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WTO CELL  
PLANNING & DEVELOPMENT DEPARTMENT  
**WEEKLY ECONOMIC DIGEST**  
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**UK businessmen keen to invest in Pakistan: Sindh chief minister informed**

Pakistan High Commissioner in Britain, Wajid Shamsul Hassan, called on Sindh Chief Minister, Syed Qaim Ali Shah, at the Chief Minister House. Wajid Shamsul Hassan informed Syed Qaim Ali Shah that with the people's government coming to power in Pakistan, our ties with Britain have strengthened further. He also informed the Sindh chief minister about the interest of the British businessmen regarding investment in Pakistan. He also informed that the government has started Shaheed Benazir Bhutto Youth Development Programme whereby over 40,000 youth will be imparted technical training and in the meantime they will be given stipend in the range of Rs 4,000 to Rs 10,000. (Business Recorder, 27<sup>th</sup> October, 2008)

**World Bank terminates talks on \$300 million loan**

The World Bank has terminated talks with Pakistan on \$300 million Economic Stabilization Program Loan meant for fiscal and balance of payment support. Both sides initiated parleys in fiscal year 2007-08 on the same loan with expected disbursement of \$500 million, which was then reduced to \$300 million. "This project is no longer in the lending program. Further reporting will be discontinued", said a World Bank document. Pakistan had to take many measures to rectify macroeconomic imbalance like cutting subsidies. "Pakistan introduced such reforms but by that time World Bank was changing goal post and was adding more conditions than we discussed initially", said a Finance Ministry official. But World Bank implicated IMF in this change of mind. "IMF had asked us not to give such loans, which is basically IMF's area of lending. But if government of Pakistan creates more pressure then we can also consider it", replied a World Bank official. Remaining project aid depends upon quick policy implementation in the government, which is also lacking at this stage. Policy co-ordination is non-existent, said the official. This year the area of focus of WB lending is transport sector, water and sanitation, urban development, telecom, mineral and higher education. (Business Recorder, 28<sup>th</sup> October, 2008)

### **US challenges China on export restrictions**

The United States has challenged China over its export restrictions on some raw materials, particularly those used to produce chemicals and metals, a US document on the World Trade Organization (WTO) website shows. The United States said Chinese duties on the materials had cut Chinese exports, pushing up prices abroad, but depressed prices at home through oversupply, giving Chinese processors using the materials an advantage over their foreign competitors. The United States will use a forthcoming review to express its concerns. "In past transitional reviews, the United States has expressed strong concerns about China's use of export quotas and export duties, particularly on raw materials. "The United States remains very concerned about all of these actions," said the US document, dated October 20 and published on the WTO website, ahead of a meeting of the WTO's Council for Trade in Goods on November 18. It said China had raised export duties on natural phosphates to 110-120 percent in 2008 from 10-20 percent in breach of its accession terms. The document said the world price of yellow phosphorus had doubled to \$9,000 per tonne since the Chinese measures, while falling in China to \$3,000-3,500 per tonne. (Business Recorder, 28<sup>th</sup> October, 2008)

### **ADB emphasises increasing manufacturing sector's share of GDP to 21 percent**

Asian Development Bank has emphasized the need to promote manufacturing sector's share of GDP increased from 19 percent in FY2008 to 21 percent and high-value-added output's share of exports increased to at least 15 percent by FY2012 in Pakistan. ADB study mentioned that the industrialization and technological upgrading can not occur without increases in productive investments and capital formation in the proper sectors, especially since productive capacity and technology are embodied in capital goods. The growth diagnostics approach aims at identifying the binding constraints in the economy that prevent investment and growth in potentially productive and dynamic sectors of the economy and, ultimately, industrialization. The growth diagnostics approach aims at identifying the binding constraints in the economy that prevent investment and growth in potentially productive and dynamic sectors of the economy and, ultimately, industrialization". Furthermore, ADB study mentioned that the bottlenecks or constraints to investment and industrialization in the productive sectors may involve general problems such as poor infrastructure, poor energy generation, bureaucratic impediments, difficulties and delays in setting up and undertaking entrepreneurial and innovative activities, as well as political/economic instabilities. But the binding constraints may also take the form of lack of economic incentives for investment and innovation/technological and scale improvements in dynamic sectors. ADB study also identified possible potential and promising sectors. Pakistan's manufacturing structure is tilted towards low technology and scale products. This diversification process continues until relatively late in the development process and only after a country's income level reaches threshold level, production patterns start to become more concentrated. ADB Figures show the specialization index and per capita GDP of 14 Asian countries. (Business Recorder, 28<sup>th</sup> October, 2008)

