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Devaluation trend discouraging foreign investment

Traders Chamber Chief Khawaja Muhammad Shafiq said the present devaluation trend of the Pakistani rupee is creating panic among trade and industry quarters in the country and it must be stopped. Devaluation will discourage foreign investment in the industrial sector owing to reduction in profits in dollar terms, he said, adding that the prices of importable manufacturing raw material will also increase, which will also affect our export-oriented industry. Khawaja suggested that trade deficit must be narrowed in order to arrest the current devaluation, adding that the coalition government should increase the rate of import duty on foreign assembled vehicles, which is the largest single source of current huge trade deficit, he added. (Business Recorder, May 12th, 2008)

Sell-off list: Privatization Commission directed to drop PSO, PS and OGDC

On the direction of PPP co-chairman, Asif Ali Zardari, the government has redefined the term 'National Strategic Assets', and directed the Privatization Commission to drop a number of short-listed entities, including Pakistan State Oil (PSO) and Pakistan Steel Mills, from the sell-off programme. Sources said the Privatization Commission has been asked to strictly follow the 'national strategic assets' principle before offering any public sector entity for strategic sell-off. The short-listed entities, which on Zardari's direction have been dropped from the sell-off programme beside PSO, PS and OGDC, are Pakistan Petroleum Limited (PPL), Sui Southern Gas Company (SSGC) and Sui Northern Gas Pipeline Company (SNGPL). Pakistan's high spread for any future sovereign bond was restricting the government to go to the international market for any new issue. Pakistan's spread for any future sovereign bond has gone up to 550 points against 200 when it offered the last sovereign bond last year. High risk has been the basic factor in taking Pakistan's spread to ever highest level. In the changed scenario, the government will have to rely on sources other than the privatization proceeds for plugging widening current account deficit. (Business recorder, May 12th, 2008)

Maintaining foreign exchange reserves around \$15 billion level biggest challenge

The biggest challenge for management of short-term balance of payments is to maintain foreign exchange reserves to a level of around US \$15 billion over the next few months while financing the substantial uncovered gap in financing. More adequate reserves are necessary to ward off the speculators in the liberal global framework in which Pakistan is operating. Regarding balance of

payment adjustments, the report says the current account deficit is so large and the need for curtailment as well as curbing speculative pressures on the exchange rate is so urgent, that fiscal and monetary policies would have to be strongly supported by trade, exchange rate and foreign exchange policies and confidence building measures such as adopting a strong export orientation and clearly articulate external finance strategy. According to the report, the current account balance of payments deficit in the 2007-08 is likely to be around 7.5-percent of GDP. The authors of the report believe that this should be reduced to 5-percent of GDP in 2008-09 and 4-percent in 2009-10. (Business Recorder, May 12th, 2008)

Bangladesh to spend 12 pct of budget subsidizing fuel, food, fertilizer

The Bangladeshi caretaker government might require to spend around 12 percent of its upcoming fiscal budget on subsidies for fuel, fertilizer and food, putting a serious pressure on the country's macroeconomic stability. A 200 percent hike in fertilizer prices and almost 100 percent hike in food and fuel prices led to the record government spending in subsidies in the ongoing fiscal, as it sells the items far lower in the local market than the international prices. However, some multilateral agencies such as the International Monetary Fund and the Asian Development Bank have long been pressing the government to shed its subsidy burden, warning that the country's fiscal management is now under threat because of high borrowings to finance subsidies. (web.xinhua.com, May 12th, 2008)

Lint trading resumes on cheerless note

Trading resumed on a cheerless note on the cotton market as spinners and mills remained conspicuous by their absence. Floor brokers said for the past couple of weeks, spinners re-enter or leave the market without taking normal trading interest at this time of the season. The ideal sowing period is considered between May 15 and June 15 for a healthy crop as extremely hot weather during this time kills pest which attacks the tender plant ensuring normal growth, ginners said. Unlike the previous season, which caused the crop failure owing to defective seeds, growers are now planning to sow the certified BT cottonseeds, which, according to analysts, doubles per acre yield if properly cared, they said. Mills ready off-take was slack as only 640 bales, from a Rohri ginnery, changed hands at Rs. 3,475 per maund. (Dawn, May 13th, 2008)

