

04th August, 2008



WTO CELL
PLANNING & DEVELOPMENT DEPARTMENT

WEEKLY ECONOMIC DIGEST

28th July-03rd August, 2008

Mandatory crop loan insurance

The State Bank of Pakistan is expected to issue a working paper to the banks on the modalities of crop loan insurance in a week or so, a spokesman for the SBP said. The crop loan insurance is planned to be launched from next Rabi crop. The loan insurance schemes for the three crops are under consideration of the government, insurance companies and the banks. The task force comprises representatives of all big insurance companies, banks and officials of SBP and Security Exchange Commission (SECP). The government-owned National Insurance Company (NICL) also does not come under the purview of the scheme. Initially, the subsidy will be provided by the federal government for launching of scheme through National Insurance Company. The other scheme of finance ministry is Crop Loan Insurance Scheme which covers all major crops. (Dawn, 28th July, 2008)

Rising power tariff

Industry, business, agriculture, commercial and household including lifeline consumers would have to bear the brunt of a continuous rise in electricity rates for an unlimited period in the foreseeable future. The National Electric Power Regulatory Authority (NEPRA) has just concluded the process of public hearings for increase in base tariff requested by WAPDA's distribution companies. The problem is that power rates for industrial and commercial consumers are already too high and still subsidize domestic and agriculture consumers. Indicative tariffs for all these projects start from 18 cents per unit. Against 18 cents per unit cost of thermal power and natural gas based projects have a production cost of 6-7 cents per unit against 9.5 cents per unit of coal-based projects and 4.7-6.0 cents per unit of hydropower generation. It does not require anything more than common sense to choose between 18 cents per unit and 5-6 cents per unit power generation cost to save future generations. (Dawn, 28th July, 2008)

Securing food through biodiversity

Wild animals and plants are sources of food, medicine and building materials, and help generate income. Rivers and lakes provide transport facility, water and sea food. The coastal zone is a permanent source of sustenance. Biodiversity provides goods and services fundamental to survival of human being including air, fresh water, medicines and shelter. Biodiversity is used for biological diversity in variety of life on earth. The convention on biological diversity defines biodiversity in the three inter-linked levels ecosystem, species and genetic. The causes of biodiversity loss are complex. Local knowledge and culture can be considered integral parts of agricultural biodiversity, because it is

the human activity of agriculture that conserves this biodiversity. Creating well managed agricultural systems is essential. (Dawn, 28th July, 2008)

Privatization of strategic assets

The Federal Minister for Privatization and Investment, Syed Naveed Qamar, announced on June 6 the re-prioritized privatization programme 2008-09. The list of State Owned Enterprises (SOEs) includes prime engineering units such as Heavy Electrical Complex (HEC) at Hattar and Pakistan Machine Tool Factory (PMTF) at Karachi. Engineering units like Pakistan Steel, Heavy Mechanical Complex (HMC), HEC and PMTF are of national strategic importance and should not be sold to the private sector. The previous government had de-listed Karachi Shipyard & Engineering Works (KSEW) and Heavy Mechanical Complex (HMC), the two heavy engineering units, from privatization programme. (Dawn, 28th July, 2008)

Banks' deposits show decline

On July 24, short term money rates eased, amid increased inflows. In the 2-day repo, the central bank rejected all bids for Treasury Bills. Overnight call rates ended at seven down from 11.5 per cent a day earlier. The market remained fairly liquid. Specialized banks deposits stood at Rs. 12.225 billion, against preceding week's Rs. 12.365 billion, a fall of Rs. 0.14 billion. It rose to Rs. 363.284 billion over preceding week's figure of Rs. 355.926 billion, a rise of Rs. 7.358 billion. Advances by commercial banks rose to Rs. 2,754.757 billion against earlier week's figure of Rs. 2,751.732 billion, or by Rs. 3.025 billion. Commercial banks investment fell to Rs. 1,040.695 billion, from earlier week's Rs. 1,055.711 billion, or by Rs. 15.016 billion. Specialized banks investment stood at Rs. 13.708 billion, against preceding week's Rs. 14.023 billion, lower by Rs. 0.315 billion. Meanwhile, commercial banks assets stood at Rs. 4,884.060 billion, lower by Rs. 2.767 billion over previous week's figure of Rs. 4,886.827 billion. Specialized banks assets fell to Rs. 121.388 billion, or by Rs. 1.129 billion over previous week's Rs. 120.259 billion. (Dawn, 28th July, 2008)

Liberal trade policy, huge imports

The private sector has found the first trade policy of the Gilani government more business-friendly than the finance bill announced in June 08. It further liberalizes trade. "Pakistan is a resource rich country. The underlying causes of high trade deficit are the increase in oil prices raising its import bill to over \$ 11.3 billion as against \$ 7.3 billion last year; import of wheat at higher than previous prices; increase in price of palm oil from \$ 502.7 PMT to \$ 839.3 PMT; raw cotton imports due to crop shortfall; increase in import of machinery and increase in import of fertilizers and chemicals", a senior officer of the ministry of commerce said defending his department. (Dawn, 28th July, 2008)

Bush urged to accord free market access to Pakistani traders

The Federation of Pakistan Chambers of Commerce and Industry, with all its affiliated trade bodies and associations across the country urged US President George Bush to announce, during the visit of Prime Minister Yousaf Raza Gilani, lifting of all economic sanctions and to provide direct free market access to Pakistan exporters, especially in textile and garment sectors. FPCCI President Tanvir Ahmad, all Vice Presidents of FPCCI, President of LCCI Muhammad Ali and Iftikhar Ali said this in a statement issued on behalf of the business and traders' community of Pakistan. Tanvir said that Prime Minister Yousaf Raza Gilani had always attached great importance to further developing strong and durable cordial friendly relations with USA. (Business Recorder, 28th July, 2008)

Foreign investors withdraw another \$ 29.593 million

Foreign investors continued their cautious stance due to prevailing political and economic situation in the country and withdrew another \$ 29.593 million from the Pakistan's equity market during the outgoing week ended July 25, 2008. The cumulative net outflow of the current month from July 1 to July 25 stood at \$ 72.768 million while the cumulative figures of current calendar year (January 1, 2008 to July 18, 2008) were recorded at negative 314.204 million. The prevailing geo-political situation and weakening economic indicators are the main reasons, which forced the foreign investors to offload their holdings, a leading analyst said, adding that various measures taken by the SECP and KSE board to support the local share market failed to revive the investor confidence during the outgoing week. (Business Recorder, 28th July, 2008)

Government may seek Rs. 10.305 billion foreign financing

Rs. 10.305 billion project on deepening and widening of 45 kilometre long navigational channel at Port Qasim. After completion of the project, which is aimed at deepening the channel to 14.0 meters by May 2010, the Port Qasim Authority (PQA) would be able to accommodate post-Panamax vessels of a draught ranging from 11.5 to 14.0 meters, which would ultimately augur well on the financial front. A timely and quick release of project payments is vital in accomplishing any big project, like this one, but unfortunately this is not the case with government backed financing. Highlighting the importance of the project, the PQA official said, regional ports, like Mundra and Colombo, had continued to deepen their channels to maintain draughts to 11.5 to 14.0 meters to accommodate the deep-draft ships. (Business Recorder, 28th July, 2008)

