or shutting down partially/fully".

"The worst affected sectors are pharma and oil marketing. Neither of those deals in what you call luxury goods. Their margins are squeezed because of their regulated nature. The government must liberalise these segments," said Mr Paracha.

"It's not the job of the country's finance minister to fix the price of Panadol."

RECORDER
Karachi, Wednesday 12 April 2023, 21 Ramazan 1444

Govt-private sector interaction: OICCI makes a convincing case for an 'active forum'

RECORDER REPORT

KARACHI: The primary challenge being faced by most organizations is the threat to business community. There needs to be an active forum for government and the private sector to interact and collectively drive actionable reforms.

These views were expressed by President Overseas Investors Chamber of Commerce and Industry (OICCI) Amir Paracha and Secretary General CE M. Abdul Aleem during interactive session with a group of business reporters here on Tuesday.

They said that political and economic crises are not unusual in Pakistan's history. "Our economy's solvency and sovereignty are under risk due to a combination of commodity headwinds and supply chain disruptions, exacerbated by Ukraine crises, catastrophic floods, and significant political uncertainty", they added.

The OICCI leadership urges for an active forum for government and the private sector to interact, build trust and collectively drive actionable reforms before serious damage is done to the economic well-being of the country.

"Our concern is the lack of ownership of furthering FDI in the country and reducing issues of foreign investors", they said. However, key stakeholders remain divided on economics which impacts the daily life of every citizen and more sharply of those at the bottom of the pyramid.

"No external intervention can help if WE all don't resolve to address flaws in the economy. We essentially need to work towards one collective vision of the country – i.e., to make Pakistan beneficial for all – bring in the people of the country together to drive this cause – fueled by the right economic reforms/policies in place." Re-profiling debt to longer-term tenures seems inevitable.

All MNC's, OICCI members, are faced with serious FX remittance issue. "We realize the constraints on GOP, but they must also take investors into confidence, whose dividends are shrinking day by day", they said.

The major concern remains on the remittance of dividends pending for past one year, besides other remittances for services including directors' fees. Foreign investors are also struggling to sustain operations, with two glaring examples being Pharma and Oil Marketing Companies, with the GoP still awaiting a decision on Pharma pricing or OMC related cost re-imbursement.

"We are concerned that no one in the corridors of power is focusing on protecting the existing FDI, much less attracting further investment into the country", OICCI leadership said. If this situation persists, Pakistan will fade away from the world's attention as a country of high investment potential.

An overview of the various options proposed by OICCI to Governor SBP to address the declining confidence of foreign investors:

1. 10 percent of pending dividend be remitted within next 2 months and rest in quarterly installments over two years.

2. All pending dividends be hedged at current exchange rate and be remitted in next 2 years.

3. Pending dividends be allowed to be invested into a profit generating bank account to be notified by SBP. The profit and the principal dividend be repatriatable.

4. Pending dividend be allowed to be re-invested in the expansion of local subsidiary and be treated as additional FDI from the parent company.

The entire economy is coping with Pak Rupee depreciation at over 30 percent since July 2022. Inflation running at over 25 percent, the uncertain operating environment and damage to agriculture and infrastructure due to floods.

As a result, many of our members have, like other businesses in Pakistan, decided to shutdown their operation, some partially. This will have impact on their earnings for the current fiscal year.

"We may see a serious downfall in revenue collection from organized businesses and we therefore have recommended that GOP should simplify the tax regime, broaden the tax base, remove the one-time burden of Super Tax from the organized sector", they said.

"We are recommending that all sectors including agriculture (with appropriate legislation) should contribute tax according to their share in the GDP. The GOP should seriously broaden the tax base without succumbing to political pressure and tax the rich and save the vulnerable. We have recommended to increase the tax free income to Rs 1.2 million from the current Rs 0.6 million annually. Other major recommendations is to remove / reduce minimum tax rates, substantially reduce the withholding tax regime from current 200 rates to only few and many other measures to make tax compliance business friendly. Finally our approach is to make Pakistan a FDI friendly country with predictable, consistent and transparent policy framework."

They said that the FDI for first eight months of 2022-23 fiscal at $784 million is dismal and 40 percent less than last year. For a developing country like Pakistan, FDI is expected to be over 3 percent of the GDP against the current level of less than half percent. This is a dismal outcome and is no comparison of FDI inflow in other countries in the region.

