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WTO CELL

PLANNING & DEVELOPMENT DEPARTMENT

WEEKLY ECONOMIC DIGEST

23rd to 29th June, 2008

A shift in Punjab's economic policy

Punjab's budget for the next financial year beginning from July 1 the first by the PML(N)-PPP coalition in the province indicates a shift in some key economic and fiscal policies pursued by the previous PML(Q) government since 2003. The provincial government has estimated to receive just below Rs24 billion in budgetary support next year from the multilateral institutions, down by Rs. 15.771 billion from the budgeted amount of Rs. 39.747 billion and Rs. 29.5 billion from actual receipts for the current year. Special infrastructure programme – Lahore Ring Road (Rs. 20 billion), Sialkot-Lahore Motorway (Rs. 2 billion) and Lahore Rapid Mass Transit System (Rs. 7 billion) has been allocated Rs. 29 billion, down by Rs. 11 billion from the original estimates of Rs. 40 billion and up by Rs. 7.775 billion from the revised estimates of Rs. 21.250 billion for the outgoing year. Interestingly, the provincial government will finance the increased development spending from the revenue surplus of just below Rs. 133 billion and savings from the foreign budgetary support loans (or the capital account surplus) of Rs. 13.593 billion and foreign project-based loans of Rs. 11 billion. (Dawn, 23rd June, 2008)

Subsidies: good or bad economics

The government will continue to levy the sales tax that tends to increase the oil price by about 15 to 20 per cent. In the budget 2008-09, the allocation for food, fuel, power subsidies has been slashed by 25 per cent from current Rs. 404.48 billion to Rs. 295.20 billion during the year ahead. There is no mention of exempting essential items from government levies to provide some relief to consumers. Apart from withdrawal of subsidy from other essentials, just oil price increase will affect the prices of consumer items in the range of 10 to 20 per cent of the increment. The officials at the finance ministry spoke of difficult economic conditions the coalition government has inherited and the worsening current account deficit threatening the viability of the economy. (Dawn, 23rd June, 2008)

The sluggish agricultural growth

What was disappointing about the performance of the economy in 2007-08 was not so much of its modest or low performance, as much as the vast gap between the very high target set and the reality. As a result, instead of the growth target of 7.2 per cent, the GDP grew by only 5.8 per cent. This achievement is not too low compared to the last year's high growth. The major crops recorded a negative growth of three per cent. Livestock, in view of the high price of meat saved the situation by recording a growth of 3.8 per cent. Wheat flour price shot to Rs. 30 a kilo but the small grower was not the beneficiary as he had sold the wheat at a low price. Shaukat Aziz as prime minister had

convincingly announced that if the Indian economy can achieve nine per cent growth, Pakistan can as well. In the livestock area, consistent high price calls for greater input by farmers for developing modern cattle and dairy farming. Farm loans are not available to small growers, regularly and adequately. Unless there is a radically new approach to agriculture, inclusive of land reforms, liberal loan facilities, and cheaper inputs, agri production cannot increase. (Dawn, 23rd June, 2008)

Privatization of SME Bank and its fallout

Two related but apparently contradictory developments took place in early June 2008. There were reports of an Italian government offer of soft loan to SME Bank Ltd. Simultaneously, there were reports on 19 Pakistani and international investors' expressions of interest (EOIs) for acquisition of the SME Bank Ltd. SME Bank is a badly needed development finance institution (DFI) which also happens to possess a commercial banking licence. The SME Bank would advance this amount to enterprises at a maximum mark-up of four per cent on loans in euro and eight per cent on loans in rupee. The last date for receiving EOIs for divestiture of nearly 94 per cent shares of SME Bank was May 31, 2008. The framework for promoting SMEs largely comprises the SME Bank, SMEDA and SME Business Support Fund. SMEDA is not only an SME policy-advisory body for the government but also facilitates other stakeholders in addressing their SME development agendas. The SME Business Support Fund is a not-for-profit company. There is no loan financing to the SMEs. The SME Policy 2007 says: "Creation of the SME Bank also marks the government's commitment towards SME development agenda". (Dawn, 23rd June, 2008)

Mobilization of national savings

Finance Minister Syed Naveed Qamar had recently said that borrowing from the State Bank had reached "unacceptable level" and was the major source of inflationary pressure. Analysts believe that the mobilization of domestic savings through national savings scheme for productive investment will help tame inflation. With the interest rates increased by two per cent, the CDNS is geared to mobilize Rs.150 billion to help minimize the government's financial difficulties during a challenging year, says the CDNS official. The latest two per cent increase in interest rate on saving schemes will certainly help generate Rs.150 billion in 2008-09. He said that the borrowing from the national savings scheme is cheaper than the central bank. "The central bank is charging 10.4 per cent interest from the government while CDNS is offering similar lending at seven per cent interest rate", the official said. Analysts say that successive governments failed to offer proper incentives to increase domestic savings. (Dawn, 23rd June, 2008)

Rupee weakens on dollar demand

The rupee remained mostly fluctuated this week against the American and European single common currencies. Strong dollar demand from importers, amid tight supplies persisted in the local currency market on the opening day of the week. The rupee in the inter bank market lost 30 paisa against the dollar on the buying counter and another 24 paisa on the selling counter and traded at Rs. 66.95 and Rs. 66.99 on June 16, against previous week close of Rs. 66.65 and Rs. 66.75. On June 18, the rupee again weakened against the dollar. The rupee suffered a sharp decline in relation to dollar, losing 20 paisa and trading at Rs. 67.85 and Rs. 68.10 on June 16, after closing previous week at Rs. 67.65 and Rs. 67.90. The rupee posted fresh losses of 30 paisa for buying and 25 paisa for selling with dollar changing hands at Rs. 68.15 and Rs. 68.35. On June 18, the rupee sustained its overnight level against dollar on the buying counter, while gaining 10 paisa on the selling counter to trade at Rs. 68.15 and Rs. 68.25. It gained 25 paisa on the buying counter and 15 paisa on the selling counter, changing hands versus the dollar at Rs. 68.10 and Rs. 68.35. The rupee however, managed to recover

from overnight weakness over the euro on the third trading day, gaining 15 paisa to trade at 105.25 and Rs. 105.35 on June 18. On June 19, the rupee extended its weakness and shed 30 paisa to trade at Rs. 105.55 and Rs. 105.65. Sterling gained one per cent versus a broadly weaker dollar to \$ 1.9666. Against the yen, the dollar fell 0.2 per cent to 107.94 yen. The dollar was 0.1 per cent lower at 107.80 yen. The euro fell as low as \$1.5467 in overnight trade. (Dawn, 23rd June, 2008)