### **Germany to help Pakistan negotiate deal with IMF**

Germany said it would help Pakistan in negotiating a deal with the International Monetary Fund (IMF) and hoped an agreement could be reached soon to help Pakistan out of its economic difficulties. Visiting German Foreign Minister Frank-Walter

Steinmeier held talk with Pakistani President Asif Ali Zardari and Foreign Minister Shah Mehmood Qureshi and said both had told him Pakistan would not be able to move ahead without IMF involvement. Steinmeier said an agreement on help for Pakistan was needed within days. Steinmeier said Germany was ready to help. Responding to a query, Steinmeier said: "I cannot give the exact amount but Berlin would increase Pakistan-specific development assistance on concrete projects." Qureshi in his statement said that Pakistan wanted to enhance economic relations and trade with Germany and other EU countries as this is of utmost importance to meet the economic challenges Pakistan is facing today. He also sought EU market access, for which his German counterpart assured full support. He also sought German help for removal of anti dumping duty on Pakistani bed linen in the European Union market. Strong political relations between Pakistan and Afghanistan are important for the stability of the region, he opined. Qureshi thanked German government for support Pakistan received in Friends of Pakistan meeting in New York and said that Pak-German relations need comprehensive upgradation. (Business Recorder, 29<sup>th</sup> October, 2008)

### **World Bank sees China grow 8-9 percent in 2009**

China's economy is likely to expand between 8 and 9 percent in 2009, the World Bank's top economist said, calling the fourth-largest economy's continued fast growth its biggest contribution to fighting global recession in the third quarter from 11.9 percent in all of 2007. But officials have said policies to expand rural development and stimulate domestic demand should help shield the country from the worst of a global economic downturn. China's economy is generally in good shape but must prepare for challenges that are sure to come from the global financial crisis, the central bank governor, Zhou Xiaochuan, said. Lin was of a similar mind. "The financial turmoil will have an impact on China," he said. But the country's growth trends, macro-economic settings and external accounts were healthy enough. Lin added he was "confident that China has the ability to smoothly pass through this turmoil and continue rapid growth." (Business Recorder, 29<sup>th</sup> October, 2008)

### **Korea keen to boost bilateral trade with Pakistan**

Leaders of Korean trade delegation and Vice Chairman KEMA, Kin Hyon has said that Korea is interested to boost two-way trade and wants to establish industrial units in joint venture with Pakistan. Speaking at a meeting of Karachi Chamber of Commerce and Industry (KCCI), he said that there is number of areas in which Korea can cooperate with Pakistan and provide technical information speaking on the occasion, Commercial Counsellor of Pakistan in Korea, Fawad Hasaim Rabbani said that 80 percent goods export to Korea from Pakistan comprises raw material. He advised business community to export goods after some value addition to fetch more foreign exchange. He said there is good chance to export fish and fish products, vegetables and fruits etc. Referring to rice export to Korea, he said that Korean prefer another brand of rice which is not produced in Pakistan. He said that Korea imports only five percent of its total consumption of rice. He said that yarn export from Pakistan to Korea also declining due to yarn contamination. However consumption of Pakistani fabric is on rise in Korea. He advised business community to frequently visit Korea to apprise themselves about Korean requirement and try to meet their demand as well as standards to boost export from Pakistan. He pointed out that during 2007-08 Pakistan exported goods worth 490 million dollars to Korea and

imported 650 million dollars which indicated that trade gap between two countries have narrowed down to some extent. President KCCI Anjum Nisar said Korea is an advance country and it can help Pakistan by establishing power generating units in joint ventures. (Business Recorder, 30<sup>th</sup> October, 2008)