Indian economy to overtake UK in 10 years

Economic forecasts predict that India will overtake the UK and become the world's fifth largest economy within the next 10 years, the third largest behind China and the US by 2025 and the second largest economy after China by 2050. The number of Indian companies in the West Midlands in UK has doubled since 2006. In a bid to forge more ties, an action plan has been put in place to seal new business and academic ties between the West Midlands and India. Two-way trade between the UK and India is today worth \$ 8.7 billion per year. (Times of India, 28th July, 2008)

SBP asks banks to lower KIBOR

The State Bank of Pakistan has warned banks to bring down the Karachi Inter-Bank Offered Rate (KIBOR) up to 13 to 13.5 per cent or face action against this undesirable inter-bank rate. Participants of the meeting included the chief executive officers of a large number of banks, heads of bank treasuries and high-level functionaries of the SBP. A senior banker said that at current levels the KIBOR is factoring in at least 2 per cent to 2.5 per cent of further increases in the SBP discount rate over the course of the coming 6 months. Sources also said that when the SBP officials were told that KIBOR reflected market realities and those 6-month inter-bank borrowing rates are between 14 per cent and 15 per cent, they said that the inter-bank market could trade funds at whatever level it wished so long as KIBOR was in the range specified at 13 per cent to 13.5 per cent. (Dawn, 29th July, 2008)

FBR to introduce new audit system

The Federal Board of Revenue (FBR) would introduce a composite audit system for sales tax, income tax, customs duty and federal excise duty within a year. Mr. Raouf said around 15 to 16 questions with regard to e-filing of sales tax and FED were put up before the member sales tax, for which an immediate solution was found and their notifications are on their way. He also advised the tax-payers

to acquaint themselves with the e-filing of tax returns. Referring to the points raised by the All-Pakistan Tax Bar Association (APTBA) president Naveed A Andrabi, he said that the FBR had already assured not to use Section 52-A5 which holds intermediary responsible for any wrong statement in tax returns filed through them by a taxpayer. Mr. Qutab assured the tax consultants that all issues and problems faced in the e-filing of returns would be resolved. Earlier, Pakistan Revenue Automation Limited officials explained the method of e-enrollment and e-filing of sales tax and FED. It was emphasized that e-filing of returns is based on annex which allows taxpayer to work freely to file his return. (Dawn, 29th July, 2008)

CBC and SAARC Chamber report on regional trade soon

The report of Commonwealth Business Council (CBC) and SAARC Chamber of Commerce and Industry on regional trade in South-Asia 'Toward Stronger Linkages and Growth' will soon be launched. A press release said that the report will provide some tangible recommendations for effective implantation of South Asia Free Trade Agreement (SAFTA) for the desired economic development of the region. As the precursor to the 15th SAARC Summit scheduled in Sri Lanka from July 29 to September 3, the CBC and SAARC Chambers have urged heads of the governments to drive regional growth through accelerated trade links. These recommendations include improvement in mobility of people, strengthening communications and transport links, joint efforts in the services sector, fostering cross border energy investments and regional energy trade, implementing trade measures and enabling direct cross-border trade. (Business Recorder, 29th July, 2008)

LSM registers 4.62 percent growth during 11 months of fiscal year 2007-08

The Large Scale Manufacturing (LSM) has showed a dismal growth of 4.62 per cent during the first 11 months of 2007-08 over the same period of previous year, revealed Federal Bureau of Statistics. The LSM growth went down from 19.9 per cent in 2004-05 to 8.8 per cent in 2006-07. A negative growth of 14 per cent in jet fuel oil, 7.34 per cent in diesel oil, 0.89 per cent in lubricant oil, 3.07 per cent in LPG and 9.89 per cent in petroleum products was recorded during the period under review. In food sector, vegetable ghee production declined by 4.19 per cent, the production of cooking oil increased by 0.72 per cent, tea blended 12.40 per cent, beverages 24.31 per cent, wheat and grain milling 1.61 per cent. Among electric items, production of deep freezer, bulbs, tubes, motors, meters and transformers declined substantially by 8.56 per cent, 4.97 per cent, 3.32 per cent, 15.62 per cent, 43.81 per cent and 33.67 per cent respectively during the period under review. (Business Recorder, 29th July, 2008)

LCCI demands withdrawal of WHT on import of gold

The Lahore Chamber of Commerce and Industry (LCCI) has demanded of the government to withdraw withholding tax on the import of gold to pave the way for official import of gold to enable Pakistani importers to export jewellery through value-addition of the precious metal. LCCI's Senior Vice-President Mian Muzaffar Ali, Vice-President Shafqat Saeed Piracha and former President Mian Shafqat Ali also spoke. Pakistan, which stood nowhere at present in the world business of gems and jewellery, would gain an attractive opportunity to increase its exports in this field to an optimal level provided an aggressive sector-specific strategy was adopted and the LCCI is ready to do the needful to bring Pakistan gem and Jewellery sector at par with other leading nations, he added. ARY Group Chairman Haji Abdul Razzaq Yakooob said that there was a dire need of an institution for the technical guidance of businessmen of this sector. (Business Recorder, 29th July, 2008)

IMF sees no end in sight to credit crisis

Global financial markets are “fragile” and indicators of systemic risk remain “elevated” almost a year into the credit crisis, the International Monetary Fund said. The fund warned credit growth in the US could fall further as a result of ongoing financial system stress and warned that emerging markets would be tested as global financing conditions tighten and policymakers grapple with rising inflation. (Financial Times, 29th July, 2008)

ECC likely to approve textile package

The textile tycoons succeeded in forcing the government to announce a hefty package of subsidies for exporters of textile and clothing. A source in the textile industry said that textile and clothing sectors had strong representation in the government and even one member of the advisory council is also from the textile sector. The government had already dolled out more than Rs. 43 billion as subsidy to the sector since April 2005 but the exports from the sector has been stagnated. An official in the Federal Board of Revenue (FBR) said that the tax department had already communicated to the finance ministry that the sector was not contributing to the tax collection as the only tax coming from the sector was the one per cent flat rate of withholding tax on export proceeds. (Dawn, 30th July, 2008)

KIBOR falls after SBP warning

The banks traded money at a reduced rate as desired by the State Bank of Pakistan despite their reluctance to bring down the Karachi Inter-Bank Offered Rate (KIBOR) with immediate effect. Six-month KIBOR was quoted at 14.24 per cent. KIBOR dropped as there was a capacity to absorb the SBP demand of lowering the rate. Several bankers said that the money was not available at KIBOR rate. The real inter-bank rate was higher by at least 1.5 per cent what the KIBOR showed. When the discount rate was 12 per cent, the KIBOR was showing a rate of 14.20 per cent. Now the SBP further increased the discount rate by 100 basis points, making the discount rate as 13 per cent. KIBOR could not be retained at 13.3 per cent after the discount rate reaches 13 per cent, said the banker, adding the KIBOR would increase within a week. (Dawn, 30th July, 2008)