Notes issued and in circulation increase

The State Bank of Pakistan raised the cut off yield on treasury bills of all three maturities. The benchmark six month T-bills rate went up to 11.49 per cent from 11.24 per cent. Notes in circulation stood at Rs. 1,068.590 billion against earlier week's figure of Rs. 1,051.806 billion, a rise of Rs. 16.784 billion. It stood at Rs. 155.082 billion over preceding week's figure of Rs. 166.984 billion, a fall of Rs. 11.902 billion. Compared to last year's corresponding figure of Rs. 138.863 billion, the current week's figure is larger by Rs. 16.219 billion. The current week's figure is smaller by Rs. 11.376 billion over last year's corresponding figure of Rs. 61.153 billion. The export sector received Rs. 99.854 billion against previous week's figure of Rs. 100.215 billion, smaller by Rs. 0.361 billion. It fell to Rs. 421.289 billion over preceding week's figure of Rs. 433.961 billion, a fall of Rs. 12.672 billion. Borrowings by specialized banks stood at Rs. 81.441 billion, against preceding week's figure of Rs. 81.236 billion. (Dawn, 23rd June, 2008)

Finance Bill approved by National Assembly: Supreme Court judges number raised to 29

The National Assembly passed the Finance Bill 2008 approving the federal budget for financial year 2008-09 with total outlay of over Rs. 2 trillion. Finance Minister Naveed Qamar moved the motion to pass the bill, which was adopted by the House. Later, the House passed the Bill with certain amendments proposed by government to give effect to the Bill from July 1, 2008. Seven clauses were omitted whereas another six clauses were amended. The omitted clauses were 2, 3, 4, 13, 7, 22 and 27, and the clauses which were amended are clause 8, 15, 16, 24, 26 and clause 28. (Business Recorder, 23rd June, 2008)

Major amendments made

The Federal Board of Revenue (FBR) has withdrawn fixed income tax on builders and developers and imposed federal excise duty (FED) on the services of property developers/promoters; revised excise duty structure on cigarettes; substantially reduced withholding tax on purchase of new cars and restricted urban area limits for levying capital value tax (CVT) on the purchase of immovable property through amendments in the Finance Bill (2008-2009). Tax authorities have also allowed exemption from withholding tax on different categories of exporters including direct/indirect exporters covered under the Duty and Tax Remission for Export (DTRE) scheme; goods temporarily imported for subsequent re-exports and manufacturing bonds facility. Withholding tax exemption has also been extended on import of cotton lint, cotton yarn, and fabrics. The limit of total taxable income of senior citizens has been increased from Rs. 400,000 to Rs. 500,000 to allow 50 percent rebate on tax liability. (Business Recorder, 23rd June, 2008)

July-May food import bill up \$3.86 billion

Country's food import bill has surged to new peak level of around four billion dollars due to the shortfall in the crops and rising world commodities prices. The food items import comprised milk, cream, milk food for infants, wheat, dry fruits, and nuts, tea, spices, soyabean oil, palm oil, sugar, pulses, and other items. Wheat and palm oil imports are chief contributor to the rising food import bill, which share in the overall food import stood at 58 percent. The import of wheat and palm oil

surged to 2.244 billion dollars during the first 11 months in the current fiscal year against the imports of 868 million dollars in the corresponding period last fiscal year, depicting an increase of 1.376 billion dollars. Experts believed that the import bill of food group in the future would further raise due to the continuous import of commodities, including wheat, sugar, palm oil, pulses, dry fruits, tea, etc. (Business Recorder, 23rd June, 2008)

Chinese agree 96% jump in ore prices

Global inflation fears deepened as Chinese steelmakers agreed to a record increase in annual iron ore prices in a move likely to boost the cost of cars, machinery and other products. Chinese millers agreed to pay Anglo-Australian miner Rio Tinto up to 96.5 per cent more for their ore supplies this year, the largest ever annual increase and well above the 9.5 per cent increase paid last year. (Web. Financial Times, 23rd June, 2008)

SECP takes market stabilization steps: Lower circuit restricted to 1pc; short sale banned

Following the steep decline of 28 per cent, representing 4,500 points in the KSE-100 index from its peak two months ago, including more than 4 per cent drop, an anxious Board of Karachi Stock Exchange and the chief regulator-SECP, finally came up with four 'market stabilization measures' late in the evening. It was mutually decided to adopt the following market stabilization measures. As a force measure for a period of 30 days, the currently applicable security-wise circuit breakers in Ready, Deliverable Future Contracts and Cash Settled Future Contracts markets will be revised as follows, which will be reviewed again on July 15, 2008: Lower Circuit Breakers will be applicable at price fluctuation of 1 per cent from the closing price of the previous day. Upper Circuit Breakers will be applicable at price fluctuation of 10 per cent from the closing price of the previous day. Short Selling will be completely prohibited in Deliverable Future Contract Market as currently allowed under Clause 6 (i) of the relevant Regulations. Tender of Mark to Market Losses will remain in cash in the Futures Markets. (Dawn, 24th June, 2008)

Tariff agreed for HUBCO plant

The tariff structure for HUBCO's 225MW power plant has been agreed with the National Electric Power Regulatory Authority. The statement said that the plant is powered by 11 of the largest, 18 cylinder, V configuration versions of the most powerful four-stroke engine of MAN Diesel's stationary power generation programme. The engines will burn residual fuel oil and will operate in a combined cycle arrangement with a total net electrical capacity of 213.60 MW at site condition. The output of the 11 generator sets is complemented by a steam turbine generator driven by steam produced from the engine exhaust gases. (Dawn, 24th June, 2008)

Pakistan's exports face greater barriers: World Bank

Pakistan's exports face much greater barriers than other South Asian economies because of a less favourable governance environment and a weak control on corruption, says the World Bank. The 2007 MFN-applied simple average tariff (14.1 per cent) is comparable to the regional average (14.4 per cent), but the import weighted (15.3 per cent) tariff average is higher than the regional mean (12.9 per cent), with both indicators above the low income country group averages. Unlike most other South Asian countries, almost all (98.7 per cent) of Pakistan's tariffs were bound. Pakistan's estimated real growth in trade was a low 0.9 per cent in 2007. This follows high growth rates of 18.5 per cent in 2005-06, and moderately high rate of 6.9 per cent in the early 2000s. The services' share in total exports is a low 17.2 per cent, with transport being the most important service export. (Dawn, 24th June, 2008)