OICCI claimed to have suggested workable options to SBP to gradually reduce the buildup of pending dividend remittance including the option to allow pending dividends to be invested in the expansion of the local subsidiary and be treated as additional foreign investment.

Considering the recent World Bank forecast of 0.4 per cent GDP growth during the current fiscal year, OICCI estimates that most of the businesses in Pakistan, including foreign investors, will be affected and will show subdued fiscal results and thereby lower tax contribution.

The chamber in its taxation proposals for 2023-24 to be submitted to the government soon is proposing massive push to broaden the tax base including collecting tax from all segments of the economy, especially trade and agriculture sector, as per their share in the GDP.

OICCI recommended to arrest the large revenue not paid segment of the economy comprising of undervaluation at imports, excise duty not paid in key sectors like tobacco (Rs.80 billion), and abuse of Afghan Transit Trade facility affecting the economy.

The chamber has recommended increasing the tax-free income from Rs 0.6 million to Rs 1.2 million and eliminating or substantially reducing minimum tax especially for listed companies. The chamber has also recommended substantial reduction and reform, from current 200 rates of the Withholding Tax regime and many other measures to make tax compliance business friendly.

INTERNATIONAL THE NEWS
Wednesday
April 12, 2023

BUDGET PROPOSALS

Import restrictions impacting 9 of 10 businesses: OICCI survey

By Tanveer Malik

KARACHI: Import restrictions as well as limits on remittance of profits ranked the highest in factors negatively impacting nine out of ten businesses in the last three months, a survey revealed.

Overseas Investors Chambers of Commerce and Industry (OICCI) survey, based on the views of its members showed that import/remittance restrictions negatively impacted 20 percent businesses. Rupee devaluation as the next reason that impacted 17 percent businesses negatively, while inflation and energy costs impacted 15 percent businesses.

High taxes/pending tax refunds have negative impact of 13 percent, while inconsistency in policy and political instability have a negative impact of 10 percent each. Regulatory delays and law and order each has negative impact of six percent, the findings of survey revealed.

The remittance of dividend being the top issue of the overseas companies in Pakistan, OICCI leadership presented four options before the government to resolve this issue.

The options included permission to remit 10 percent of pending dividends within the next 2 months and the rest in quarterly instalments over two years; or pending dividends be hedged at current exchange rate and be remitted in next 2 years.

Besides, it said that pending dividends be allowed to be invested into a profit generating bank account to be notified by the State Bank of Pakistan. The profit and the principal dividend be repatriatable and lastly pending dividend be allowed to be re-invested in the expansion of local subsidiary and be treated as additional foreign direct investment from the parent company.

"We have proposed these options to the government and central bank," Amir Paracha, President OICCI and Abdul Aleem, General Secretary told a selective group of journalists on Tuesday. Sharing the details of the survey and the future outlook, both were not so hopeful about the acceptance of these proposals because of the current foreign exchange situation of the country.

They, however ruled out any possibility that overseas companies would go for international litigation for these pending dividends.

They said that the FDI of $784 million for the first eight months of 2022-23 was dismal and 40 percent less than last year. For a developing country like Pakistan, FDI is expected to be over 3 percent of the GDP against the current level of less than half percent. This is a dismal outcome and is no comparison of FDI inflow in other countries in the region.

They said that OICCI has suggested workable options to SBP to gradually reduce the build-up of pending dividend remittance including the option to allow pending dividends to be invested in the expansion of the local subsidiary and be treated as additional foreign investment.

Considering the recent World Bank forecast of 0.4 percent GDP growth during the current fiscal year, OICCI estimates that most of the businesses in Pakistan, including foreign investors, would be affected and show subdued fiscal results and thereby lower tax contribution.

The chamber in its taxation proposals for 2023-24 to be submitted to the government soon is proposing massive push to broaden the tax base, including collecting tax from all segments of the economy, especially trade and agriculture sector, as per their share in the GDP, they said.

OICCI recommended to arrest the large revenue tax paid segment of the economy comprising of undervaluation at imports, excise duty not paid in key sectors like tobacco (Rs80 billion), and abuse of Afghan Transit Trade facility affecting the economy.