British data raises doubt over June rate cut

British economic data has heightened inflation worries, reducing the prospect of a fresh interest-rate cut by the Bank of England in June, analysts said. In May, the BoE's rate-setting Monetary Policy Committee (MPC) ruled out a back-to-back rate cut to help stimulate economic growth amid stubbornly high inflation which partly stems from record high crude oil prices. The Office for National Statistics (ONS) said that producer prices rose 1.4 per cent in April from March. The increase reflected higher costs for manufacturing, tobacco, alcohol and petrol products. Input costs, or the cost of raw materials, for producers surged by a record 23.1 per cent in April, compared with 12 months earlier. (Dawn, May 13th, 2008)

FBR eyes 16pc tax-to-GDP ratio in 10 years

The Federal Board of Revenue (FBR) has sought "out of the box" proposals from the business community to meet with the challenge of improving tax-to-GDP ratio from 10.7 per cent to 16 per cent in next 10 years. "We need to have 5 per cent additionally in the tax-to-GDP ratio without which no government could undertake any meaningful development programme in the country," said FBR Chairman Abdullah Yousuf. Tax compliance, he said, needed to be drastically improved to rationalize the existing taxes. Mr Sheikh demanded of the government to offer zero-rated duty on

import of plants, machinery and raw materials in the new budget. SAARC Chamber of Commerce and Industry President Tariq Sayeed, however, opposed the tax on stock markets and real estates and said other measures be taken to increase the revenues. (Dawn, May 13th, 2008)

Wheat import target raised to 2.5m tons

Prime Minister Yusuf Raza Gilani decided that the government will import a total of 2.5 million metric tons of wheat including the 1.5 million tons approved by the Economic Coordination Committee of the cabinet recently. The meeting was held in the Prime Minister House and was attended by Finance Minister Ishaq Dar and Food, Agriculture and Livestock Minister Chaudhry Nisar Ali Khan. The official announcement said that MINFAL is hopeful that PASSCO will meet the official wheat procurement target. The prime minister directed that agreement with the Rice Exporters Association Pakistan regarding availability of 200,000 tons of rice to the Utility Stores Corporation and maintenance of additional reserves of 300,000 tons should be ensured and implemented in letter and spirit. (Dawn, May 13th, 2008)

PML-N's pullout jolts business confidence

The PML-N's decision to pull out from the coalition government over the judges' issue has jolted the businessmen's confidence. They foresee a worst economic meltdown if the judges' issue is not resolved on a permanent basis. SAARC Chamber of Commerce and Industry President Tariq Sayeed said that if the judges' issue would have been resolved, the road for the smooth economic journey would have been cleared. Food inflation and joblessness have hit the common man hard. If the government cannot resolve the judiciary issue, it should at least make serious efforts to stem the food prices," the KCCI president said. The judiciary issue is as important as the common man's suffering but the inordinate delay in the reinstatement of the judges has also made other issues, like falling exports and rising trade deficit, as non serious matters. Site Association of Industry Chairman Nisar Sheikhani urged to take drastic steps for improving the economic indicators and controlling burgeoning trade deficit, rising domestic oil and food prices. (Dawn, May 13th, 2008)

IMF points to inflationary threat in Gulf

Inflation has replaced unemployment as the most pressing short-term problem facing the oil-rich Gulf economies, which are reaping the benefits of record oil revenues but do not have the tools available to cap rising prices, the International Monetary Fund warned. Creating jobs for the region's growing youth population continued to be the main longer-term challenge for Middle Eastern oil exporters, said Mohsin Khan, the IMF's regional director, but rising prices, already a concern in Qatar and the United Arab Emirates, had now extended across the Gulf Co-operation Council members to traditionally low-inflation countries such as Saudi Arabia, where inflation is approaching 10 per cent. (Financial Times, May 13th, 2008)

Beijing takes tougher inflation stance

China announced fresh monetary tightening measures after inflation data showed price rises of 8.5 per cent in April, the second highest monthly figure for 12 years. The People's Bank of China lifted the share of funds that commercial banks must leave on deposit with the central bank by 50 basis points to 16.5 per cent, the fourth such increase this year. (Financial Times, May 13th, 2008)

UAE investors buy Pakistan farmland

One of the Middle East's largest private equity companies has been quietly buying farmland in Pakistan as part of plans by the United Arab Emirates to increase food security and to damp inflation. Dubai-based Abraaj Capital says it is working with the UAE government on the strategic agribusiness investments in Pakistan. The government in Abu Dhabi has been holding talks with Islamabad about a framework for investment in its agricultural sector as it seeks to secure cheaper long-term supplies of staples such as wheat and rice. (Financial Times, May 13th, 2008)