Rs. 391 billion supplementary grants approved by National Assembly

National Assembly on Monday approved supplementary grants worth Rs. 391 billion charged expenditures of Rs. 190 billion and uncharged expenditure of Rs 201 billion - for different ministries and divisions against a total of 131 demands for 2007-08. On the other hand, the National Assembly approved excess demand estimated at Rs. 69.72 billion for 1996-97 and 1999-2000 against a total of 46 demands, including charged expenditures of Rs. 55.46 billion and uncharged expenditure of Rs. 14.26 billion. A total of Rs. 1.56 billion has been granted to the Cabinet Division and the Food Ministry has been granted Rs. 850 million to meet expenditure for the ongoing fiscal year. For 2007-08, a sum of Rs. 6.5 billion has been granted to Defence Services, while Rs. 7.27 billion has been granted to Defence Services for 1996-97 and 1999-2000. Water and Power Division has received Rs. 2.1 billion for the current fiscal year. (Business recorder, 24th June, 2008)

US House approves \$150 million new assistance

The US House of Representatives has approved \$ 150 million in new assistance for Pakistan to address economic needs in the next fiscal year. Meanwhile, the United States has also made a long-expected reimbursement tranche of \$ 373.841 million to Pakistan under coalition support fund. A senior US military commander, meanwhile, acknowledged Pakistan's massive security efforts along Pakistan-Afghanistan border and said anti-terrorism partners in the region are trying to build on lines of communication. They've lost well over a thousand soldiers over the last couple of years in trying to do so," Major General Jeffrey Schloesser, who commands combined Joint Task Force- 101 in eastern Afghanistan, said. Answering a question, he said senior Pakistani, coalition-US and Afghan security officials are working in a joint investigation into the June 10 air strike incident in Mohmand area. (Business Recorder, 25th June, 2008)

Japan and NWFP become credible social services sector partners

The Government of NWFP and Japan agreed to be credible partners in the social services sectors of the province. The decision was taken during a meeting between the officials of NWFP government and Ambassador of Japan in Islamabad Seiji Kojima. Afrasiab Khattak provincial Chief of the ruling ANP led the team of the government of NWFP comprising Provincial Ministers Sitara Ayaz, Sardar Hussain Babak, Arshad Abdullah and others. The Japanese Ambassador said that "There are ongoing schemes in social sectors and there would be schemes for social sector development in future as well" that would reinforce the existing level of partnership between the Japanese Govt. and the Govt. of NWFP. Sitara Ayaz, Sardar Hussain Babak and Arshad Abdullah were of the opinion that the provincial government was all out for the gender development, strengthening political dispensation and investment to remove insecurity, as these are the roots causes for backwardness, social evils. The Japanese Ambassador assured to be a credible partner of the NWFP Government in making services in the social sectors efficient in the province. (Business Recorder, 25th June, 2008)

Government flayed for not allowing duty-free import of paper

All Pakistan Papers Merchant Association's former vice-chairman and Lahore Chamber of Commerce and Industry (LCCI) executive member Khamis Saeed Butt has said the government has refused to accept their demands of placing the printing paper in the list of essential items and allowing the duty-free import in the Federal budget. He told that the paper prices were increasing in the international market. As a result, the local manufacturers had also increased the prices, he said, adding despite of the fact that the quality of the local paper was cheap; the manufacturers were demanding the prices of international market. He also said the provincial government was trying to

increase the literacy rate by providing free books to children and it had recently increased the allocation of funds in the education sector by spending millions of rupees. (Business Recorder, 25th June, 2008)

Makro to invest \$300 million for opening 30 more stores

Prime Minister Syed Yousuf Raza Gilani said that all economic sectors in the country are open to foreign direct investment (FDI) and a-level-playing-field is provided to both local and foreign investors allowing 100 percent foreign equity. He was talking to Farhad Zulfiqar, executive chairman, Makro Habib Pakistan, a joint venture between Makro Cash and Carry, a leading Dutch wholesaler of food and non-food products in Asia and South America and House of Habib Pakistan, who called on him here at the PM House morning. Farhad Zulfiqar told the prime minister that Makro Cash and Carry has 172 stores worldwide, including in five countries of Asia and four countries of South America and has an annual turnover exceeding four billion euros. Secretary Industries and Secretary Board of Investment attended the meeting. (Business Recorder, 25th June, 2008)

3pc mark-up facility for spinners ends

The State Bank of Pakistan has instructed the banks and development finance institutions (DFIs) to suspend the facility of three per cent interest rate discount for the spinning sector from July 1, till further instructions. In a circular issued to the banks and DFIs, the central bank's microfinance department informed them that the federal government had directed the State Bank not to allow the interest rate subsidy to the spinning sector after June 30. The new State Bank instruction has, however, created panic among the spinners because the subsidy is adjusted to their loan instalments after every six months. The subsidy for the period from January to June 2008 is to be adjusted in July," says a leading spinner and yarn exporter. "The government has budgeted funds for the subsidy in this year's budget. (Dawn, 25th June, 2008)

State Bank stops receiving R&D claims

The State Bank's decision to stop receiving Research and Development support claims of exporters from Wednesday, June 25, has panicked exporters, who were working on shipments as per the commerce ministry's notified deadline of June 30, 2008. Textile apparel leaders have taken strong exception to the sudden and unilateral decision taken by the SBP in its circular of June 23, 2008, notifying cut-off date for receiving R&D support claims from textile exporters up to June 25, 2008, against shipments in 2007-08. Pakistan Knitwear and Sweater Exporters Association central chairman Rafiq Habib Godil told Dawn that the SBP circular had panicked the exporters and they have stopped working on export orders. Muzammil Husain, chairman R&D committee Towel Manufacturers' Association urged upon the prime minister to intervene and save the crisis ridden value-added textile industry from such arbitrary decision. (Dawn, 25th June, 2008)

India raises interest rate

India's central bank unleashed a fresh round of monetary tightening, raising its key short-term lending rate by half-a-percentage point after inflation hit a 13-year high of over 11 per cent. The Reserve Bank of India raised its repo rate at which commercial banks borrow funds from the central bank to 8.5 per cent from 8.0 per cent effective immediately. It also announced a two-stage hike of the Cash Reserve Ratio, or the amount of cash banks must hold in reserve, by 25 basis points to 8.50 per cent effective July 5, and by another 25 basis points to 8.75 per cent on July 19. The RBI kept its key short-term borrowing rate, or the reverse repo rate, unchanged at six per cent. Inflation in Asia's third-largest economy rose to a 13-year high of 11.05 per cent in the week ended June 7, well above

the RBI's declared comfort level of 5.5 per cent. Price rises driven by increased food and fuel costs have caused intense hardship for India's poor masses. (Dawn, 25th June, 2008)