The chamber has recommended increasing the tax-free income from Rs0.6 million to Rs1.2 million and eliminating or substantially reducing minimum tax especially for listed companies. The chamber has also recommended substantial reduction and reform, from current 200 rates of the withholding tax regime and many other measures to make tax compliance business-friendly.

OICCI leaders said that the current crisis is although grave, it could be tackled through conversation and dialogue with the overseas investors. However, they deplored that this was missing on part of the government.

THE EXPRESS TRIBUNE WEDNESDAY, APRIL 12, 2023

Businesses shutting down, considering layoffs: OICCI

Proposes four solutions to tackle economic crisis

OUR CORRESPONDENT
KARACHI

Pakistan's leading business houses are deeply concerned that the ongoing economic crisis will only worsen, as the government's ownership towards economic wellbeing appears to be missing. The biggest challenge facing businesses today is the continuity of operations.

The Overseas Investors Chamber of Commerce and Industry (OICCI) President, Amir Paracha, shared the results of the latest surveys with the media on Tuesday, stating that "the inventories and stock of raw material, built up before the import ban was slapped, is going to end anytime soon... and imports still remained suspended."

According to the survey, almost half of the respondents are either considering winding up businesses or closing them completely or partially for some time and considering layoffs. Among the worst-hit sectors are Pakistan's pharmaceutical and oil marketing companies, with car manufacturing plants lying closed for quite some time.

Foreign airlines are also considering cutting down the number of flights to/from the country due to receivables worth millions of dollars being stuck.

"The government has stopped conversation and dialogue with businesses for quite a long time," said Paracha. "Collaboration and discussions to find possible solutions for the prevailing issues are a must...to give confidence to businesses."

The OICCI has proposed four possible solutions to the State Bank of Pakistan (SBP), but the central bank is yet to reply. The foreign direct investment (FDI) has reduced by 40% to $784 million in the first eight months (Jul-Feb) of the current fiscal year 2023 compared to the same period last year. Pakistan's foreign exchange reserves have dropped to a critically low level at $4.24 billion at present.

The OICCI has proposed the discontinuation of Rs5,000 banknotes to help build the digital ecosystem and discourage the use of cash in the economy. The discontinuation of the Rs5,000 note would help promote a digital economy, document the economy and discourage the informal economy.

The survey results showed that nine out of ten businesses were negatively impacted during the last three months. The top three issues in their eyes over the past three months were restricted imports and repatriation, massive rupee devaluation, and high inflation/energy costs, respectively. The other issues in ascending order were high taxes/pending tax refunds, policy inconsistency, political instability, price fixing by government/regulatory delays, and the law-and-order situation.

"The uncertain environment and lack of ownership are affecting business confidence," said OICCI Secretary General M Abdul Aleem. Foreign investors are concerned about almost no dispatch of profit and dividend to headquarters for quite a long time. The amount of the accumulated remittances and repatriation to be sent to headquarters is estimated at around $1.5 billion to $1.6 billion."

روزنامہ دنیا

سیاسی، آئینی و معاشی صورتحال ملکی خود مختاری کیلئے خطرہ

کاروبار کی دنیا
12 اپریل، 2023

کراچی (بزنس رپورٹر) اوورسیز انوسٹرز چیمبر آف کامرس اینڈ انڈسٹری نے ملک کی موجودہ سیاسی، آئینی اور معاشی صورتحال کو معاشی سالمیت اور خود مختاری کیلئے نقصان دہ قرار دیتے ہوئے۔۔۔

حکومت اور نجی شعبے سے ایک فعال فورم تشکیل دینے کا مطالبہ کیا ہے تا کہ ملک کو اقتصادی اور سیاسی بحران سے نکالنے کیلئے اتفاق رائے پیدا کیا جاسکے۔او آئی سی سی آئی میں اس حوالے سے گزشتہ روز ایک راؤنڈ ٹیبل کانفرنس منعقد ہوئی جس میں پاکستان میں کاروبار کرنے والی غیر ملکی کمپنیوں اور اداروں کے اعلیٰ حکام نے شرکت کی۔کانفرنس میں چیمبر اراکین کا کہنا تھا کہ ملک کی موجودہ صورتحال غیر ملکی سرمایہ کاری کی راہ میں رکاوٹ بن رہی ہے۔

Web Link: https://www.arabnews.pk/node/2285131/pakistan

ARAB NEWS Pakistan

Foreign investors rue lack of government response over threat to business continuity in Pakistan