India hikes key interest rate

India’s central bank raised its key short-term lending rate by half-a-percentage point in an aggressive bid to tame inflation riding at a 13-year high, prompting a major stock market sell-off. Shares tumbled nearly four per cent after the bank announced the hike in the REPO rate at which commercial banks borrow funds from the central bank. Property, automobile and bank shares were hardest hit. Looking forward, global and domestic factors pose severe challenges to monetary policy management and warrant reinforced policy actions. The Reserve Bank “was more aggressive than expected,” said Rupa Rege Nitsure, senior economist at the Bank of Baroda, calling the step “distinctly pre-emptive.” Another economist, Siddhartha Sanyal of brokerage Edelweiss Securities, called rate tightening both “harsh and hawkish.” Since April, it has hiked the REPO rate by 125 basis points and the cash reserve ratio by 150 basis points. (Dawn, 30th July, 2008)

Pakistan and Philippines establish joint economic commission

Pakistan and Philippines signed an agreement to establish a joint economic commission with an aim to promote economic co-operation between the two countries. The agreement was signed by Acting, Secretary, Economic Affairs Division, Junaid Iqbal Chaudhry and Philippines' Ambassador to Pakistan, Jamie J Yambao on behalf of their respective governments. The joint economic commission (JEC) would promote economic co-operation between the two countries in different areas including economic, trade and investment. The JEC is an important forum that will exchange information and

views on countries' economic situation, global economic issues and other economic subjects for the mutual benefit of the two countries. Secretary, EAD is the Co-Chair from Pakistan side while Under Secretary of Trade and Industry is the Co-Chair from Philippines side. (Business Recorder, 30th July, 2008)

Revamping of USC: SMEDA assigned task for conducting study

Advisor to Prime Minister and Federal Minister of Industries and Production Mian Manzoor Wattoo has assigned the responsibility to Small and Medium Enterprise Development Authority to conduct a study to revamp the Utility Stores Corporation (USC). He told SMEDA Chief Executive Officer Shahid Rashid in his first briefing on the authority's working that there were 32 corporations working under his ministry while most of them were rendering the similar functions. Earlier, Shahid Rashid, giving a presentation to the Minister on SMEDA services, projects and organizational structure, said that the authority had undertaken 16 Public Sector Development Projects, apart from devising sector development strategies and providing Business Development Services to SMEs. (Business Recorder, 30th July, 2008)

Rise in discount rate will have negative impact on economy

The 100 base-point increase in the discount rate announced in the monetary policy by State Bank Governor Shamshad Akhtar faced criticism since it could leave a negative impact on the country's economy. Former Lahore Chamber of Commerce and Industry president Anjum Nisar told. He also told that the government is borrowing from banks and it has breached the previous government's record in this regard. Instead of maintaining financial disciplines, the government is creating problems for the business community. He said the increase in the mark-up would unlikely to arrest the increasing inflation and rather push up the cost of business, which in turn would make our products non-competitive. Abbasi and Company Chief Operating Officer Syed Muhammad Ishaq commenting on the monetary policy said the increase in the interest rate would squeeze credit expansion while add non-performing loans of banks which in turn would reduce their profitability. (Business Recorder, 30th July, 2008)

Punjab government to initiate Rs. 22 billion anti-poverty campaign soon

Punjab Chief Minister Mian Muhammad Shahbaz Sharif has said that a well-knitted plan has been chalked out for the elimination of poverty and the controlling of price hikes in the Punjab. The Punjab government has set aside Rs. 22 billion to undertake this programme and hope to initiate it on Independence Day he revealed. Talking to the press at the residence of Khawaja Muhammad Asif MNA, he added that the Pakistan Muslim League N would fulfill its promise and serves the masses with a missionary zeal. Special attention has been accorded on the improvement of law and order situation aimed at restoring the confidence of the masses in Punjab he said. (Business Recorder, 30th July, 2008)

World trade talks collapse

Talks on a new world trade pact broke down without agreement, delegates said, after more than a week of bitter wrangling. US Trade Representative Susan Schwab told referring to an earlier breakthrough on a deal proposed by WTO chief Pascal Lamy that the package that we were able to negotiate and agree is not going to carry the day. New Zealand Trade Minister Phil Goff confirmed that talks had collapsed. Delegates said negotiations stumbled over proposals for import tariff measures to protect poor farmers that would impose a special tariff on certain agricultural goods in the event of an import surge or price fall. India and the United States were sharply divided over the so-called special safeguard mechanism (SSM). (Business Recorder, 30th July, 2008)

China's retail sales up 23% in June, a 10-year high

China's retail sales hit 864.2 billion Yuan (126.7 billion U.S. dollars) in June, showing a 10-year-high growth rate of 23 percent year-on-year, the National Bureau of Statistics said. The growth rate was 7.0 percentage points higher than a year earlier and 1.4 percentage points higher than in May. Adjusted for inflation, the June growth rate was 14.8 percent, the bureau said. Zhuang Jian, senior economist with the Asian Development Bank PRC Resident Mission, attributed the faster growth rate to several factors. These included workers' expectations of rising incomes, more allowances for low-income earners as a result of the new labor contract law and efforts by local governments to raise welfare payments to the needy. Retail sales stood at 5.1 trillion Yuan nationwide during the first half, up 21.4 percent, or 12.9 percent in real terms. (Xinhua, 30th July, 2008)

Fed lays on extra liquidity support

The Federal Reserve ramped up its liquidity support operations again in an effort to reduce money market strains and pre-empt the possibility of funding crises at the year-end or at other stress points. The US central bank said it would offer three-month cash loans to banks and create a new options auction facility. It also said it would give investment banks and other primary dealers extended access to emergency cash and loans of Treasury securities until January 30. (Financial Times, 30th July, 2008)

China to extend Africa acquisitions

China is readying to move into Africa on a scale that far outstrips its acquisitions on the continent to date, according to the South African bank that is laying the groundwork. High-level groups of bankers from Industrial and Commercial Bank of China and Standard Bank, respectively China and Africa's biggest banks, are examining potential targets in Africa's oil and gas, telecoms, base metals and power sectors, executives at the Johannesburg-based lender have told the Financial Times. (Financial Times, 30th July, 2008)