ECB pumps in extra 35 billion euros

The European Central Bank pumped an extra 35 billion euros (\$54.34 billion) into money markets as it moved to calm the fears of banks about funding over the crucial half-year period. The world's financial system is still struggling to overcome the US subprime mortgage turmoil and subsequent credit crisis. Economists had expected rates to stay on hold for months longer, but ECB President Jean-Claude Trichet shocked markets on June 5, by saying the the Governing Council was in a state of 'heightened alertness'. The three-month euro London interbank offered rate (Libor) hit its highest rate since December 2000 earlier in June and its European counterpart, Euribor reached a seven-year peak. The ECB is also due to announce an auction of longer term 3-month funds. (Dawn, 25th June, 2008)

World Bank to Offer Extra Aid To Countries Facing Food Shortage

"World Bank President Robert Zoellick said "the organization is preparing a mechanism to provide more financial aid for poor countries against global food crisis". 'We are talking with other countries to build a multilateral fund,' Zoellick told the first America-Caribbean Finance Ministerial meeting in Mexico's Cancun. In related Cancun meeting news, AP notes that "Latin American Treasury Ministers pledged Tuesday to explore ways to boost agricultural production, saying it was the region's best chance to offset soaring food prices in the long-term. World Bank President Robert Zoellick told the summit that poor infrastructure adds 24 percent to the cost of agricultural production in Latin America. (Web.worldbank.net, 25th June, 2008)

Centre to recover Rs. 80bn as collection charges: New NFC formula on Aug 14

The federal government is all set to recover at least Rs80 billion from about Rs.11,500 billion pool of taxes assigned for the provinces. The federal government charges on its own a collection cost at 5 per cent on taxes on import, income and on sales and 2 per cent on revenue recovery on oil and gas. Besides this, at source recovery of collection charges, the federal government will retain about 53 per cent of entire country's income leaving all four provinces, mainly Sindh, Balochistan and NWFP high and dry for almost entire year. The provinces, he said, want that the federal government should share this wage bill of FBR with them and pass on the remaining amount to provinces. The federal government stopped providing CDL to provinces since the year 2000. The Sindh government received a little more than Rs. 50 billion CDL from the federal government. (Dawn, 26th June, 2008)

300 items to boost trade with Iran identified

About 300 items have been identified for trade between Pakistan and Iran which would help increase volume of bilateral trade by one billion dollars. "Pakistani businessmen should avail the opportunity for mutual benefit," he said, adding, lack of information was coming in the way of expansion of bilateral trade between Pakistan and Iran. "The problem can be solved by frequent exchange of trade delegations and holding joint trade exhibitions." He asked the LCCI president to arrange a trade delegation to Iran so that Pakistani businessmen could have an assessment of business opportunities there. Zahidan Chamber of Commerce and Industry and Mines President Abdul Hakim Reigi said that Pakistan could import homeopathic medicines, dates and a number of other products from Iran. He said Iran wanted to import quality food products from Pakistan. (Dawn, 26th June, 2008)

PTCL, KSE sign Memorandum of Understanding

Pakistan Telecommunication Company Limited (PTCL) will provide state-of-the-art telecommunication technology to members of the premier bourse to conduct real time on-line trading from anywhere in Pakistan. A memorandum of understanding (MoU) was signed between PTCL and Karachi Stock Exchange (KSE). According to the MoU; PTCL will deploy all necessary equipment to establish a “point of presence” within KSE building for establishment of a high-speed dedicated network by the name “KSE Connect,” which is specially developed for the premier stock exchange. Executive vice-president (commercial) PTCL, Dr. Sadik Al-Jadir and managing director KSE, Adnan Afridi signed the MoU on behalf of their respective organizations. (Dawn, 26th June, 2008)

Stocks extend overnight rally with 307 points gain

The overnight recovery was further extended on the share market as follow-up support actively figured on the banking, cement and some blue chip counters at the lower levels amid an actively traded session. The KSE 100-share index gained another 307.62 points or 2.54 per cent at 12,430.29 aided by fresh sharp rise in the leading base shares under the lead of MCB Bank, National Bank, Engro Chemical and Arif Habib Securities. They were followed by NIB Bank, steady by 51 paise at Rs. 11.70 on 14m shares, Bank of Punjab, firm by 19 paise at Rs. 32.07 on 8m shares and Nishat Mills, higher by Rs. 6.23 at Rs. 88 on 7m shares. Engro Polymer led the list of actives on the cleared list, lower by Rs1.50 at Rs. 28.54 on 4m shares, followed by MCB Bank, sharply higher by Rs. 28.24 at Rs310.65 on 3m shares and NIB Bank, steady by 51 paise at Rs11.90 also on 3m shares. OGDC followed them; easy 31 paise at Rs. 130.19 on 3m shares but its June settlement was off Rs. 1.10 at Rs. 128.40 also on 3m shares. (Dawn, 26th June, 2008)

World economy set to grow 4pc in 2008

The world economy is likely to grow by about 4.0 per cent this year and the United States should avoid a recession, the governor of the Bank of France Christian Noyer said. Noyer, who is also a member of the monetary policy council of the European Central Bank, told a press conference that world growth should stabilise around 4.0 per cent in 2008. Noyer, in a regular letter to the French president published, said that the world economy faced several risks. One was an unexpectedly sharp fall in consumption arising from a fall of property prices, and another was continued acceleration of raw materials prices. A third was a possibility that the financial crisis might slow down growth in “real economies” beyond the sectors of finance. (Dawn, 26th June, 2008)

Increase in provinces' share recommended: PC for steps aimed at ensuring autonomy

Planning Commission has called for measures to ensure autonomy of the federating units and recommended to the federal government to enhance provinces' share in the National Finance Commission award to 50 percent. The abolition of concurrent list is essential for provincial autonomy. The Commission has also called for strengthening the local government system in order to enhance the government service delivery system. The judicious and equitable financial resource distribution is imperative for development. Currently the federal government collects around 93 percent of the total tax collection while its share in total expenditure is 72 percent. Since, most of the taxes are collected by central government, the provinces; especially the small federating units have become totally dependent on the federal government. (Business Recorder, 26th June, 2008)