This general view shows the commercial district of Pakistan's port city of Karachi on February 3, 2023. (AFP/File)

- Government unable to clear $1.5 billion outbound remittances, Overseas Investors Chamber of Commerce and Industry says
- Investors say high inflation and interest rates, weakening currency, uncertain environment affecting business confidence

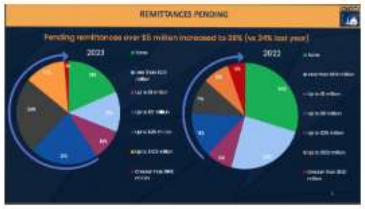
KARACHI: Overseas investors said on Tuesday they were faced with a growing challenge and threat to the continuity of their businesses in the South Asian country as the government remains unable to devise a plan to clear an estimated $1.5 billion outbound remittances.

Top officials of a representative body of multinational companies operating in Pakistan told journalists in Karachi the country's current economic situation was affecting the confidence of foreign investors.

"Besides shrinking economy, the high inflation and interest rates, weakening currency, the uncertain environment and lack of ownership is affecting business confidence," said Amir Paracha, president of the Overseas Investors Chamber of Commerce and Industry (OICCI).

The OICCI chief said the major concern prevails about the remittance of dividends pending for the last one year besides remittances for services, including directors' fees that need to be repatriated.

Pakistani Finance Minister Ishaq Dar did not respond to Arab News' request for a comment on the matter.



Infographics by OICCI

Paracha estimated that around $1.5 billion were stuck up in Pakistan that multinational companies wanted to be repatriated to their parent companies, but were unable to have the payments processed due to the current economic meltdown in the South Asian country.

"All multinational companies (MNCs) are faced with serious foreign exchange remittance issue," Paracha said. "We fully understand the economic constraints but at least the government should sit with us to chalk out a plan to deal with the situation for the satisfaction of companies' headquarters."

The South Asian nation has been facing a severe dollar liquidity crunch that has either slowed or blocked the process of dollar outflow to avoid complete dry up of its meagre $4.2 billion foreign exchange reserves.

The current reserve position continues to exert pressure on the national currency that has seen a massive decline in its value against US dollar. The greenback further rose to Rs288.43 on Tuesday.

Abdul Aleem, the OICCI general secretary, said the primary challenge being faced by most companies was the "threat to business continuity" under the current situation.

"An active forum for the government and the private sector is vital to interact and collectively drive actionable reforms," he said.

Multinational companies face difficulties in repatriation of dividends, royalty, technical fee and service payments to their parent companies and the government's indifferent attitude is further compounding the situation, Aleem informed.

"We have approached the prime minister, the finance ministry and the board of investment but no one has responded to date," he lamented.

The OICCI officials said they had offered four options for the situation, including repatriation of 10 percent of pending dividends within the next two months and the rest in quarterly installments over the next two years.

The other options included all pending dividends be hedged at the current exchange rate and remitted in two years, pending dividends be allowed to be invested into a profit-generating bank account, and pending dividends be allowed to be re-invested in the expansion of local subsidiaries and treated as additional foreign direct investment (FDI) from the parent company, they detailed.

Pakistan attracted $784 million FDI during the first eight months of the current fiscal year (July 2022-June 2023) which is 40 percent less than the foreign investment last year, bearing no comparison with FDI inflow in other countries in the region.

"For a developing country like Pakistan, FDI is expected to be over 3 percent of the GDP against the current level of less than 0.5 percent," Aleem said. "The potential of FDI is around $9 billion."

Due to the current economic state, the OICCI officials said, many members had decided to partially or completely shut down their operations like other businesses in Pakistan.

"We may see a serious downfall in revenue collection from organized businesses," Paracha said. "Therefore, we have recommended that the government should simplify the tax regime, broaden the tax base, remove the one-time burden of Super Tax from the organized sector."

Infographics by OICCI

Sharing the findings of a recent survey, the OICCI officials said 20 percent of the businesses had been negatively impacted during the last three months due to the economic situation.

"Seventeen percent said they were impacted by rupee devaluation while 15 percent businesses have been negatively impacted by inflation or the energy price hike," Aleem informed.

The officials said they had recommended the government to increase tax-free income to Rs1.2 million from the current Rs0.6 million annually.