KCR system to be revived by 2011

Pakistan Railways (PR) has decided to revive Karachi Circular Railway System (KCR) by 2011, an official of the Ministry of Railways said. The official said that Karachi Urban Transport Corporation (KUTC) would be incharge of the project being undertaken with the assistance of Japanese company JICA, which he added would make feasibility study of the project. The project would be executed in three years on Japanese and European style. The 50 km KCR will have 21 underpasses and overhead bridges. The official said, around seven lakh passengers of 23 different stations of the city would get benefit from the project daily. He said that under the project 246 trains would ply in the city adding that each train had the capacity of carrying 1,236 passengers. Besides maintenance of KCR, the contractor would be responsible to train Pakistan Railways' staff, he added. He said that the Sindh police would provide security to the foreign engineers and other related persons, deputed to commission this project. (Business Recorder, May 13th, 2008).

Smuggling causes decline in import of motorcycle parts

Import of motorcycle spare parts has registered a decline of around 50 percent in a year due to higher duties and mass scale smuggling. About the duty structure on motorcycle spares parts, he said that during last few years, the customs duty was increased from 25 percent to 50 percent (customs duty 35 percent and 15 percent additional duty) due to which smuggling of motorcycle spare parts increased alarmingly. When asked about the solution to curb smuggling, Faisal Khalil suggested lowering of customs duty from 50 percent to 20 percent. Comparing the difference between the import duties on motorcycles and cars, Faisal Khalil said that since the motorcycle was the necessity of a poor man, hence the Federal Bureau of Revenue (FBR) should realize the affordability of the users of motorcycles and cars. Likewise, the duty on spare parts of motorcycles was 50 percent, while the import duty on motor car parts was only 35 percent. Besides, there was an additional duty on motor car spare parts. (Business Recorder, May 13th, 2008).

Traders object to unilateral pricing of imported items

The business community has alleged that the Directorate-General of Customs Valuation, Karachi, has unilaterally issued valuation ruling on customs duty assessment on import of certain goods, without obtaining viewpoint of the concerned associations. Pakistan Pharmaceutical Manufacturers Association said that there is sales tax on packing material, but no sales tax on the end product. Duty ranging between zero percent to 15 percent is being levied on the import of dyestuffs under different Pakistan Customs Duty (PCT) headings. Munawwar Iqbal, Chairman, Pakistan Computer Association, briefed the FBR on the negative impact of sales tax on computer sector and demanded total withdrawal of sales tax on the industry. Pakistan Plastics Manufacturers Association raised issues pertaining to extraordinary increase in prices of plastics and impact of customs duty and sales tax on the overall price increase in plastic products. Iftikhar Ali Malik raised several issues pertaining to customs duty on import of seeds, sales tax and income tax. He suggested measures to

increase the number of filers of income tax returns. Data showed that 327 importers of Karachi, Lahore and Faisalabad imported goods in one year. (Business Recorder, May 13th, 2008).

Balochistan seeks Sindh's help: Revenue generation

The Balochistan government has sought the assistance of Sindh to increase its tax revenue which currently stood at Rs500 million compared to Sindh's revenue of Rs. 9,500 million. The assistance was sought by Balochistan's Excise Minister Rustam Jamali during his meeting with his counterpart Mukesh Kumar Chawla in Karachi recently. Rustam Jamali also requested the Sindh minister to allow collection of motor vehicle tax on vehicles registered in Karachi. The meeting was also attended by Sindh's excise secretary Naseer Jamali and director-general excise, Quetta, Raza Khan. (Dawn, May 14th, 2008)

US firm to help boost cotton output in Pakistan

The Ministry of Food, Agriculture and Livestock (MINFAL) and a US company signed a letter of intent (LoI) to expand cotton production in Pakistan by introducing Monsanto-derived insect protection technology 'Bollgard'. MINFAL Secretary Muhammed Zia-ur-Rehman and Monsanto's Asia Pacific Vice President Andre Dias signed the LoI. The MINFAL secretary said on the occasion that the move was aimed at advancing transgenic technology in the agriculture sector of the country and it would help implement practical solutions to expand cotton production through commercialization of technology. Mr. Dias said that Monsanto was a leading global provider of transgenic technology-based tools and agricultural products that had successfully improved farm productivity. (Dawn, May 14th, 2008)