\$ 2 billion US aid to Pakistan questioned

The United States has paid more than \$ 5 billion to reimburse Pakistan for counter-terrorism expenses that have often been exaggerated, if not fabricated, according to a government audit

released on Tuesday that blasts Pentagon for poor management of the programme. The Government Accountability Office (GAO) says the defence department had routinely covered costs without verifying that they "were valid, actually incurred, or correctly calculated." Pentagon paid about \$ 5.6 billion to Pakistan in counter-terrorism reimbursement funds in nearly seven years since September 11 terrorist attacks, by far largest sum paid as part of the programme to a counter-terrorism ally. The audit acknowledges Pentagon recently taken steps to improve its scrutiny of expense reports submitted by Pakistan." Pentagon reimbursed Pakistan \$ 45 million for road and bunker construction. Pentagon subsequently declined to cover similar charges until Pakistan provides co-ordinates of roads and bunkers it claims to have built. (Business Recorder, 26th June, 2008)

Punjab Assembly okays 41 demands of Rs. 447.12 billion grants

The Punjab Assembly approved the 2008-09 provincial budget, rejecting 32 cut motions of the opposition in their absence. The house approved 41 demands of grants worth Rs. 447.12 billions amid boycott of the opposition who were demanding issuance of notification of the leader of the opposition in the Punjab Assembly. The session started with recitation of Holy Quran. Finance Minister Tanvir Ashraf Kaira told the house that in the demands of grants Rs. 281.81 billions were for non-developmental expenditures, while Rs. 165.33 billions were for developmental projects. The Punjab Assembly will discuss Rs. 53.26 billion supplementary budget. Moreover, Punjab Chief Minister Shahbaz Sharif has accorded approval of charged expenditures worth Rs. 78.88 billions of the 2008-09 year vis-à-vis of Lahore High Court, Governor's House, Secretariat, wheat purchase and commercial banks loans. (Business Recorder, 26th June, 2008)

Pakistan and India economic planners exchange views

A high-powered Pakistani delegation led by Salman Faruqi, deputy chairman, Planning Commission, has held a comprehensive meeting with Indian economic planners here in first such interaction to share experiences in the economic field. From the host side the meeting was attended by Salman Faruqi's Indian counterpart Montek S Ahluwalia and his team. The exchange of views covered the areas of poverty alleviation, energy, planning and development, inflation, agriculture, rural development, and communications. Salman Faruqi told the media the two countries were facing some common problems, including inflation, rise in food and oil prices, energy shortage and poverty. Referring to the energy sector, Salman Faruqi said Pakistan plans to launch its coal-based Thar power project soon. Faruqi said Karachi Nazim Syed Mustafa Kamal along with a senior official, will arrive here this week to study mass transit system in India, including Delhi Metro project. He expressed the confidence that India would join the IPI gas pipeline project. (Business Recorder, 26th June, 2008)

Iranians identify 300 items to boost trade by \$ 1 billion in Pakistan

The Commerce Organization, Sistan of the Iranian province Balochistan, has identified a list of 300 tradable items between Pakistan and Iran to enhance trade volume between the two countries by one billion dollars. Speaking at a meeting, Zahidan Chamber of Commerce and Industry and Mines (ZCCI&M) President Abdul Hakim Reigi said that Pakistan could import homeopathic medicines, dates and a number of other products from Iran. Regarding quality of products, he said that Iran wanted to import high quality food products from Pakistan. Pakistan's exports to Iran mainly comprise rice, wheat, cotton, leather products, textile, yarn, etc and imports from Iran consist of petroleum and petroleum products, spices, tea, pistachio nuts, woolen carpets, fruits and vegetables. Shafqat Saeed Piracha, former LCCI president Mohsin Raza Bukhari, former LCCI vice-president Shahzad Ali Malik were also present on the occasion. (Business Recorder, 26th June, 2008)

China foreign exchange reserves hit \$ 1.797 trillion

China's foreign exchange reserves rose \$ 40.3 billion in May to \$ 1.79696 trillion, a source familiar with the data told. May's slowdown in accumulation occurred even though the yuan's pace of appreciation picked up last month from in April. In theory, that should have given hot-money investors greater reason to speculate on the currency. Authorities have voiced fears about the risks from outside investors betting on the yuan's continued appreciation. Economic policy makers at the highest reaches of the Chinese government have met periodically to examine the issue of hot money inflows, which complicate the People's Bank of China's (PBOC) task of managing the money supply. The PBOC has to buy most of the dollars that flow into China in order to hold down the yuan's exchange rate. (Business Recorder, 26th June, 2008)

WTO summons trade powers for Doha push

Trade powers will meet next month for a long-awaited attempt at a breakthrough in global trade talks which risk years of further delay if a deal cannot be hammered out soon. World Trade Organization (WTO) Director-General Pascal Lamy called for a group of ministers to meet, probably for several days, from July 21 to push the Doha round of global free trade talks toward conclusion, diplomats said. Services would be discussed briefly by ministers and finalized later. Economists believe a Doha deal could result in job losses and disruption in some sectors but boost overall commercial flows, adding billions of dollars to global economic output. India's WTO ambassador, Ujal Singh Bhatia, was noncommittal on whether the July meeting of ministers could overcome the resistance many countries have shown to accepting a Doha deal. The dates of the meeting will be confirmed once Lamy's proposal is presented to the WTO's 152 member states. (Financial Times, 26th June, 2008)

Fed sits tight as ECB chief signals rate rise

The Federal Reserve indicated growing fears about inflation relative to growth, but stopped short of saying that it saw inflation as the dominant risk. Rates remained at 2 per cent. The Fed said: "Although downside risks to growth remain, they appear to have diminished somewhat, and the upside risks to inflation and inflation expectations have increased." Stocks rallied on the belief that the Fed would not rush to raise rates, with the S&P 500 index up 1.6 per cent at one stage; it closed 0.6 per cent higher. The Fed reiterated its expectation that inflation will moderate "later this year". The market is still pricing in two rate increases by year end. (Financial Times, 26th June, 2008)

Pakistan seeks market access to G-12 states: Industrial goods

Pakistan has joined the G-12, comprising the US, EU, Japan, China, Australia, Canada, Brazil, India, Mexico, and South Africa, in a bid to seek maximum market access for industrial goods, particularly textile and clothing, under the current Doha Development Round. According to the official, Pakistan's key interest in the Doha Round is to get tariffs on its exports to the US and EU reduced substantially. This created serious difficulties for Pakistani exporters and its textiles and clothing industry. Compared to Pakistan, many other countries which never supported any US or EU policies are enjoying duty-free access, they said. However, as in the past, such subsidy resulted in further lowering of prices of Pakistan's products and the government had to pay over Rs. 30 billion. Currently the US and EU collect maximum duties on Pakistani exports. (Dawn, 27th June, 2008)

Oil surges after OPEC predicts new peak

Oil prices soared after the president of OPEC, Algerian Energy Minister Chakib Khelil, said crude could hit a record \$170 this year owing to a weak US currency and geopolitical unrest. Last week, oil hit historic highs just short of \$140. Brent North Sea crude for August jumped \$2.84 to \$137.17.

