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MID DAY FLASH

AWESOME BUDGET GIVEN BY NEW GOVERNMENT ~ GOOD FOR KSE100 & SECTORS

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Awesome budget given by new incumbent

PTI government presented its first budget which is a revised budget of the previous term; we take this budget as a **positive** step. Our initial impression is that these announcements are good for certain sectors which include **local assemblers, textile exporters & construction materials** etc

Some key points include

- ❑ **Non-filers can now also purchase cars and property over Rs 40lakhs ~ will be a good step to generate businesses**
- ❑ **~ 9000 to 10000 homes to be built for labor. This is actually an incentive for Rs5bn ~ good for construction materials**
- ❑ **Previous government had imposed Regulatory Duty (RD) on some products. However, RD for RM of export related industries to be made exempt which will be a relief of Rs 5bn for industries ~ very good for textiles & IT related exporters**
- ❑ **Rs 44bn benefit for the textile industry announced yesterday albeit lowering of gas prices ~ all the way textiles**

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Development budget ~ good for construction materials

- **CPEC projects to be protected**
- **Diamir and Mohmand dam as being envisaged in NFC award, to be constructed within 5-6 years**
~ good for construction materials
- **Federal PSDP to be targeted at Rs725bn as compared to PKR 661bn achieved in FY18**
~ good for construction materials
- **Karachi Infrastructure Company Limited to get Rs50bn (public private partnership)**
~ good for construction materials
- **National Highway Authority (NHA) will spend Rs100bn on infrastructure projects**
~ good for construction materials

Other measures

- **Sehat Insaf Card** for the lower income group launched in KPK will now be introduced in FATA & Islamabad. More so, it will also be introduced in the *Punjab budget* by the government whereby each family will receive Rs540,000 as medical allowance
- 10% raise to be given to pensioners
- Petroleum levy increase during the last budget to be reversed by the government
- Tax evasion can be cracked down using modern technology and with this the tax authorities will save Rs 92bn. Total revenue from these measures to save Rs 183bn
- Banking transactions other than cash by non-filers to be taxed at a higher 0.6% i.e. WHT
- FED on tobacco to go up plus smuggling to be curbed
- FED on bigger cars (1800cc and above) to be increased to 20% from 10%. Duty on luxury cars to also go up
- Duty to be increased on expensive **mobile phones**
- Income tax rate on 400k to 2400k (first two slabs) to be unchanged. Tax relief for the salaried class to be increased but would remain lower than FY18
- Parliamentarians will PAY tax for accommodation & other benefits

Economy – bad indicators inherited by incumbents

- **Finance Minister stated that budget deficit for FY18 was set at 6.6% i.e. Rs 2.2trn whereas FY19 projections were set at 7.2% (PKR 2.9trn)**
- **Import cover at present is less than of 2 months (6-7 weeks). This may build pressure on PKR**
- **Public debt is Rs28,300bn at present & 5-years back it was Rs 16,000bn**
- **Foreign debt has gone up from \$ 60bn to \$ 95bn**

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Price to earnings & Price to Book, EV-EBITDA multiple

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