Malaysia, Romania to invest in Pakistan

Business delegations from Romania and Malaysia have expressed their interest to invest in Pakistan, particularly in infrastructure sector. Briefing the delegation, Mr. Aijaz outlined the government policy on public-private partnerships and the opportunities available in the infrastructure development projects. Separately, a Malaysian delegation led by Wan Mohamed Yaacob Bin Dato' Wan Salaidin, Executive Director, Dwitasik SDN BHD, was briefed by the IPDF chief executive on the investment opportunities in Pakistan at a presentation held at the Board of Investment. The delegation expressed keen interest in the public-private partnership programme and the opportunities available for the Malaysian investors in Pakistan. (Dawn, May 14th, 2008)

JBIC doubles ODA for development projects

The Japan Bank of International Cooperation (JBIC) has doubled its Official Development Assistance (ODA) to the tune of 47.973 billion yen or approx 478 million dollars to Pakistan as in the 2006 financial year, the assistance was only 23,157 million Yen for development projects. Under the agreement, the JBIC would provide an ODA of 478 million dollars to Pakistan's 4 projects - the Punjab transmission lines and grid stations project (I), the Punjab irrigation system improvement project, the rural road construction project (II) (Sindh) and The east-west road improvement project (N70) (I) - a JBIC statement said. According to the agreement, the Punjab transmission lines and grid stations project (I) aims at improvement of the transmission lines and grid stations in Shalamar, Lahore, and Rahimyar Khan. The second project, the Punjab irrigation system improvement project aims at improving agricultural productivity by rehabilitating the irrigation system, better water resource management, improving irrigation service and establishing farmers' organization and covering the area of Bahawalpur, D.G. Khan, and Faisalabad. The third project, rural road construction project (II) (Sindh) will improve rural roads in Sindh and this assistance will help the government to connect a number of villages in Sindh with each other and also to the nearest main

roads in the remote areas. The fourth project, the east-West road improvement project (N70) (I) will link Multan in Punjab with Qila Saifullah in Balochistan, and assist to construct a 34-kilometere carriageway between Rakhi Gaaj and Bewata. (Business recorder, May 14th, 2008)

FPCCI for promoting SMEs, farm productivity

The private sector has suggested to the government to take a policy shift to promote the culture of small and medium businesses in Pakistan, besides tapping potential of agro-based industry for increasing farm productivity for food security to the people. The Federation of Pakistan Chamber of Commerce and Industry (FPCCI) president Shaikh Tanvir Ahmed, Saarc Chamber of Commerce and Industry president Tariq Sayeed and co-chairman Iftikhar Ali Malik gave their views for promotion of Small and Medium Enterprises (SMEs) livestock and agro-based industry at a seminar held in Islamabad. Tariq Sayeed stressed the need of facilitating SMEs for creating more jobs and helping the government to cut down poverty in Pakistan. (Business recorder, May 14th, 2008)

IGI Funds, Pak Brunei Company sign MoU

IGI Funds Limited, a part of the IGI Financial Services Group, signed a memorandum of understanding (MoU) with Pak Brunei Investment Company to set up a 'Hybrid Portfolio Fund' which will offer a steady income while providing a high degree of principal safety to its investors. Speaking at the ceremony, Ms. Ayesha Aziz, Managing Director, Pak Brunei Investment Company Ltd, expressed confidence that the Pakistani mutual fund market will continue to grow. "We are pleased to sign a memorandum of understanding with Pak Brunei Investment Company to act as fund managers for the PBIC Hybrid Portfolio Fund and believe that the fund will provide good value in terms of risk-adjusted returns and expect that the Portfolio mix will dominate the mutual fund industry in its asset class in the years to come," said Mr Ali Azam Shirazee, CEO, IGI Funds Limited. (Dawn, May 15th, 2008)

R&D support for garment exporters likely to stay

The textile ministry has assured readymade garment exporters that it would fully back their demand for continuation of Research and Development (R&D) support which is coming to an end on June 30. Similarly, he said when one bale of raw cotton is exported it earns \$238, whereas clothing made and exported from one bale of cotton earns \$1,600. PRGMEA (South zone) chairman Shahzad Saleem said in view of regional and world market conditions of tough competition, it seems that our apparel industry and exporters are losing their markets owing to high cost resulting from domestic inflation and lowering world market prices. Mr. Saleem said the R&D support was vital for the survival of apparel industry which needs duty-free market access in the US and the EU. (Dawn, May 15th, 2008)