Rate-hike response against SBP's expectation

The market response to new monetary policy was against the expectation of the State Bank of Pakistan as the inter-bank money rate fell to even half per cent, while an increase of 405 points was witnessed in the KSE 100-share index. Despite tightening of monetary policy by increasing the discount rate by one per cent, the market reacted opposite to the action taken by the SBP. Bankers and market experts saw no significant impact of the discount rate increase on inflation as the pressure is mounting to push the inflation figure further high in the coming months. Analysts also increased their annual inflation target after the announcement of the monetary policy. Analysts expect that the CPI (Consumer Price Index) to be recorded at 23 per cent for July 2008-09, and the weekly SPI (Sensitive Price Index) trend support the projection. Even a conservative one per cent monthly increase in CPI indicates that August and September inflation would be settled around 22 per cent, they said. (Dawn, 31st July, 2008)

\$ 900m sought from ADB to improve reserves

Pakistan is desperately seeking \$ 900 million from the Asian Development Bank by October this year to improve its fast depleting foreign exchange reserves. This funding is meant for improving energy sector and infrastructure development programme in the country. The government was told that the ADB had launched a new long-term 2020 strategy "refocusing" its operation in Asia and Pacific on three point development agenda that included growth, environmentally sustainable growth, and regional integration. By 2020, about 50 per cent of operations will be in private sector development and private sector operations, and 30 per cent in regional cooperation and integration. (Dawn, 31st July, 2008)

Three-month Treasury bill yield increased

The cut-off yield on 3-month Treasury bills rose at an auction to 12.1954 per cent from 11.7825 per cent previously, the State Bank of Pakistan said. The weighted average yield on the 3-month paper came at 12.1688 per cent, up from 11.6528 per cent in the previous auction on July 16, the SBP said. It was the first T-bill auction since the State Bank increased its key discount rate to 13 per cent from 12 per cent, and the third T-bill auction in the 2008-09 fiscal year. The bank said it sold Rs. 39.95 billion of the 3-month paper, after receiving total bids of Rs. 99.3 billion. It had a pre-combined auction target of Rs. 50 billion. Dealers expect the rupee to remain stable in the short-term but are uncertain about the medium to long term. (Dawn, 31st July, 2008)

Doha round may take two more years

The Doha round of talks is likely to take at least two more years for reaching a compromise on modalities for cuts in tariff and subsidies on agriculture and industrial goods. When contacted, Federation of Pakistan Chambers of Commerce and Industry President Tanvir Shaikh declined to comment on the failure of talks and its possible impact on Pakistan exports. Any real movement in world trade talks may be a long time coming. Pakistan will continue to face stiff competition from some developing and least developed countries in export of textile and clothing products to the markets of developed countries. Pakistan's Ambassador to WTO Dr. Manzoor Ahmad in a report outlined an ambitious market for textile and clothing exports to many countries, including the US, EU, Canada and Australia in the wake of finalization of the Doha round. The main commodities, which will snatch maximum markets in these countries, would include cotton shirts, knitted shirts of manmade fibres, which are attracting higher duties in these countries market. Trade analysts said that the WTO is already losing its credibility as central rule maker in global trade due to the growing number of bilateral trade agreements around the world. (Dawn, 31st July, 2008)

India, US attempt to salvage WTO talks fails

The United States and India both said they hoped to build on progress made before world trade talks collapsed, but clashed again on the issue that brought the meeting down. Schwab said Washington had already made a major concession by agreeing to a compromise package crafted by WTO chief Pascal Lamy that would allow developing countries to hike tariffs above current maximum levels when imports grow by 40 per cent compared to a three-year moving average. India had argued for a trigger of 15 per cent import growth to allow poorer countries to quickly stem a flood of imports. Groups representing about 100 developing countries believed firmly that the "vulnerability of the poor farmers could not be traded off against the commercial interests of the developed countries. (Dawn, 31st July, 2008)

Get rid of TDAP, redundant ministries, EAC tells government

The Economic Advisory Committee (EAC) has recommended to the government to get rid of Trade Development Authority of Pakistan (TDAP) and all other redundant agencies/ministries and authorities to cut down non-development expenditure, besides rationalizing development spending to achieve fiscal consolidation. The EAC wanted the government to achieve 20 percent reduction in non-development expenditure in the current fiscal year to reduce its dependence on domestic borrowing. Other than cutting down travel expenditure, the EAC also wanted drastic reduction in VVIPs protocol. It recommended a major change in the procedure for selection of projects for making development the people centric. It wanted that the government should align Public Sector Development Programme (PSDP) with overall development priorities to make them beneficial for the people. (Business Recorder, 31st July, 2008)

BSF expands its operation

The SME Business Support Fund (BSF) receiving an encouraging response and increasing demand for financial assistance among small and medium enterprises has established an office in Multan to help SMEs. BSF Business analyst Fatima Hussain said the BSF had already set up its office six months ago in Karachi to improve market access to BSF support and help SMEs enhance their competitiveness. A dedicated BSF management team for the Multan region has gone to administer all aspects of BSF with promoting business development service providers. Funds have been given for certifications, local staff training, website designing, software implementation, machinery installation, marketing, export development and product development. About the fund's expansion programme, BSF Chief Executive Officer David Monkman said new regional offices would meet demands for BSF's support in the region. (Business Recorder, 31st July, 2008)

Extra funds for projects: provinces seek PC help for evolving mechanism

The provincial governments have approached the Planning Commission (PC) for help in formulating a mechanism to allocate more funds than actual cost to development projects due to escalation in prices of the inputs, sources told. The PC has already set up a committee on the issue, but its progress is very slow due to lack of sharing of information from the Commission by different authorities executing schemes under provincial governments' development plan. Sources said the number of ongoing projects is around 1500. The contractors are in serious trouble to cope with the prices of inputs within the actual cost. They have taken up the issue with the executing agencies (federal and provincial ministries) to include the raise in the total cost of the projects. According to normal procedure, the CDWP is the competent authority to revise the cost of the projects with cost of Rs. 500 million. (Business Recorder, 31st July, 2008)

Railways deficit swells to Rs. 26 billion

Pakistan Railways Chairman Muhammad Kashif Murtaza has said deficit has swelled to Rs. 26 billion and that the railways will cut 5 billion in the coming five months. The work will continue on the rehabilitation of coaches, train engines and 36 diesel electric engines will be rehabilitated and repaired up to December 2009 at a cost of 1.6 billion," he told. He also opened the first electric diesel engine, rehabilitated and repaired by rail engineers and workers, which was included in the operational mechanism. Operations General Manager Nasir Ahmad Zadi, manufacturing and services and welfare counterparts, Asad Saeed and Farooq Aziz were also present. (Business Recorder, 31st July, 2008)

European confidence slumps fastest since 2001

European economic confidence slumped in July at the fastest pace since just after the September 11, 2001 attacks in the United States, according to a widely watched EU survey. Facing record inflation and higher interest rates, consumers and executives' confidence in the economic outlook posted the biggest monthly decline since October 2001, the European Commission said. Following in the path of other recent weak data, the commission's euro zone economic sentiment indicator plunged to 89.5 points from a revised 94.8 points in June. (Business Recorder, 31st July, 2008)