### **Top Indian policymakers brainstorm on economy**

Top Indian policymakers including the finance minister and the central bank governor met and discussed several issues including New Delhi's position at the forthcoming G20 meeting, officials said. Leaders of G20 nations are expected to meet at an international financial summit on November 15 to examine ways to overhaul the financial system following the global credit crisis. "The finance minister had called this meeting which discussed a number of issues including the position that India must take in the forthcoming G20 meeting," Reserve Bank of India Governor Duvvuri Subbarao told reporters. The meeting was attended by Subbarao, deputy governor Rakesh Mohan, stock market regulator C.B. Bhave, former central bank governors C. Rangarajan and Bimal Jalan and planning commission deputy chairman Montek Singh Ahluwalia. India has been particularly vulnerable to rising risk aversion among foreign investors. It rose 47 percent in 2007. Growth is also expected to slow in Asia's third-largest economy as the ripple effects of the turmoil world-wide kick in. (Business Recorder, 30<sup>th</sup> October, 2008)

### **Mexico launches trade dispute with US over tuna**

Mexico has launched a dispute with the United States at the World Trade Organization (WTO) over US rules which Mexico says prevent its tuna from being labelled "dolphin-safe," a WTO document shows. A note from Mexico dated October 24 and published on the WTO website said Mexico wanted to consult with the United States under WTO rules because it believed US labelling of its tuna was unfair. The request rekindles a trade dispute that goes to the heart of the question of whether trade rules should take environmental considerations into account. This row centres on the use and abuse of purse seine nets. Mexico said US measures prohibited Mexican tuna from being labelled as "dolphin-safe", even though the tuna was harvested in a way that conformed to "dolphin-safe" standards agreed by the Inter-American Tropical Tuna Commission. At the same time, Mexico said US rules allowed similar tuna products from other countries, including the United States itself, to be labelled "dolphin-safe". "It appears that Mexican products are accorded treatment less favourable than like products of national origin and like products originating in any other country," it said. A GATT dispute panel said the United States could not ban Mexican tuna imports just because the way the tuna was caught did not satisfy US regulations, and that GATT rules did not allow one country to take trade action to enforce its own laws in another country. (Business Recorder, 30<sup>th</sup> October, 2008)

### **Pakistan's foreign exchange reserves fall below \$7 billion mark**

Country's foreign exchange reserves have further plunged by some 401 million dollars during the last week and fell below 7 billion dollars mark aggravating the threat to the economy. State bank of Pakistan informed that country's foreign reserves have declined to 6.9218 billion dollars during the week ended October 25, as against the 7.3233 billion dollars a week earlier, depicting a decline of 401.5 million dollars during the week. A major decline has been witnessed in the State Bank's reserves, showing a decline of 323 million dollars during the previous week and came to below the four billion dollars mark.

The SBP reserves stood at 3.7138 billion dollars on October 25, as compared to some 4.0368 billion dollars on October 18, 2008. The reserves held by bank also show a negative trend during the last week and banks overall foreign reserves declined to 3.208 billion dollars that previously stood at 3.2865 billion dollar a week earlier. Depicting a decrease of 78.5 million dollars during a week. It may be mentioned here that after the imposition of the state of emergency in the country, foreign reserves have been continuously on decline and now has been reached at lowest level of 6.91 billion dollars. Economists said that declining trend in the foreign reserves need some new and speedy measures to maintain the foreign reserves. (Business Recorder, 31<sup>st</sup> October, 2008)