Islamic finance urged to align standards

The biggest challenge facing the Islamic finance industry's integration into the global financial system was harmonizing standards to sustain its continued rapid growth, central bankers and executives said. Shamshad Akhtar, governor of the State Bank of Pakistan, told participants Islamic finance should position itself to cope with the coming challenges which greater integration posed. Mitigating the negative impact of wider exposure to the international financial system required promotion of different types of risk sharing methods with greater equity and asset backed financing, Akhtar said. Akhtar said the greater internationalization of sukuks would not only widen the integration of Islamic finance into the global financial system but meet the growing project finance needs of Islamic countries. (Dawn, May 15th, 2008)

Signs of an end to soaring food prices

The soaring food prices that have triggered global political and economic turmoil over the past year have finally shown the first tentative signs of stabilizing. The United Nation's Food and Agriculture Organization food price index, considered the best measure of global food inflation, saw its first decline in 15 months in April, as wheat, dairy, sugar and soyabean prices fell. (Financial Times, May 15th, 2008)

Fiscal deficit to be cut to five percent: Senate informed

The government said it would bring down fiscal deficit to 5 percent by end of the year from existing 8.5 percent and increase wages of the government employees to provide them some compensation for the rising prices of essential commodities. "It is the previous government which is responsible for inflation. The huge borrowing by previous government for budget has also contributed greatly to inflation by increasing money supply in the market", Ports and Shipping Minister Naveed Qamar responded to the criticism while winding up debate on price-hike in the Senate. "We will devise short, medium and long-term policies to overcome price-hike of essential commodities", he added. Naveed Qamar said the government has also taken notice of the rice price-hike and it has been decided to fix minimum export price of the commodity to ensure its supply in the local market at reasonable prices. He said the government employees, who are facing greater hardships due to unprecedented price-hike, would be duly compensated in the next budget by giving them substantial financial relief. Qamar sought suggestions from the members to control price-hike. (Business Recorder, May 15th, 2008)

Rising cost of doing business: business leaders urge government to offset inflationary pressures

Business community has urged the government to take appropriate measures to arrest falling rupee value against dollar, contain and curtail inflation, reduce load shedding and stabilize economic conditions. Shaikhani opposed the proposal for further increase in oil prices, and said that it would adversely affect the cost of production, increase prices of all the goods produced locally as well as goods would become out of reach of poor and the middle income group. Expressing concern over reports suggesting further increase in oil prices, gas and power tariffs, he said that the government must subsidize oil, gas and power to boost economic activities in the country. Recalling 100-day package of the present government, he said wheat flour prices increased to Rs. 28 per kilogram, oil and CNG prices increased thrice, power tariff also increased. Referring to recent increases in CNG rates, he claimed that the CNG prices had been increased without the approval of Oil and Gas Regulatory Authority (OGRA). He also opposed the OGRA plan of further increase in oil prices. (Business Recorder, May 15th, 2008)

Food crisis sparks role reversal in WTO

The food crisis is bringing about a role reversal in the World Trade Organization: traditionally liberal major food exporters are now imposing restrictions on exports while protectionist states are pushing for liberalization. To deal with the recent hike in food prices, Argentina, Brazil, Vietnam, India and Egypt have all imposed limitations on the export of certain produce in order to ensure food security for their populations. A net food importer, Japan imposes extremely high tariffs of some 500 percent on rice to protect its own market. The plan proposed by Tokyo would require countries imposing restrictions to notify the WTO within 90 days and to justify the move. Currently, according to the 1994 agreement on agriculture, developing countries can impose restrictions on exports. For some observers of developing nations, such restrictions on exports risk aggravating the situation for the world's poorest. (Hindustan Times, May 15th, 2008)