Japan likely to endure 'modest' economic slowdown: IMF

Japan's economy looks set to endure a "modest" slowdown as economic problems hamper the United States and as global stock markets continue to be plagued by turmoil, an IMF report warned. Daniel Citrin, the IMF's deputy director and mission chief for Japan said that we see the economy in Japan clearly slowing down. Japan is vulnerable to oil price shocks because it imports all the oil consumed by its voracious economy. Japan's core inflation rate hit 1.9 percent in June, the fastest pace since

January 1998 when consumer prices rose 2.0 percent, according to a government report. The IMF meanwhile praised the Bank of Japan (BoJ) for its liquidity operations, saying its proactive stance had helped underpin the country's financial markets during global market turmoil. (*Business Recorder*, 31st July, 2008)

World Bank Group to Scale Up Infrastructure Investments Significantly

Support for developing countries over four-year period may reach US \$ 72 billion. The Sustainable Infrastructure Action Plan (SIAP), to be implemented over the next three years, will help countries improve the reach and quality of infrastructure investments through increased financial and analytical support. The SIAP foresees increased cooperative approaches among different institutions of the World Bank Group, such as World Bank and IFC (International Finance Corporation) cooperation on sub-national transactions and collaboration between the World Bank, the Multilateral Investment Guarantee Agency (MIGA) and IFC on large and complex infrastructure projects, particularly energy sector projects in Africa. "IFC finances private sector projects which play a major role in satisfying the huge infrastructure needs in developing countries. The Sustainable Infrastructure Action Plan is an umbrella framework that will provide direction to the many individual efforts to increase infrastructure support by the different World Bank Group institutions through multiple product lines. (web.worldbank.org, 31st July, 2008)

Oil jumps USD 5 after report says US gas stocks fell

Oil prices shot up, jumping as much as USD 5 a barrel and halting a dramatic two-week slide after the government reported a surprise drop in gasoline supplies. Light, sweet crude for September delivery soared USD 4.53 cents to USD 126.72 a barrel in afternoon trading on the New York Mercantile Exchange. Earlier, prices jumped more than USD 5 a barrel, marking crude's biggest one-day rally since July 10, when prices ended USD 5.60 higher. The contract had fallen below USD 121 a barrel earlier in the day, and closed USD 2.54 lower yesterday at USD 122.19 a barrel. In London, September Brent crude rose USD 3.34 cents at USD 126.05 a barrel on the ICE Futures exchange. Analysts surveyed by energy research firm Platts expected gas supplies to increase by 400,000 barrels. US crude stockpiles also fell by 100,000 barrels last week, less than the 1.3 million barrels analysts had predicted. (*Times of India*, 31st July, 2008)

Disbursement to poor may touch Rs. 42 billion

Disbursement under the Benazir Income Support Programme is expected to touch Rs. 42 billion as against budgetary provision for Rs. 34 billion this fiscal year because of expected increase of one million households over and above 3.4 million poorest of poor households already targeted to be reached with Rs. 1,000 a month handout. A steering committee, with the federal finance minister as its chairman, has in place a system for disbursement of funds under the programme. Mr. Kaiser Bengali, a well-known economist, is administrator of the programme. "We will reach every targeted beneficiary through branches of six top banks with largest branch network and post offices," the source said. The source added that a committee would be put in place in every district to assist DCO who would supervise and monitor the implementation of the income support programme. (*Dawn*, 01st August, 2008)

Rs. 66 billion revenue collected in July

The Federal Board of Revenue (FBR) collected Rs. 66 billion during the first month (July) of the current fiscal year against the target of Rs. 64.4 billion. Provisional figures released showed that the revenue collection registered an increase of 29.7 per cent over the same month last year. An official announcement said that the performance of the FBR had been broad based as all the four taxes

recorded double digit growth. Collection of direct taxes stood at Rs. 17.3 billion, sales tax at Rs. 31.5 billion, Federal Excise Duty (FED) at Rs. 6.7 billion and customs duty at Rs. 10.5 billion during the month under review. (Dawn, 01st August, 2008)

National steel policy draft prepared

The Engineering and Development Board (EDB) of the ministry of industries and production has prepared a draft of the long-term national Steel Policy to cover the widening demand and supply gap by achieving a production target of 15 million tons of steel by 2020. He said that the new national steel policy was needed because of the rising prices of iron ore, coal, coke, and the steel products. The committee on development of steel industry would deal with the issues like availability of inputs, finished products, devise a mechanism to stabilize prices, product certification, and devise a mechanism to implement and monitor the quality of product. Presently, the only potential source of iron ore is Nokkundi having 50 million tons of total deposits. (Dawn, 01st August, 2008)

Weak dollar, tax rebates bolster US GDP growth

A boom in exports and tax rebates to tens of millions of Americans helped bolster US economic growth to an annualized 1.9 per cent during the second quarter, a government report showed. An emergency 168-billion-dollar economic stimulus, stuffed with one-off tax rebates, also stoked growth higher. Exports, underpinned by a weak dollar, boomed 9.2 per cent during the April-June period, after rising 5.1 per cent in the first quarter. Imports meanwhile declined 6.6 per cent, marking a sharper decrease than the 0.8 per cent seen in the first quarter. Exports added 2.42 percentage points to second-quarter growth, but some economists wondered if the export spike could be maintained. Consumer spending rose 1.5 per cent during the second quarter against a 0.9 per cent gain in the prior quarter despite Americans cutting back on purchases of big-ticket durable goods. Economists watch consumer spending closely because it accounts for some two-thirds of GDP growth. The government meanwhile revised lower its first-quarter growth estimate to 0.9 per cent from 1.0 per cent, and significantly trimmed its reading for the fourth quarter of 2007 to show a 0.2 per cent contraction from a prior estimate of a 0.6 per cent gain. (Dawn, 01st August, 2008)

India willing to rejoin WTO talks

India said it was willing to return to the negotiating table to work out a new global trade deal but warned it would not make any compromises that could hurt poor farmers. Trade Minister Kamal Nath told that the US created the deadlock on an issue which was not trade but related to livelihood of farmers and India is ready to be at the table without compromising on issues which concern poor farmers of not only India but 100 other developing countries. Delegates in Geneva had struggled to reach consensus on import tariffs. India, one of the world's biggest emerging economies, and the world's economic superpower, the United States, clashed over how poor nations could hike duties to shelter farmers from a flood of imports. The United States refused to agree to proposals by India that developing nations should be allowed to boost duties by an additional 25 per cent on farm products if imports surged by 15 per cent. Washington insisted extra duties should be imposed only if imports surged by 40 per cent. (Dawn, 01st August, 2008)