### **New EU trade chief warns against protectionism**

Europe's new trade chief warned governments against resorting to protectionism in the face of the current financial crisis which she said would only delay economic recovery. "Interventions and excessive use of public subsidies - while attractive today, will damage us tomorrow," EU Trade Commissioner Catherine Ashton told a conference in Brussels. "We all know that protectionism makes recovery harder. As governments struggle to cope with the financial crisis, there was "no more urgent priority for long-term global welfare" than pursuing a global WTO trade deal, the British commissioner argued. Drawn out negotiations at the World Trade Organization ground to a halt in July, leaving the future of the Doha round of trade liberalization uncertain. "Against the economic backdrop that we now face, trying to finish the round would be an important element of moving out of an economic crisis into the future," Ashton said. "I think for some world leaders this is very much part of the work that they are considering as they deal with the immediate financial crisis but also look to the future," she added. Ashton, a baroness in the British House of Lords, replaced Peter Mandelson as trade commissioner after he was recalled to national politics as Business Secretary during a recent government reshuffle by British Prime Minister Gordon Brown. (Business Recorder, 30<sup>th</sup> October, 2008)

### **US slumps as 'harsh storm' threatens global economy**

The US economy shrank in the third quarter as the financial crisis raged while Japan and Germany said they would spend billions of dollars to provide a cushion against a deep global recession. The spending measures would complement a series of interest rates cuts, including those from China, Norway and the United States. The world's largest economy shrank at a 0.3 percent annual rate in the third quarter, the sharpest contraction in the United States in seven years. The economy also suffered in the third quarter as businesses cut investment, and more companies announced payroll cuts. The gains brought stability to a market that fell to 5-1/2 year lows this month as credit turmoil ravaged investors. Japan's benchmark Nikkei average index closed up 10 percent, a third straight day of gains that have lifted the index 26 percent. Economists expected a sharp decline in the United States during the final quarter of 2008, which began this month with a stock market crash, a credit freeze, and huge jobs cuts by US companies. Japan, the world's second biggest economy, unveiled a 5 trillion yen (\$51 billion) package of spending measures to support its economy. Germany planned to introduce a range of steps worth up to about 30 billion euros (\$39.17 billion) to boost investment in Europe's biggest economy. Encouraging news emerged from the banking sector. Closely watched rates on bank-to-bank borrowing fell, helped by the US Federal Reserve's rate cut and

currency swap lines to ease a scramble for dollars around the world. Governments are desperate to put measures in place to protect their economies against recession, which euro-zone statistics suggested had hit much of Europe. Brazil's top economic officials said the global financial crisis will not push the country into a recession and that the central bank would unveil a new lending facility for exporters suffering from a credit crunch. (Business Recorder, 31<sup>st</sup> October, 2008)

### **Steps taken to encourage foreign investment in Punjab: Shahbaz**

Punjab Chief Minister Mian Muhammad Shahbaz Sharif has said that Pakistan is rich in natural resources and has vast investment opportunities. He said that Punjab government is taking all out measures to encourage foreign investment for strengthening economy of the province. He said that there is a wide scope of co-operation between China and Pakistan in different sectors and there is need for informing Chinese investors in this regard. The Chief Minister said that Punjab government is taking all out measures for uplifting the standard of living of the masses and providing them basic amenities and all available resources are being utilised for this purpose. He said that foreign investment would further accelerate the pace of development in the province. He said that China and Pakistan had deep-rooted relations and their trade and economic ties were also based on solid foundations. He said that there was a wide scope of co-operation between China and Punjab province in 12 different sectors including mining, agriculture, livestock and transport. He said that China could extend co-operation to Pakistan in the construction of small dams for the reformation of irrigation system as well as in the field of solar energy for meeting power requirements. Similarly, he said, China could also play a significant role in hydel power projects. He directed members of the committee to prepare a comprehensive briefing for co-operation between China and Pakistan in various sectors so that Chinese investors could be motivated for investment in these sectors. (Business Recorder, 31<sup>st</sup> October, 2008)