Rs. 5bn Musharika facility for QICT

The National Bank of Pakistan (NBP) has arranged Rs5 billion syndicated Islamic finance facility for the expansion of Qasim International Container Terminal (QICT). The Musharika facility has been jointly advised and arranged by the NBP, Dubai Islamic Bank and Standard Chartered Bank. NBP President Syed Ali Raza and QICT Chief Executive Officer Changez Hassan Niazi signed the agreement. Speaking on the occasion, the NBP president said that his bank was arranging syndicated Islamic financing for large infrastructure development projects to take these facilities at par with international standards. Ali Raza said that banks have become strong enough in Pakistan to finance mega projects. Notwithstanding, mega project with a financial requirements of Rs20 to 30 billion should be funded through hybrid facilities, involving multilateral funding institutions. (Dawn, May 16th, 2008)

Worst of financial crisis is over: IMF

Growth has slowed in most major economies in the wake of a slump in the US housing market, which has triggered extreme financial market volatility and reluctance among banks to make all but the safest loans. After months of nerve-wracking swings in financial markets, optimism has begun to emerge among market participants that the worst of the storm has blown over since the collapse of the US investment bank Bear Stearns in mid-March. While past financial crises tended to be triggered by problems in developing countries, often with current account problems, Strauss-Kahn warned that in the long-term, the recent turmoil would likely be “a taste of the new kind of crisis that we are going to face.” With big developed economies such as the United States and Europe slowing following the turmoil, Strauss-Kahn said, emerging countries would be the biggest motors behind world growth this year. (Dawn, May 16th, 2008)

UK looking for partners to multiply investment

Senior country manager of UK Trade and Investment for South Asia Peter Courtney has said that Britain was ready to multiply its investment in Pakistan provided the potential local businessmen come forward. Addressing businessmen and industrialists at the Lahore Chamber of Commerce and Industry on Thursday, he said that the UK was the largest foreign investor in Pakistan. Mr. Courtney said that the British government would continue to facilitate Pakistani businessmen for the promotion of bilateral trade. (Dawn, May 16th, 2008)

Switzerland wants to expand trade relations with Pakistan

Speaking in a meeting of Korangi Association of Trade and Industry (Kati), the Consul General (CG) of Switzerland, Martin Bienz said that his country had a strong economy and Pakistan could benefit from its experience. Bienz said that the Swiss businessmen are exploring possibilities of Business Avenue in Pakistan. 'We have Pak-Swiss friendship and the Swiss business consul forums are functioning for promoting business in Pakistan', he added. The total Swiss export for January-December 2007, were 206,008.8 million Swiss Franc and export to Pakistan was to the tune of 330.04 million Swiss Franc in the same period, he added. The majority of industries located in the KIA were export oriented and hence earn a great deal of foreign exchange besides providing jobs to hundreds of thousands workforce in industries like oil refineries, lubricating oil blending plants, tanneries, leather and leather garment factories, textiles, garments, silk and towel factories etc. (Business recorder, May 16th, 2008)

OPEC trims 2008 global oil demand forecast

OPEC trimmed its forecast for global growth in oil demand in 2008, the latest sign that record oil prices are slowing consumption in the industrialized world. The exporter group also cut its estimate

for oil supply from non-member countries in 2008, leading to a slight increase in the amount of crude its 13 members need to pump to balance the market. (Financial Times, May 16th, 2008)

World Bank calls for greater investment in agriculture

The World Bank (WB) on Friday stressed the need for greater investment in agriculture sector in Pakistan, a country where wheat and rice prices are hitting the pocketbooks of poorest citizens and high energy prices and increased water scarcity are squeezing the farmers. Drawing from the “World Development Report 2008: Agriculture for Development” some leading agriculture experts of the WB have asked for increased investment in the agriculture of Asian countries including Pakistan, a region that houses over 600 million rural poor. The report says over the past 20 years, agriculture in these developing countries has suffered a lot. The WB report says in many countries, slow growth in agriculture sector coupled with a rapidly growing non-agriculture sector has widened rural-urban income gaps creating social and economic tensions. Yusupha Crooks, WB’s Country Director for Pakistan has stressed the relevance of the report for Pakistan. The report says the growth originating in agriculture is four times more effective in reducing poverty than the growth coming from non-agriculture sectors. (Dawn, May 17th, 2008)

Non-availability of kerosene oil: over 150 paint units close down

Over 150 paint factories have closed down their operation due to non-availability of kerosene oil for the last 16 days. Kerosene oil is the basic raw material of paint industry. Some 150 paint companies were operational in Karachi and were supplying their products across the country. Besides paint industry, some other industries, including varnish, resin, and insecticides also have been hurt with this action of oil marketing companies. Despite the no change in the petroleum product prices the oil marketing companies had not restored the supply of kerosene oil, he said. (Business recorder, May 17th, 2008)