Pakistan's foreign exchange reserves decline to \$ 10.4877 billion

Country's foreign exchange reserves have further plunged by some 240.7 million dollars during the last week. State bank of Pakistan informed that country's foreign reserves have declined to 10.4877 billion dollars during the week ended July 26, as against the 10.7284 billion dollars a week earlier. The

reserves held by SBP have declined by 329.5 million dollars to 7.4483 billion dollars during a week, previously stood at 7.7778 billion dollars on July 19, 2008. However, reserves held by banks show an upward trend during the last week as banks' overall foreign reserves reached 3.0394 billion dollars compared to some 2.9506 billion dollars a week earlier, depicting an increase of 88.8 million dollars. (Business Recorder, 01st August, 2008)

Transfer of 20 projects from PSDP to IPDF proposed

The Infrastructure Project Development Facility (IPDF) has sent a proposal to the government to transfer around 20 infrastructure development projects worth Rs. 165 billion from Public Sector Development Programme (PSDP) and IPDF would complete these projects by involving the private sector. Quoting the case of Australia, Canada, UK, USA, Egypt and India, the IPDF chief said that these countries are successfully executing multiple projects especially in education, transportation, health and social development sectors through public-private partnership. (Business Recorder, 01st August, 2008)

ADB cuts \$ 350 million loan for KMCP: reason given is official apathy

The Asian Development Bank (ADB) has cut \$ 350 million loan for the Karachi Mega City Project (KMCP), owing to official indifferences. To overcome the situation, GoS has decided to go for urban transport sector only and has dropped water, sewerage and low housing projects aimed at regaining ADB loan, they said. The team, comprising Nazar Hussain, Additional Chief Secretary, Planning and Development Department, Ghulam Ali Pasha, Additional Chief Secretary, Finance Department, Malik Islam, Project Director, KMCP and other officials has also been to ADB head office to convince them not to stop loans for the project. (Business Recorder, 01st August, 2008)

Pakistan endorses recommendation for setting up of SAARC Food Bank

Pakistan fully endorses the recommendations for concluding "Regional Framework Agreement for Energy Co-operation" and Establishment of 'SAARC Food Bank', says foreign office statement. Pakistan also supports additional trade facilitation measures to supplement SAFTA, which is progressing well, it added. Pakistan supports the general thrust of Secretary General's analysis and his recommendations. Regional energy co-operation necessitates creating an enabling environment. SAARC should, therefore, consider concluding a "Regional Framework Agreement for Energy Co-operation." The proposal to strengthen SAARC Energy Centre and the implementation of proposed SAARC -GTZ project titled "Support on renewable energies and energy efficiency to the SAARC Energy Centre" was also endorsed by Pakistan. Finally, Pakistan strongly supports the meaningful association of the Observers in the implementation of SAARC projects. SAARC can benefit from their experience and resources. (Business Recorder, 01st August, 2008)

Indian inflation flirts with 12 percent, to creep higher

Indian annual inflation rose to within a hair's breadth of 12 percent in mid-July, slightly below forecasts, and analysts expected it to creep higher despite cheaper oil and this week's aggressive rate increase. The wholesale price index rose 11.98 percent in the 12 months to July 19, above the previous week's reading of 11.89 percent, and the highest since the current series became available in 1995. Indranil Pan, chief economist at Kotak Mahindra Bank said that we expect inflation to go higher from current levels despite international crude prices coming off sharply. A Reuter's poll of economists had forecast inflation at 12.03 percent. The central bank also revised its inflation goal for the end of the fiscal year up to 7.0 percent from around 5.5 percent. (Business Recorder, 01st August, 2008)

WTO could start to pick up the pieces soon

The widespread dismay over this week's collapse of global trade talks could prompt the World Trade Organization to seek a way out of the impasse soon after the summer break, a highly placed trade. That would involve WTO experts and negotiators taking a fundamental look at the issue over which the talks deadlocked a technical but important proposal to help farmers in poor countries withstand a flood of imports, the source said. WTO spokesman Keith Rockwell ruled out a resumption of ministerial talks in September, noting that the WTO largely shuts down in August so little preparatory work could be done. Indian Commerce Minister Kamal Nath repeated that he was willing to resume the talks whenever India's partners were ready. The issue is how to reconcile the need for an emergency safeguard with the broader aims of trade liberalization. India and Indonesia said the safeguard was needed to protect their millions of subsistence farmers. (Business Recorder, 01st August, 2008)

Weak US growth adds to gloom

The US economy grew at an annualized rate of 1.9 per cent in the second quarter, faster than earlier in the year but slower than economists were expecting, the commerce department said. Growth was lifted by a mix of surging exports and falling imports, and higher levels of consumer spending aided by nearly \$ 80 billion in stimulus cheques sent to Americans by the government beginning in May and June. (Financial Times, 01st August, 2008)

China investors allowed to buy Taiwan stocks

Taiwan's cabinet said it would allow China's institutional investors to buy into the island's stock market, in a sign of improving business ties on both sides. The cabinet said in a statement that China's qualified domestic institutional investors (QDII) would be able to invest up to 3 percent of their approved funds under arrangement. (Financial Times, 01st August, 2008)

KESC's new owner charges 11pc tax

Taking command of the power utility through cell phones the Abraj executives, with the consent of Aljamoiah, have levied 1 per cent General Sales Tax (GST) and 10 per cent withholding tax on consumers of the Karachi Electric Supply Company on behalf of the government, sources said. The withholding tax is collected from industrial consumers, whose power consumption exceeds worth Rs. 20, 000. Commenting on the new development, former president Karachi Chamber of Commerce and Industry Haroon Farooqui maintained that levying 10 per cent tax would cause further closure of small and medium size business. The government had declared 5 main industries as zero-rated industries and has exempted textile, leather, carpet, sports and surgical goods. (Dawn, 02nd August, 2008)

RBS starts business in Pakistan

The Royal Bank of Scotland Group (RBS) has formally re-branded ABN AMRO Bank branches in Pakistan. Pakistan is among the first Asian markets to be re-branded to RBS. Effective August 1, as approved by the State Bank of Pakistan, ABN AMRO Bank (Pakistan) Limited is now officially renamed as The Royal Bank of Scotland Limited. RBS will launch two new retail banking products - Royal Preferred Banking (previously known as Van Gogh Preferred Banking), and RBS Islamic Banking (previously known as ABN AMRO Islamic Banking) in Pakistan, making it the first Asian market to be introduced with these products. (Dawn, 02nd August, 2008)

Special session to rescue trapped investors

The Karachi Stock Exchange would hold a special trading session “to provide support to the market and provide an exit to investors,” the board of directors of KSE announced. The board announced that those members who wished to sell their securities, which were eligible in deliverable future, CFS & CFS MKII markets on behalf of themselves or their clients could offer their shares for sale by entering their offers through the KSE electronic interface which is available on NCHS terminals by specifying the quantity, client code, characters and separately specifying whether those positions were their purchased share, CFS open position or future open position. All successful bids/offers would be communicated to the purchasers/sellers in the morning (before market open) Aug 4, 2008. (Dawn, 02nd August, 2008)