Prices, which tumbled \$3.50 on Wednesday, were up by about 50 cents before Khelil's comments, supported by a weak dollar and risks of unrest in producer countries, analysts said. The OPEC president added that a weak dollar was the main cause of surging oil prices. A struggling US currency makes goods priced in the dollar cheaper for foreign buyers, thus pushing up demand. Khelil also cited Western "threats against Iran" over its nuclear projects as a key reason for prices spiking on world markets. Oil prices have doubled in just one year. OPEC produces about 40 per cent of the world's oil. Oil prices had closed down \$3.50 on Wednesday after official data revealed an unexpected rise in stockpiles in the United States, the world's biggest energy consumer. (Dawn, 27th June, 2008)

Pakistan's foreign exchange reserves up by \$376.3 million

Country's total liquid foreign reserves have increased by 376.3 million dollars during the week ended June 21, 2008. The State Bank of Pakistan (SBP) latest statistics shows that total liquid foreign held by the country stood at 11.285 billion dollars during last week as compared to 10.909 billion dollars a week earlier. Foreign reserves held by the SBP have gone up by 388.5 million dollars to 8.6556 billion dollars from 8.2671 billion dollars. While, the net foreign reserves held by banks (other than SBP) depicting a decrease of 12.2 million dollars to 2.6303 billion dollars from 2.6425 billion dollars. (Business Recorder, 27th June, 2008)

World Bank promises to help develop FTIP project

A six-member World Bank Institute-Poverty Reduction mission visited Foreign Trade Institute of Pakistan (FTIP), here from June 18 to 26 in the context of the World Bank-financed Pakistan public sector capacity building project. According to a statement of FTIP, the objective of the mission was to help the Institute, assess its capacity building needs and prepare a medium-term capacity building strategy and implementation plan, including training, research capacity building, and outreach/policy dissemination/knowledge management, in line with the World Bank-financed Pakistan Public Sector Capacity Building Project and the government of Pakistan's trade policies. The mission appreciated the fact that the FTIP was being restricted to revamp the institution's training programme, build its research capacity and expand its outreach/policy dissemination/knowledge management strategy. (Business Recorder, 27th June, 2008)

Prime Minister to lead team in D-8 Summit

Prime Minister Syed Yousuf Raza Gilani will lead Pakistan's delegation to 6th D-8 Summit being held in Malaysia from July 4-8. "The theme of the 6th D-8 Summit is "meeting challenges through innovative co-operation", said Foreign Office Spokesman Muhammad Sadiq in his weekly briefing here. The Spokesman said the developing eight countries, formed D-8 as an economic development alliance. He said the D-8 consists of Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey. The last summit was held in Indonesia in 2006. (Business Recorder, 27th June, 2008)

PIA and PSO dropped from sell-off plan

The Privatization Commission (PC) has dropped PIA and PSO, two short-listed entities, from its sell-off programme and got approved from its board the entities to be offered to the investors in 2008-09. The Privatization Programme 2008-09 included Hazara Phosphate & Fertilizers Limited, Heavy Electrical Complex (90 percent shares), Jamshoro Power Company (51 percent), Faisalabad Electric Supply Company Ltd (56 percent shares), Printing Corporation of Pakistan (assets), Pakistan Machine Tool Factory (90 percent shares), Morafco Industries Limited (assets), Sindh Engineering Limited (assets), Lakhra Coal Mines Project, Khewra Salt Mines, Pakistan Steel Mills Corp; (10

percent shares) through IPO and Services International Hotel. The PC board also approved pro-workers policy and made offering of 10 percent shares of the public sector entities for the workers. The board also formulated its recommendations for the Cabinet Committee on Privatization (CCOP) in order to re-prioritize the privatization programme. (Business Recorder, 27th June, 2008)

Services trade deficit crosses \$6 billion

Pakistan's services trade deficit has crossed 6 billion dollars mark for the first time in the history of the country, up by 43 percent during the current fiscal year as compared to same period of last fiscal year mainly due to rising imports and decline in the export of services. The deficit also shows an increase of 1.84 billion dollars against the same period of FY07, as during July-May of FY07 overall services deficit stood at 4.25 billion dollars. Overall services sector exports stood at 2.926 billion dollars during July-May of FY08 as compared to 3.33 billion dollars during corresponding period of FY07. The country earned some 960 million dollars on account of transportation against payments of 3.32 billion dollars; 245 million dollars earned from travel sector as against the payments of 1.45 billion dollars. Communication sector exports stood at 106 million dollars against imports of 98 million dollars. (Business Recorder, 27th June, 2008)

Plea to revise duty on import of soap, raw material

The Karachi Chamber of Commerce and Industry (KCCI) has urged the Federal Finance Minister to revise duty on import of soap and soap raw material to save local small and medium-sized soap industry from disaster. Leader of the delegation Anil Kumar pointed out that the chamber, in its budget proposals, had suggested that duty on import of soap and soap raw material should be reduced from 25 percent to 15 percent. Replying to a question, he said that around 90 percent industries, using tallow for manufacturing soap, while the rest of them were using noodles for manufacturing soap. The delegation leader pointed out that around 60 containers of soap raw material noodles was imported by Afghanistan under transit trade, and said as there were no soap manufacturing units in Afghanistan, the raw material was being smuggled into Pakistan. (Business Recorder, 27th June, 2008)

China's industrial profits soar 20.9% in 1st 5 months

China's industrial firms reported 1.09 trillion yuan (158.6 billion U.S. dollars) in profits in the first five months of this year, up 20.9 percent from the same period last year, the National Bureau of Statistics (NBS) said. The NBS statistics covered the profits of major industrial enterprises defined as those with more than 5 million yuan in revenues from their main business annually. The NBS said the profits of state-owned industrial companies only rose 1.5 percent to 424.6 billion yuan, largely affected by the weak energy and oil refining sectors. Power utilities' profits fell 74 percent year-on-year. Profits of steel companies rose 25.6 percent and those of chemical plants rose 26 percent. The NBS also reported profits for privately-owned industrial firms were up 51 percent and foreign-funded companies up 22.4 percent. (Xinhuanet, 27th June, 2008)