### **Economy faces serious challenges: White House**

The US economy is facing "serious challenges" but is positioned to bounce back, White House spokeswoman Dana Perino said the economy shrank in the third quarter. But it is not unexpected," Perino said in a statement. "A number of things contributed to the slowing economy in the third quarter - record high energy prices, housing and credit concerns, two major hurricanes, and a prolonged Boeing strike." The Commerce Department said the third-quarter contraction, 0.3 percent, in gross domestic product was the steepest since the corresponding quarter in 2001 though it was slightly less than the 0.5 percent rate of reduction that Wall Street economists surveyed by Reuters had forecast. Perino said the Bush administration is taking action aimed at restoring economic growth and job creation "by early next year." "While we continue to face serious challenges, the United States remains the best place to do business, and we're positioned to bounce back," she said. White House economist Edward Lazear said the US economy would have expanded instead of shrinking in the third quarter as the government reported if not for storms and strikes. "This is a quarter during which we had some pretty significant negative shocks, had a couple of hurricanes, had a strike, the combination of which took off about a point from GDP," Lazear, the chairman of the White House Council of Economic Advisers said on CNBC television. (Business Recorder, 31<sup>st</sup> October, 2008)

### **UN chief warns poor nations most vulnerable from financial crisis**

UN Secretary General Ban Ki-moon warned that poor nations could be hurt most by the global financial crisis and called for swift action to tackle the roots of the turmoil. Ban issued the warning in a speech after arriving in New Delhi on his first official trip to South Asia during which he will also travel to Nepal and Bangladesh. "The least developed countries, the poorest of the world's poor - children, older persons and others - stand to suffer most," he said in a lecture at the Rajiv Gandhi Memorial Foundation set up to honour the slain former Indian prime minister. "I am very worried development assistance will suffer and that investors might pull back from emerging markets," Ban said. "People who have striven so hard to rise out of poverty could fall back into destitution." "We cannot know what twists and turns the crisis will take next. But we do know that it requires an urgent, coherent and concerted collective response," he said. There was a "pressing need to address the systemic weaknesses at the root of the crisis," the UN Secretary General said. He also called for "institutional mechanisms that will help minimize the risk of both market and regulatory failures." There is also an urgent need to revive global trade negotiations, he said. "We should rededicate ourselves to reaching an ambitious, pro-poor outcome to the Doha Development Round. We need leadership from all sides, including India," he said. (Business Recorder, 31<sup>st</sup> October, 2008)

### **Economic stabilization programme endorsed**

Finance Secretary Dr Waqar Masood said International Monetary Fund (IMF) has endorsed Pakistan's Economic Stabilisation Programme meant to steer the national economy out of the financial crisis. Finance Secretary added that IMF has agreed to provide financial support to Pakistan. However, Islamabad is yet to present specific figure to IMF for financial support. Dr Waqar Masood said Government of Pakistan will remain in touch with IMF on the issue of financial support. A high level Pakistan's official delegation headed by the Dr Waqar Masood had held talks with IMF authorities in Dubai from October 26 to 29. Pakistan is looking for all options including IMF for seeking financial support to get out of the worst financial crisis. The officials in Islamabad are confident that the meeting of the Friends of Pakistan will bring good news for Pakistan to help its ailing economy. Pakistan needs around 10 billion dollars to honour balance of payments besides building up its forex reserves. Pakistan also needs some financial support to support the national economy and give a positive look to the domestic and foreign investors to trust in its financial system and invest in its different key sectors of the economy. Financial help from IMF or the Friends of Pakistan is also needed by Islamabad to get financial support under different programme from other international donors. (Business Recorder, 31<sup>st</sup> October, 2008)

### **Wide scope to increase trade with Pakistan: Turkish CG**

The bilateral trade volume between Pakistan and Turkey has touched \$600 million mark and there is much potential to increase the economic relations. These views were expressed by Fethi Etem, the Consul General of Turkey in Karachi. He said that Pakistan and Turkey are two brotherly countries and enjoying very good relations. He said that there are many sectors, in which bilateral trade could be increased by both sides. Sindh Governor Dr Ishratul Ebad Khan was the chief guest. Speaker Sindh Assembly Nisar

Khuro, Provincial Minister Agha Siraj Durrani, a number of diplomats, political leaders and other dignitaries attended the event. (Business Recorder, 31<sup>st</sup> October, 2008)