Inflation surges by 31.9 pc

Weekly inflation surged by 31.92 per cent during the week ended on July 31, over the corresponding week of last year, Statistics Division said. The price of onions rose by 11.07 per cent to Rs. 19.76 per kg from Rs. 17.79, tomatoes by 10.09 per cent to Rs. 34.03 per kg from Rs. 30.91, garlic by 2.33 per cent to Rs. 38.72 per kg from Rs. 37.84 and kerosene by 2.33 per cent to Rs. 71.72 per liter from Rs. 70.09. Chicken price went up by 2.20 per cent to Rs. 99.80 per kg from Rs. 97.65, potatoes by 1.55 per cent to Rs. 24.20 per kg from Rs. 23.83, LPG 11 kg cylinder by 1.39 per cent to Rs. 797.82 against Rs. 786.85 and cooked daal plate by 1.19 per cent to Rs. 24.59 against Rs. 24.30. Milk fresh price increased by 0.40 per cent to Rs. 34.84 per kg from Rs. 34.70, beef 0.33 per cent to Rs. 134.33 per kg from Rs. 133.89, cooked beef plate by 0.19 per cent to Rs. 37.19 from Rs. 37.12, tea prepared 0.13 per cent to Rs. 7.89 per cup from Rs. 7.88, firewood 0.12 per cent to Rs. 246.59 per 40 kg from Rs. 246.30, mutton by 0.08 per cent to Rs. 250.34 per kg from Rs. 250.13 and mustard oil 0.05 per cent to Rs. 150.79 from Rs. 150.72. (Dawn, 02nd August, 2008)

Portfolio investment falls sharply

Flight of portfolio investment continued during the very first month of the new fiscal year 2008-09, reflecting the lack of confidence of investors in the market. The flight of portfolio investment during July was about \$ 150 million, a massive outflow described by the brokers. Despite the uncertain political situation and poor performance of the economy, the inflow of foreign exchange as foreign direct investment (FDI) crossed the last year’s total, though with a very thin margin. During 2007-08, the FDI reached \$ 5.152 billion, higher by \$ 13 million compared to last year’s FDI. (Dawn, 02nd August, 2008)

Cotton trading slows down on stocktaking

Physical activity on the cotton market slowed down as leading spinners and mills curtailed their daily ready intake apparently to have an overview of the supply position. As a result, some of the ginners lowered their asking prices by Rs. 50 per maund to Rs. 4,150 and spinners said they are not inclined to go beyond their export parity level for textiles. Sindh Variety is based on 1,400 bales, Shahdadpur at Rs. 4,175 to Rs. 4,200, 400 bales, Sanghar at 4,150 to 4,200, 200 bales, Tando Adam at 4,190, and 200 bales, Hyderabad at 4,190. Punjab Type is based on 800 bales, each Bahawalnagar and Burewala and 200 bales, Tandilawala at Rs. 4,200, 600 bales, Pak Pattan at 4,150 to 4,200 and 400 bales, Sahiwal at 4,150. (Dawn, 02nd August, 2008)

Indonesia wants Pakistan to cut palm oil duty

Indonesia, the world’s top palm oil producer, will ask Pakistan to lower import tariffs for palm oil products to boost its palm oil exports, a senior government official said. Palm oil exports to Pakistan

have slowed in the past months because Pakistan has imposed different import duties. Malaysia and Pakistan signed a bilateral free trade deal in November 2007, giving Malaysia a discount on its existing palm oil import tariffs until 2010. Pakistan accounted for about 6.5 per cent of Indonesia's total exports of palm oil products in 2007, state statistics show. (Dawn, 02nd August, 2008)

Trade cooperation between Japan and Pakistan growing

Japanese Ambassador to Pakistan Seiji Kojima called on Punjab Chief Minister Mian Muhammad Shahbaz Sharif. According to an official, in the meeting bilateral relations between Japan and Pakistan, trade and economic co-operation as well as matters of mutual interest were discussed. The Chief Minister also apprised Japanese Ambassador of the priorities of his government regarding elimination of poverty, ignorance and backwardness as well as provision of basic amenities to the masses. (Business Recorder, 02nd August, 2008)

KPT to procure 12 crafts at \$ 55.51 million

Karachi Port Trust (KPT) plans to procure at least 12 crafts worth US \$ 55.51 million to further augment its dredging and support fleet. According to official sources KPT had a plan to acquire two water barge cum ferryboats, two harbour/pusher tugs and one dredge tender, two shipping tugs, four self propelled split type hopper barges of 1000 M3 capacity and one fire-fighting vessel at an estimated cost of \$ 4.895 million, \$ 5.944 million, \$ 16 million, \$ 8.671 million and \$ 20 million respectively. The tender for the Hopper Barges will open on September 3, 2008, said the KPT official. He said KPT, however, had received no response to its tenders on pusher tugs, dredge tender and fire-fighting ship. (Business Recorder, 02nd August, 2008)

South Korean inflation at 10-year high

South Korean consumer inflation hit a near 10-year peak and export growth marked an over four-year high in July, making it more likely that the Bank of Korea will raise interest rates next week to their highest in over 7 years. Government data showed consumer prices rose 5.9 percent last month from a year earlier, the fastest since November 1998, while exports grew 37.1 percent, the biggest gain since June 2004. Analysts surveyed by Reuters earlier this week had forecast July inflation at 5.7 percent and export growth at 32.4 percent. July marked the eighth month in a row that the South Korean annual inflation held above the central bank's target range of 2.5-3.5 percent on average set for the 2007-2009 period. (Business Recorder, 02nd August, 2008)

BAE Systems profits boosted by Iraq, Afghanistan conflicts

British defence equipment firm BAE Systems said that net profit rose 14 percent in the first half, boosted by demand for vehicles used during the ongoing US-led conflicts in Iraq and Afghanistan. Revenue grew by 12.5 percent to 7.751 billion pounds. BAE added that its Land and Armaments unit continues to benefit from operational requirements in Iraq and Afghanistan, especially in the wheeled vehicle market. The share price of BAE Systems rose 2.44 percent to 461 pence in early trading on London's FTSE 100 index, which was down by about half a percent. The House of Lords, the country's highest court, on Wednesday overturned an earlier High Court finding over the investigation into the Al-Yamamah arms deal in 1985, worth 43 billion pounds. (Business Recorder, 02nd August, 2008)

Govt. reluctant to reduce oil prices: OGRA proposes 7pc decrease

Although the Oil and Gas Regulatory Authority (OGRA) has proposed a seven per cent decrease in domestic oil prices, the coalition government, it seems, is reluctant to pass on this benefit to

consumers. The OGRA recommendation came in the wake of a recent decline in oil prices in the international market to \$126 per barrel from an all-time high price of \$147, but the decrease in oil prices is yet to be passed on to consumers. "Owing to a recent downward trend in international petroleum prices, we recommend seven per cent decrease in the POL products to the government," OGRA Chairman Munir Ahmad informed Senate Standing Committee on Petroleum and Natural Resources. Repeated increases in domestic oil prices helped the oil marketing firms and dealers to make windfall gains because of rise in international prices. The committee recommended that after a recent decrease in prices, a downward revision in oil prices had become necessary. (Dawn, 03rd August, 2008)