Record borrowing made in 100 days: Rs. 651bn acquired from SBP

The present government in its first 100 days has borrowed much more than what the previous government borrowed from the State Bank in first eight months of the ongoing fiscal year completely ignoring the frequent warnings issued by the central bank which termed it as catalyst for inflation. The SBP calculations showed that the total government borrowing from July 1, 2007 to June 14, 2008 was over Rs. 651 billion. Surprisingly, since the formation of new cabinet on March 31, 2008 the government geared up its pace of borrowing sharply. It borrowed Rs. 355 billion during

three and half months while the previous and interim governments collectively borrowed Rs. 296 billion till March 1, 2008. The SBP had been issuing warnings that record government borrowings for budgetary support would further escalate inflation. The central bank held the government responsible for destroying all its effort to control the inflation. The record borrowing from the State Bank pushed inflation to 11.5 per cent during the current fiscal year. (Dawn, 28th June, 2008)

Weekly inflation soars by 26.03pc

The weekly inflation, measured through sensitive price index (SPI), surged by 26.03 per cent during the week ended on June 26 over the corresponding week of last year, Statistics Division. The prices of tomato rose by 14.29 per cent to Rs. 15.84 per kg from Rs. 13.86, potatoes by 4.89 per cent to Rs. 20.37 per kg from Rs. 19.42, egg by 3.94 per cent to Rs. 50.67 per dozen from Rs. 48.75 and LPG cylinder 11 kg by 3.10 per cent to Rs. 708.82 each from Rs. 687.53 during the week under review. Kerosene price went up by 1.38 per cent to Rs. 55.78 per litre from Rs. 55.02, gram pulse washed by 0.72 per cent to Rs. 59.14 per kg from Rs. 58.72, wheat flour by 0.67 per cent to Rs. 22.67 per kg against Rs. 22.52 and gur by 0.47 per cent to Rs. 31.93 per kg against Rs. 31.78. Tea (prepared) price increased by 0.40 per cent to Rs. 7.53 per cup from Rs. 7.40, firewood by 0.25 per cent to Rs. 239.17 per 40 kg against Rs. 238.58, masoor washed by 0.20 per cent to Rs. 112.10 per kg from Rs. 111.88 and wheat by 0.10 per cent to Rs. 20.02 per kg from Rs. 20. The price of curd was up by 0.10 per cent to Rs. 40.18 per kg from Rs. 40.14, garlic by 0.09 per cent to Rs. 34.065 per kg from Rs. 34.03, milk fresh by 0.06 per cent to Rs. 34.18 per kg from Rs. 34.03 and mash pulse washed by 0.04 per cent to Rs. 72.63 per kg from Rs. 72.60. (Dawn, 28th June, 2008)

Gwadar Port to refund \$2 million: PSA default

The Gwadar Port Authority (GPA) in its board meeting has decided to refund \$2 million performance bond to the operator Port of Singapore Authority (PSA) despite the fact that the latter defaulted on its agreed business plan. Meanwhile, port and shipping experts say that the PSA has totally defaulted on agreed concession terms and conditions and was dragging its feet without making any investment in marine services (tug, pilot and mooring boats), port operation and cargo handling. The shipping circles are flabbergasted over the GPA decision to refund the performance bond of \$2 million to PSA at a time when the federal cabinet has proposed a revisit of the contract signed between a consortium of Singapore Port Authority/AKD Securities. The maritime experts said that had the GPA or for that matter the ministry of ports and shipping monitored the PSA performance during the last 18 months, the situation would not have been so bad. (Dawn, 28th June, 2008)

US Congress approves new \$150 million assistance

The US Congress on Friday endorsed new American \$150 million assistance for Pakistan's socio-economic development as Senate also adopted the supplemental budget measure following its approval in the House of Representative. The new assistance is over and above the continuing aid programs for the South Asian country and would be projected toward socio-economic development in the next financial year beginning October 1, 2008. Top Democratic Senator Joseph Biden called the tranche of assistance as down-payment of \$1 billion democracy dividend, pledged to help the new democratic government focus on well being of the Pakistani people. The US administration has already requested a total of \$901 million for Pakistan in the year 2009. (Business recorder, 28th June, 2008)

High GDP growth in last five years raised living standard in Pakistan

High GDP growth over the last five years has reduced income-poverty ratio in a significant manner and raised the average living standards in Pakistan, but the country continues to grapple with issues

that are fundamental to improve its abysmal human development levels. The share of agriculture in GDP has declined, implying that Pakistan's economy is undergoing significant structural change. Rising inequalities-income and non-income-have led to a weaker link between economic growth and poverty reduction in Pakistan.. Low labour force participation rate, underemployment, high incidence of child labour, falling real wages for unskilled labour, growing proportion of educated unemployed and the flourishing informal economy are critical issues plaguing the labour market in Pakistan. The first South Asia Human Development Report in 1997 commented that while South Asia is the most illiterate in the world, Pakistan is among the most illiterate countries within South Asia. The government is the largest provider of education, but the low quality of public sector education is the main issue behind most Pakistan's education failures. (Business recorder, 28th June, 2008)

Pak-Japan trade to grow more

Every effort will be made to tap enormous potential to boost Pakistan-Japan trade, said the outgoing Managing Director of Pak-Suzuki Motor Company Kenichi Ayukawa. He was addressing a farewell dinner given by the Board of Directors of Pakistan Japan Business Forum (PJBF) on June 25, 2008 at Karachi. Ayukawa said that he enjoyed every minute of his stay in Pakistan. In order to speed up the trade, he would visit Pakistan from Japan once or twice a year, he added. Earlier, PJBF member of Board of Director Sohail P Ahmed in his address of welcome paid glowing tributes to Ayukawa for promoting Pak-Japan trade and hailed that under his leadership Pak Suzuki Motor Company became the first automotive company. Senior Vice Chairman of PJBF, Masaharu Domichi, also appreciated the efforts of Ayukawa. (Business recorder, 28th June, 2008)

UN To Press G8 On Food Crisis, Climate Change, Poverty

UN chief Ban Ki-moon said Thursday he would press G8 leaders at their summit in Japan next month to tackle the world food crisis, climate change and the flagging fight against global poverty. On climate change, the UN chief urged stepped-up bargaining to reach a new, historic deal in Copenhagen next year. He added that a fully funded and operational adaptation fund to help the world's most vulnerable nations cope with global warming must be in place by the end of this year. Ban said he would also ask the G8 to increase funding for programs on infant and maternal health, community health projects and measures to control HIV and AIDS, malaria, tuberculosis and neglected tropical diseases. The secretary-general said that climate change and the global food crisis are slowing and in some cases reversing the progress made towards the Millennium Development Goals (MDGs), which world leaders have agreed to strive to achieve by 2015. (web.worldbank.org, 28th June, 2008)