### **'WTO economic model increases sufferings of humanity**

Developed countries and World Trade Organization (WTO) are again forcing the third world to accept Doha Development Round due to unending suspicions of member states, said Dr Murtaza Mughal, President, Pakistan Economy Watch. WTO wants to abolish time-tested economic systems around the world claiming that their model will help improve quality of life of the poor. In fact, it is increasing sufferings of humanity, he said. The rich states aim to prosper at the cost of poor of the world. And under developed states are resisting it for the last seven years, he said, adding that the under developed countries should not be pushed to accept Doha Round as debate on its pros and cons is afoot on almost all the important forums. Dr Mughal said that many countries including Brazil, China, Argentina and India are suspicious of hidden agenda of the WTO and they consider it against their national interests, he said. He said that the WTO is fundamentally flawed. It promotes growth and consumerism at any cost and considers humans as consumers. "This approach is contributing towards political and economic instability and hurting global environment," he added. The WTO, he said, stresses deregulation, information and communication pushing the less developed countries and have-nots to the wall and increasing difference between the rich and poor. Developed countries are safeguarding the interests of corporations in the name of Intellectual Property Rights (IPR) while poor countries are deprived of their time-tested wisdom. Centuries old local wisdom is being discredited systematically, he added. (Business Recorder, 31<sup>st</sup> October, 2008)

### **Chief engineers directed to accelerate pace of work on uplift schemes**

Senior Minister, Raja Riaz Ahmad has directed the Chief Engineers of Irrigation & Power department to accelerate the pace of work on developmental schemes and ensure that 50pc of the work be completed by January 15<sup>th</sup>, 2009 adding that action would be taken against CEs failing to do so. At the outset, the meeting reviewed the annual development plans and observed that pace of work be expedited for their timely completion. Meeting also reviewed 19 un-approved schemes one by one. A sum of Rs 209 million is reserved for this project. Meeting observed with concern less than 20% budget utilization on releases in 67 slow moving schemes. Raja Riaz directed to send 3-member Irrigation officials' teams to every district to monitor water availability in channels/canals and distributaries for giving report till November 13. He also asked that Project Management Information Unit (PMIU) to arrange computerized maps of canals and channels. (Business Recorder, 1<sup>st</sup> November, 2008)

### **MCCI hails proposed cut in taxes in power bills**

Multan Chamber of Commerce and Industry (MCCI) President Khawaja Muhammad Jalaluddin Roomi has hailed the Government's consideration to withdraw the withholding tax and reducing the GST rates on electricity bills. Many industrial units have closed their operations as hike in power tariff has rendered their business unsustainable. MCCI President said electricity tariff for the industrial sector in Pakistan is far higher than the industrial sector of regional countries. Giving a comparison, he said that the electricity charges for the industrial sectors of Bangladesh is 5.23 cents per unit, Sri-Lanka 7.28



cents, India 8.14 cents and 8.5 cents in China, which reflects considerable decline as compared to the charges set for the Pakistani industrial sector. Muhammad Jalaluddin Roomi said that this wide difference in the electricity tariff has badly hit the competitiveness of Pakistani products in the international market .He said that hike in the prices of electricity ultimately leads to sufficient rise in the cost of production which compels the business community to increase the prices of their outputs, and cautioned that continued hike in the electricity charges would further diminish the competitiveness of our industry, which may lead to great decrease of Pakistani made products in the international market. (Business Recorder, 1<sup>st</sup> November, 2008)

### **PIA in loss due to high fuel cost, devaluation of rupee**

The Managing Director PIA, Captain Mohammad Aijaz Haroon has said that high fuel costs and devaluation of Pak rupees are the main reason for the airline's loss. The employees were informed about the short-term measures already implemented by PIA. These measures are include challenging revenue targets to stations with strict monitoring, increase in fare and fuel surcharge, effective controls in reservation systems (shifting to Sabre Reservation System especially in UK, where bookings by agents have tremendously increased), reconfiguration of B747-300 fleet (now with increased capacity are being utilised for Hajj operations), increase in third party business, retrenchment of excessively paid contractual employees, downsizing of offices abroad, withdrawal of operations officers from foreign stations and effective Revenue Management. PIA MD praised the performance of the engineering department for their outstanding services, which has increased the third party business (aircraft maintenance services to other airlines). The communication meeting for the first time in the airline's history included members and officials of all PIA Unions and the airline's associations, where Haroon gave a detailed presentation to the employees. (Business Recorder, 1<sup>st</sup> November, 2008)