Petroleum dealers flay cut in commission

The petroleum dealers have condemned curtailment of their commission in petrol and diesel. Speaking at a press conference, Pakistan Petroleum Dealers Association chairman Abdul Sami Khan said the government all of a sudden deducted 60 and 25 paisas, respectively, from petrol and diesel margin of the dealers on Aug 1, bringing it to 1.4pc and 1.7pc which was unjustified. "In March and September 2007, our commission was decreased by 40 paisas and 30 paisas respectively," he stated. Mr. Khan said that the PPDA members were considering abolishing credit card system and stopping credit facility to customers. (Dawn, 03rd August, 2008)

Drought forces Iran to halt fuel oil exports

Iran has temporarily halted exports of fuel oil because of domestic needs during a severe drought, a senior official was quoted. Iran is a regular exporter of fuel oil to Asia. Because of the current drought and the needs for fuel of power stations, the export of heavy fuel has been temporarily stopped. Iran's decision came of Saudi Arabia's move to stop exporting spot fuel oil after its peak summer demand season, due to rising domestic requirements from domestic power plants and new secondary refining units. Iran expects OPEC to discuss ways of controlling the quotas of member countries at its next meeting in September. The Organization of Petroleum Exporting Countries is scheduled to hold its next regular meeting on September 9 in Vienna. "OPEC, as the responsible body to control the market, should be more meticulous for the control of quotas," the oil minister said. (Dawn, 03rd August, 2008)

Bangladesh to drop case against Chevron

The army-backed interim government has decided to drop the case filed by state-run Bangladesh oil, gas and mineral corporation Petrobangla against US-based energy firm Chevron Corp, a senior official said on Saturday. The government will face the arbitration suit with the International Centre for Settlement of Investment Disputes (ICSID), an institution of the World Bank group, the official said. "We will withdraw the case from the local court and will face it in the ICSID as our counsellor suggested," said Jalal Ahmed, chairman of Petrobangla. Chevron filed the suit with the ICSID demanding back 4 per cent of the gas sales proceeds from the Jalalabad gas field it had paid to Petrobangla as transmission charges. (Dawn, 03rd August, 2008)

CFS investment falls sharply

The investment under continuous funding system (CFS) including MK-II on the Karachi Stock Exchange last week suffered a sharp decline of 46.3 per cent at Rs26.9 billion as leading investors remained conspicuous by their absence in a falling share market, analysts said. The CFS MK-II rate fell fractionally in sympathy but stood firm around 14.52 per cent close to the prevailing bank rates after the one per cent hike in discount rate by the central bank early in the week to 13 per cent, they said and attributed the fall to a relative slowdown in Karachi Inter-bank Offered Rates (Kibor). The

top major five borrowers included Arif Habib Securities, National Bank, Pakistan Oilfields, JS & Co, and Adamjee Insurance. (Dawn, 03rd August, 2008)

TDAP chief favours 'trade policy' for five years

Trade Development Authority of Pakistan (TDAP) Chief Executive Officer Syed Mohibullah Shah has said the one-year trade policy does not yield desired results thus it should be for a period of five years. He stressed the need for harnessing indigenous resources, enhancing investment and utilizing new technology to bridge the fast widening trade gap. Mohibullah Shah said the country needs export surplus to give a boost to the country's exports, which could only be possible, by ensuring continuity in the economic policies. The Trade Development Authority of Pakistan is responsible for the implementation of trade policy thus it should be more proactive in searching new markets. Pakistan needs to look beyond traditional market and should concentrate on new export destinations such as Japan, South Korea, Mexico, Brazil, African countries and OIC, he added. The TDAP should focus on five regions namely Africa, South America, Central America, Eastern Europe, and central Asian states. (Business Recorder, 03rd August, 2008)

ADB to provide \$100 million for Punjab MDGs programme

Asian Development Bank (ADB) will provide 100 million dollars for Punjab Millennium Development Goals (MDGs) Programme (Subprogramme-1) to improve availability and quality of primary and secondary healthcare, better management of health service delivery and sustainable pro-poor healthcare financing. The programme will assist the Punjab government in undertaking health sector reforms to improve availability and quality of primary and secondary health services, develop sustainable and pro-poor healthcare financing system and better-manage the health service delivery. The ADB report disclosed that improved access and quality of primary and secondary healthcare services would save at least 11,000 women's lives, increase and improve efficiency of public healthcare financing, improve management of health services. The proceeds of the programme loan will be disbursed to Pakistan as the borrower. (Business Recorder, 03rd August, 2008)

Non-implementation of policies responsible for regression of SMEs

Experts held the non-implementation of policies responsible for the regression of SMEs in the country. Which the SMEs have been confronting including the shortage of the skilled labour, lack of basic civic infrastructure, financing barriers, financing cost, disincentives, technological constraints, lack of innovation, etc. "It is also the second largest sector of the country in terms of employment generation and contributes greatly to the exchequer after agriculture sector, they said. They urged the government to implement a national strategy and maintained that stakeholders should be capable of developing a real business environment. In the context of investment, they said that macro sector which is only 10 percent of the total businesses in the country eats away 90 percent of the investment and dictates all major policies including fiscal budget while the SME sector is left with meager financial resources. (Business Recorder, 03rd August, 2008)

No trade-off on revenue collection targets

Federal Finance Minister Syed Naveed Qamar has said the government would make no compromise on revenue collection targets. The government has already extended R&D support to apparel sector. Expressing concern over non-remittance of export proceeds by the exporters, he said that the business community has stopped remitting export proceeds at the time when government needs foreign exchange and rupee is depreciating against dollar. The finance minister said that the government is working on consumer protection law. Regarding oil prices, the minister said that when the present

government took over oil was at 80 to 90 dollars per barrel and government providing huge subsidy on oil. The minister said that the government is facing very difficult time. Beside political issues economic issues are also of serious nature. (Business Recorder, 03rd August, 2008)

Watchful central banks to hold rates

The Federal Reserve, European Central Bank and the Bank of England are likely to keep interest rates on hold this week, amid a deteriorating global growth and continued high inflation. As the first anniversary of the credit crisis looms on August 9, when the ECB first moved to pump € 95bn (\$150bn) into money markets suddenly starved of liquidity, the outlook confronting policymakers remains grim. (Financial Times, 03rd August, 2008)

Japan close to declaring recession

Japan's government may be forced to declare that the country has entered a technical recession, according to several economists, although any downturn is likely to be far shallower than previous contractions in 2001 and 1998. A statement from the cabinet office that the economy was "deteriorating" would in effect declare an end to what has been the longest recovery since the Second World War. (Financial Times, 03rd August, 2008)