Considering the recent World Bank forecast of 0.4 percent GDP growth this fiscal year, the OICCI estimates that most of the businesses in Pakistan, including foreign investors, will be affected and will show subdued fiscal results and thereby lower tax contribution.

Web Link: https://pkrevenue.com/oicci-expresses-concerns-over-threats-to-business-continuity-in-pakistans-economy/

TRADE & INDUSTRY

OICCI expresses concerns over threats to business continuity in Pakistan's economy

April 11, 2023

Overseas Investors' Chamber of Commerce and Industry (OICCI) has expressed concern about the threat to business continuity in Pakistan.

The threats identified by the chamber are a combination of economic, political, and natural crises affecting the economy.

The chamber has urged for an active forum for government and the private sector to interact and work together on actionable reforms to address these issues before serious damage is done to the economic well-being of the country.

The lack of ownership in promoting foreign investment and reducing issues for foreign investors is a major concern for the OICCI.

Many organizations in Pakistan are facing the threat of business continuity due to various political and economic crises, including supply chain disruptions, catastrophic floods, and political uncertainty.

The OICCI urged the government and private sector to interact and collaborate on actionable reforms to address these challenges before serious damage is done to the country's economy.

OICCI is concerned about the lack of ownership in furthering foreign direct investment (FDI) and reducing issues for foreign investors. The organization believes that stakeholders need to work towards one collective vision of making Pakistan beneficial for all, fueled by the right economic policies and reforms.

One of the major concerns for OICCI is the remittance of dividends pending for over a year, which is affecting foreign investors' operations, such as pharmaceutical and oil marketing companies.

OICCI has proposed various options to State Bank of Pakistan (SBP) Governor to address declining confidence in foreign investors, including remitting pending dividends in instalments or allowing them to be invested in a profit-generating bank account.

OICCI has also recommended simplifying the tax regime, broadening the tax base, removing the one-time burden of Super Tax from the organized sector, and increasing the tax-free income.

The organization believes that broadening the tax base and collecting taxes from all segments of the economy, especially the trade and agriculture sector, as per their share in the GDP, will help improve the economy's situation.

With the current FDI level less than half a percent of the GDP, OICCI is pushing for a predictable, consistent, and transparent policy framework to make Pakistan a foreign investment-friendly country.

The organization estimates that most businesses in Pakistan, including foreign investors, will be affected and show subdued fiscal results due to the recent World Bank forecast of 0.4 percent GDP growth during the current fiscal year.

Web Link: https://pkrevenue.com/foreign-investors-suggest-demonetization-of-rs5000-banknote-in-pakistan/

MONEY & BANKING | TOP STORIES | TRADE & INDUSTRY

Foreign investors suggest demonetization of Rs5,000 banknote in Pakistan

April 11, 2023

Foreign investors have suggested the authorities in Pakistan to demonetize Rs5,000 banknote in order to promote cashless economy.

Amir Paracha, President, Overseas Investors' Chamber of Commerce and Industry (OICCI) told media persons that the trade body had recommended the government to withdraw the high valued banknotes in order to promote cashless economy.

He said that the OICCI recommended the government to demonetize Rs5,000 banknote.

This suggestion is not new, as other trade bodies have also previously raised similar demands.

The Pakistan Business Council has also recommended discontinuing the highest denomination banknote in order to formalize the country's economy and broaden the tax base. However, they note that without political will and capacity in the enforcement machinery, chasing existing taxpayers for more while allowing the informal sector to grow is not a viable solution.

With a large portion of money in circulation outside of the banking system and a significant percentage of the population not included in any financially transparent system, the need for financial inclusion and disincentives for the use of cash are major thrusts. The use of smartphones and point of sales (POS) terminals can potentially serve to switch from cash to plastic and create transactional transparency, though POS terminals are currently expensive and not widely available in the country.

Syed Shabbar Zaidi, former chairman of Federal Board of Revenue, has also suggested a gradual evaporation of the Rs5,000 banknote with a prescribed time limit up to which the note will be valid, after which it can be exchanged with the bank. However, this proposal is different from the Indian scheme.

It remains to be seen whether the Pakistani government will take any action on this recommendation, but it is clear that there is a growing sentiment among investors and trade bodies to promote a cashless economy and formalize the country's financial system.