### **Annualized growth rate at record low**

A measure of future economic growth in the United States slid to a seven-year low and its annualized growth rate dived to its lowest reading on record in nearly 60 years of data, a research group said. The Economic Cycle Research Institute, a New York-based independent forecasting group, said its Weekly Leading Index (WLI) fell to 112.9 in the week to October 24 from 114.0 in the previous period. It now stands at its lowest level since October 26, 2001, when it was 112.7. The index's annualized growth rate dipped to negative 21.9 percent from minus 19.3 percent, its lowest going back to January 1949, when the index was first published, according to ECRI data. "With WLI growth plummeting to the lowest reading registered in its six-decade history, the outlook for the economy has darkened dramatically." said Lakshman Achuthan, managing director at ECRI. The index slide was due to a widespread decline in the components, the key exception being a measure of money supply, he said. (Business Recorder, 1<sup>st</sup> November, 2008)

### **First drop in US consumer spending in two year**

US consumers cut their monthly spending for the first time in two years during September, evidently bracing for hard times as jobs continue to disappear and credit conditions tighten. A Commerce Department report showed that consumer spending shrank by 0.3 percent in September and was flat in both August and July. The GDP report

already incorporated September's income and spending data, so market reaction to monthly data was muted. A separate Labour Department report showed US employment costs rose 0.7 percent as expected in the third quarter and wages and salaries also were up 0.7 percent. In September alone, Commerce said income from wages and salaries and other sources gained by 0.2 percent, half the 0.4 percent rise posted in August. Price pressures moderated slightly in September. The year-over-year rise in the personal consumption expenditures index eased to 4.2 percent from 4.5 percent in August. Core prices, which exclude food and energy, rose 2.4 percent in September, slowing from 2.5 percent a month earlier. (Business Recorder, 1<sup>st</sup> November, 2008)

### **FPCCI not in favour of IMF loans**

The Federation of Pakistan Chambers of Commerce and Industry (FPCCI) has expressed concern over Pakistan entering into an agreement with the IMF on rigid and unfavourable terms and conditions which could be detrimental to the country's interests. Tanvir Ahmed Sheikh, President of FPCCI, regretted that this would be the third government that would ignore FPCCI in seeking its feedback and not take the apex trade body into confidence on matters of vital interest before signing the agreement. FPCCI was not consulted on two previous such occasions also, which resulted in leaving festering wounds on the trade and economy of Pakistan. IMF policy stresses on "demand management, withdrawal of subsidies, higher rates on indirect taxes and high cost of financing", which would have overall adverse effects on the country's economy, already under tremendous pressure, he said. The FPCCI President stressed that the government should negotiate, and identify, sources of revenue generation and also as to how it would manage to pay back huge IMF loans without offering industrial competitiveness. (Business Recorder, 2<sup>nd</sup> November, 2008)

### **Government urged to withdraw import duty imposed on different items**

President Multan Chamber of Commerce & Industry (MCCI) Khawaja Muhammad Jalaluddin Roomi has urged the government to immediately withdraw the 35 per cent duty imposed on import of caned fruit juices recently, in addition to the existing five per cent import duty so that the importers as well as the general public may not suffer. Roomi also voiced concern over the increase in duty levied on the import of dry milk powder. The general import prices of the milk powder have been reduced from \$3500 to US \$2500 but FBR levied 25 per cent import duty on it. He also added that the common man has already been facing the overall inflation, increase in gas and electricity tariff besides confronting with fuel price hike in regular intervals. MCCI also voiced concerns over the recent 30 per cent increase in import duty on vegetable fat milk. The import duty now becomes 50 per cent on this import item which is not justified, it said. MCCI urged government to withdraw the import duties immediately so that the retail price of these products may be maintained within the reach of common man. (Business Recorder, 2<sup>nd</sup> November, 2008)