Poverty Reduction: policymakers more accessible to citizens after devolution: World Bank

The accessibility of policymakers to citizens in Pakistan is unequivocally greater after devolution, and the local government elections are, with some notable exceptions, as competitive as national and provincial elections. This has been observed in a study of South Asia Region by World Bank's Poverty Reduction Economic Management Department. It examines the degree of accessibility of local policymakers and the level of competition in local elections, the expenditure patterns of local governments to gauge their sector priorities, and the extent to which local governments are focused on patronage or the provision of targeted benefits to a few as opposed to providing public goods. According to the study, local governments in Pakistan do not exist in isolation, and any discussion of local government accountability must take into consideration the inter-governmental framework and the actions by higher tiers of government, particularly the provincial government, in sectors that are formally devolved. (Business recorder, May 17th, 2008)

PIA will not be privatized: minister

Defence Minister Ahmed Mukhtar said the national airline was suffering a big financial loss every month, yet it would not be privatized. Talking to media at PIA Head Office, he said that the airline would have to raise Haj fares. The Minister said that defective policies of previous management were responsible for the present condition of the PIA. On the occasion, a large number of PIA employees demonstrated outside PIA Head Office, demanding regularization of contract employees. (Business recorder, May 17th, 2008)

UN urges nations to help tackle food crisis

Japan and other Group of Eight countries should shift a greater proportion of their overseas development assistance to agriculture in order to tackle the current food crisis, the most senior United Nations' agriculture official said. Jacques Diouf, director-general of the UN's Food and Agriculture Organization, said that as chair of the G8, Japan should take the initiative in reversing the fall in the proportion of ODA allocated to agriculture. (Financial Times, May 17th, 2008)

Foreign Direct Investment rising despite negative indicators

Despite discouraging economic and political indicators, Foreign Direct Investment (FDI) improved substantially in April to take the total close to \$3.5 billion in 10 months of the current fiscal year. The country, with a high risk profile, record trade deficit and trapped by domestic record fiscal deficits, is still attractive for foreign investors to make profits out of this situation. The State Bank reported that foreign direct investment (other than investment in stock market) reached \$3.481 billion in 10 months of 2007-08. Analysts said foreign investment would help the country improve its strength against the over-loaded trade deficit and support the weakening local currency. Inflows were highest in telecommunications, financial sector and oil and gas exploration. The FDI trend in Pakistan is different from India and China where FDI landed in various sectors, including manufacturing and production sectors, which helped these countries, keep their growth rate much higher than all other countries. (Dawn, May 18th, 2008)

July-April foreign investment down 39.5 percent

Net foreign investment declined by over two billion dollars or 39 percent during the first 10 months of the current fiscal year mainly due to high portfolio investment outflows and political uncertainty in the country. The State Bank of Pakistan on Saturday issued latest statistics of foreign investment comprising foreign direct investment and portfolio investment, which shows an overall 39.5 percent decline during July-April of FY08 as compared to same period of last fiscal year. Net foreign investment stood at 3.601 billion dollars during the first 10 months of the current fiscal year as compared to 5.949 billion dollars in the corresponding period of FY07, depicting a decline of 2.348 billion dollars during July-April of FY08. Total private investment including privatization proceeds shows a decline of 32.2 percent to 3.58 billion dollars, while excluding privatization proceeds, the investment has dipped by 33 percent to 3.447 billion dollars during the first 10 months of FY08. (Business recorder, May 18th, 2008)

IMF team briefed on 2008-09 budget strategy

The economic team of the government on Saturday briefed the visiting International Monetary Fund (IMF) mission on the 2008-09 budget strategy being followed by it to overcome fiscal difficulties in short span of time available. State Bank of Pakistan (SBP) Governor Dr. Shamshad Akhtar also briefed the mission on Pakistan's monetary policy. The IMF mission is in Islamabad for reviewing Pakistan's economy and performance of its key sectors during last 10 months of the current fiscal year. A delegation of Pakistan's economic team had attended the IMF/WB annual meeting in Washington and had briefed its officials on government strategy to minimize the damaged done by the last government to the economy and its strategy for coming out of the crisis-like situation. Pakistan's economy is under massive pressure and the government is focused on correction. (Business recorder, May 18th, 2008)