US Govt. asked to meet Kabul's wheat needs: Smuggling continues

The US government has endorsed Pakistan government's assessment of wheat smuggling to Afghanistan and has estimated it at around 1.8 million tons during the last season. Last season, however, the wheat flow to Afghanistan jumped to unusual high level. As wheat smuggling to Afghanistan shows no respite so far, the Punjab government's prescription is to stop wheat supply, since the beginning of harvesting, to two border provinces, the NWFP and Balochistan. The flour mill industry leaders of NWFP and Balochistan call this inter- provincial restriction on wheat movement from Punjab as "illegal and unconstitutional." The NWFP milling industry leaders have already filed a constitutional petition in the Supreme Court against the Punjab government's decision to restrict wheat movement. Prices of wheat, wheat flour and bread are high in NWFP and Balochistan mainly because of the Punjab government's restrictions. (Dawn, 29th June, 2008)

Cut-off yields on all PIBs raised

The State Bank of Pakistan increased the cut-off yields on Pakistan Investment Bonds (PIBs), reflecting the impact of last month's increase of interest rates which pushed the discount rate to 12 per cent. There is no match between the figures of borrowing through PIBs and SBP as the government borrowed over Rs. 651 billion from SBP till mid of this month. "The increase in cut-off yield was expected after 1.5 per cent increase in the discount rate last month," said the broker, adding the discount rate increase has changed the scenario for investors as they are looking for higher returns. The shortest tenure was three-year PIB whose cut-off yield was increased by 1.69 per cent to 12.29 per cent but the amount the SBP collected was just Rs3.7 million. The SBP rejected all bids for five-year PIBs. The SBP set cut-off yield for 15-year PIBs as 13.61 per cent which was increased by 1.73 per cent compared to previous cut-off yield. The SBP collected Rs. 933.9 million against the sale of 15-year PIBs. The 20-year PIBs were sold for Rs. 933.9 million at a cut-off yield 13.93 per cent. The cut-off yield was increased by 1.81 per cent. (Dawn, 29th June, 2008)

CFS rates rise to 20.3 pc

The CFS rates on the Karachi Stock Exchange last week soared by 359 basis points to 20.33 per cent owing to tight money market in the backdrop of a rising share market, said Ayub Ansari, a leading analyst at the Invest Cap. "A 6.1 per cent rise in CFS investment at Rs32.3 billion also reflects this phenomenon as investors opted for higher leveraged positions amid perception of lower downside risks as compared to upside potential because of market stabilization measures," he added. While June figure fell sharply lower by 37.2 per cent at Rs9.9 billion, July figure stood at Rs8.2 billion but the future spreads were quoted at 21.9 per cent. (Dawn, 29th June, 2008)

Saudi action fails to cool heating oil market

It was a big show, bringing together 36 countries, 25 oil majors and seven international energy organizations. And despite the Saudi decision to jack up their output to 9.7 million barrels per day, the highest in decades, the overheated global energy markets did not cool off instantly. Availing the occasion, King Abdullah urged the World Bank to organize a meeting of the donor countries and regional and international financial institutions to discuss ways of handling the burden of the poor and emerging countries. Besides, the King also announced \$ 500 million soft loans through the Saudi Fund for Development to undertake energy-related development projects in the developing countries, deeply affected by the rise in global crude prices. The tone of the meeting was set with the host King Abdullah clarifying, emphasizing and underlining that the OPEC was no more dictating and setting oil prices. Perhaps foremost among these are the recent trends in the global financial markets, including weak equity and bond markets that have encouraged investors to move their capital into commodities like oil. High prices are taking their toll. Other factors are definitely at work. (Dawn, 29th June, 2008)

Rs. 100billion customs duty collected in 11 months

The customs duty collection increased by nine per cent to Rs. 100 billion during the first 11 months (July-May) of current fiscal year against Rs. 91 billion collected last year. According to official figures against a target of Rs. 113 billion fixed for current fiscal year for customs duty by the Federal Board of Revenue (FBR), Rs. 100 billion were netted by all the four customs collectorates, Karachi Appraisal, Port Qasim Appraisal, Karachi Preventive and Model Customs Collectorate (MCC). The MCC collected Rs35 billion during July-May) of '08 or 84 per cent of total target of Rs. 41.5 billion and 40 per cent more than the previous year's collection of Rs25 billion. Similarly, the Karachi Preventive collected Rs. 10.5 billion or 90 per cent of target of Rs. 11.6 billion and stood 11

per cent higher in collection over the last year when collections stood at Rs. 9.3 billion. The Karachi Appraisal collected Rs. 30 billion in duty or 98 per cent of target of Rs. 29.5 billion but remained short by 8 per cent over the last year collection of Rs. 31.5 billion. (Dawn, 29th June, 2008)

Fiscal deficit may go up to 7.5pc

The federal budget for the fiscal 2008-09 may have understated expenditure on account of interest payments, federal and provincial salary bill, subsidies and development expenditure by Rs. 410 billion and overstated the growth in the expected tax revenue target by 7.5 per cent to 25 per cent over the outgoing year's Rs.1 trillion. The government's announcement to increase pay and allowances and pensions of its serving and retired employees by 20 per cent and minimum pension from Rs. 300 to Rs. 2000, double the conveyance allowance for employees from BS-1 to BS-19, raise medical allowance for employees in BS-1 to BS-16 and enhance minimum wages from Rs. 4600 to Rs. 6000 per month, claims the paper, has not been incorporated in the current expenditure estimates for 2008-09. On development programme, it says the combined PSDP of the four provincial governments has been projected at Rs.150 billion. (Dawn, 29th June, 2008)

Cement price may go up by Rs 20-30 per 50-kg bag

Local manufacturers are planning to increase the cement prices by Rs. 20-30 from next week in the wake of high tax burden, market sources said. After the current upsurge the price of cement has reached Rs. 320 per bag, earlier stood at Rs. 270 per bag in the local market. The further rise by Rs. 20-30 per 50-kg bag is being expected in the cement price from next month, after which cement will be available at Rs. 340-350 per 50-kg bag. "As per tax comparison of regional competitors shows that impact of taxes on each bag of cement in India, Afghanistan, and Sri Lanka is Rs. 45, Rs. 27, and Rs. 52, respectively while there is zero-rated tax on cement industry in Dubai and Iran", they added. Industry sources said that an increase in FED and GST on cement industry would shoot up impact of taxes to Rs. 85 per cement bag with the start of new fiscal year. (Business Recorder, 29th June, 2008)