### **Inflation swells to 29.79 percent**

The inflation measured through SPI increased to 29.79 percent on week, ending on October 30 over the same period of last year, said Federal Bureau of Statistics. The data on SPI released showed that there was an increase in the prices of 14 essential. The data on SPI released showed that there was an increase in the prices of 14 essential items, including vegetables, pulses, tea and plain bread. The price of one kilogram tomatoes has

increased during the week from Rs 28.12 to Rs 131.80; tea packet of 250 grams from Rs 94 to Rs 100; potatoes per kilogram from Rs 25.70 to Rs 27.06; masoor pulse washed per kilogram from Rs 126.92 to Rs 130.02; eggs per dozen from Rs 61.24 to Rs 62.60; bath soap (Life Buoy) from Rs 21.53 to Rs 22; firewood per 40 kilograms from Rs 256 to Rs 258; and bread plain from Rs 23.62 to Rs 23.68. With this increase in the prices of essential commodities, the dearness for the low-income group families bracketed in Rs 3,000, was recorded at 231.72 per cent more over the same period of last year, followed by 30.46 per cent for families, falling between Rs 3,001 to Rs 5,000 income group and 31.41 percent for Rs 5,001 to Rs 12, 000. According to the FBS, the prices of 20 essential commodities remained stable during the week. However, a comparison with the same period of last years showed that prices of 42 essential commodities have increased to double digit. (Business Recorder, 01<sup>st</sup> November, 2008)

### **Hu calls for domestic demand boost**

China's President Hu Jintao has called for a boost in domestic demand to maintain the nation's economic growth in the face of the global financial crisis. Hu said that governments at all levels should "strive to expand domestic demand, especially consumer demand," as he visited farmers in the northern province of Shaanxi." "We must maintain confidence, raise spirits, perfect our policies, strengthen our struggle," the paper quoted him as saying. Hu's comments come amid mounting evidence China is starting to feel the pinch from the global economic downturn. The country's GDP growth slowed to nine percent in the third quarter of the year, the lowest growth figure since the second quarter of 2003, and the growth of its exports has also decreased. Already, China has cut interest rates three times since September, and some analysts are expecting a fourth rate cut before the end of the year. (Business Recorder, 02<sup>nd</sup> November, 2008)

### **Europe must not discourage sovereign wealth: Mandelson**

Europe must welcome sovereign wealth funds, British Business Minister Peter Mandelson said, as a high-level British delegation visited the Gulf to seek investment and help to stabilize the world economy. Europe is divided over how to handle investment from sovereign wealth funds, with some fearing foreign investors could end up wielding too much power by owning big chunks of the continent's largest firms. Others argue that European countries, suffering from the global credit crunch, need investment from cash-rich nations in the Gulf and Asia to help shore up their economies. Government aides insist Prime Minister Gordon Brown's trip to the Gulf States this weekend, with Mandelson, energy minister Ed Miliband and barons of industry leading firms such as Centrica, Shell and Rolls Royce, is not a begging mission for petrodollars to be invested in Britain's weakening economy. (Business Recorder, 02<sup>nd</sup> November, 2008)

### **KCCI demands more cut in fuel prices**

President Karachi Chamber of Commerce and Industry (KCCI) Anjum Nisar, Senior Vice President Muhammad Jawed Bilwani, Vice President Mohammed Ali and former presidents, Siraj Kassam Teli, Tahir Khaliq, Zubair Motiwala and Haroon Farooki have termed the recent decrease of fuel prices as eyewash and said that it should have been reduced at least Rs 10 to Rs 15 per liter. They suggested that government should immediately take steps for further decrease in fuel prices as a step to improve the

economy of the country. However, they hailed the recent decision of government of Pakistan decreasing Rs. 5 and Rs. 4 per liter in prices of petrol and diesel respectively.  
(Business Recorder, 02<sup>nd</sup> November, 2008)