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WTO CELL  
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**WEEKLY ECONOMIC DIGEST**  
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**Modified oil pricing: too little too late**

AT the current levels, the recent oil “pricing rationalization” will provide an estimated annual saving of Rs. 20-22 billion to the government. The National Refinery Limited increased its profit from Rs. 23 million in 2001 to Rs. 704 million in 2003 that reached Rs. 1.2 billion in 2004, followed by Rs. 2.458 billion in 2005, Rs. 3.7 billion in 2006 and Rs. 4.3 billion in 2007. Likewise, Pakistan Refinery’s profit increased from Rs. 76 million in 2000-01 to Rs. 610 million in 2002, further to Rs. 824 million in 2003, Rs. 1.4 billion in 2005, swelled to Rs. 2.1 billion in 2006 and Rs. 2.45 billion in 2007. Similarly, the profit of Pak-Arab Refinery Limited stood at Rs. 1.3 billion in 2000-01, which increased to Rs. 2.36 billion in 2001-02. More so, since the import of crude oil does not attract import duty, technically, local products refined from this crude should not contain import duty. Third, the ex-refinery price/import parity price of HSD before price differential claim (PDC), according to OGRA calculations, is Rs. 85.59 per liter which also includes 10 per cent customs duty or Rs. 9,380 per ton. If the HSD price is calculated without import duty, the PDC amount payable to marketing companies comes to Rs. 26.50, providing a saving of Rs. 9 per liter. (Dawn, 04<sup>th</sup> August, 2008)

**A muted response to economic challenges**

The central bank’s monetary policy for the first half of FY 08-09 is a muted response to the challenges the economy confronts. Besides, compared to inflation, mark-up rates are still lower. But not exercising the options the SBP had to contain money supply is odd. SBP rightly worries about inflation-fuelling monetary expansion that the ballooning fiscal deficit is forcing it to undertake. SBP had therefore recommended its gradual retirement a meagre Rs. 21 billion per quarter. Bulk of the government borrowing is funding current expenditure that fuels consumption and inflation although, according to SBP, growth in real demand during FY 08-09 rose by 7.1 per cent compared to real supply growth of 5.8 per cent. Trade and current account deficits have harmed the perception about Pakistan’s risk encouraging lenders to demand baffling returns (6.5 per cent over LIBOR). In the interim period while government borrowing is shifted to other sources, SBP must suck in rupee liquidity to contain inflation and the slide of the rupee. Raising the discount rate a bad option pushes up lending rates and hurts industrial competitiveness. (Dawn, 04<sup>th</sup> August, 2008)

### **Punjab for greater fiscal autonomy**

The question of greater financial autonomy for the provinces is most likely to dominate the new National Finance Commission (NFC) deliberations. “We have long been pursuing with the federal government two issues that are critical for enhancing the provincial resource base of Punjab. Also we shall press for the expansion in the scope of provincial sales tax to services like telecommunications and financial services”. Islamabad says it is not possible to resolve the issues that may crop up if the provinces seek to tax the large, revenue generating inter-provincial services. We want optimal use of federal and provincial funds for development and improvement of public service delivery. That goal requires a closer co-ordination between the federal and provincial governments,” he said. “This practice compromises provincial development priorities and distorts its development planning,” the P&D official said. The officials reject that the provincial government’s demand for greater financial autonomy could unleash a tussle between the federal government and Punjab. (Dawn, 04<sup>th</sup> August, 2008)

### **Farms without subsidies**

Analysts and farmers say Pakistan has gone a step further; running its farming sector on principles of free-market economy, thus putting the sector in double jeopardy. In both cases, farmers or people suffer badly. The farming sector has lost subsidies and has been taxed instead. The name of farmers was used to oblige other organized (cartelized) segments of agriculture trade. The food crisis made some policy makers realize that it would not be able to run the farming sector smoothly without some kind of subsidies. The Indian government is running a massive subsidy regime of Rs. 1.19 trillion and ensuring, with a considerable success, that it reaches the targeted segment. The amount of Indian subsidy is staggering. During 2006-07, it allocated Rs. 362 billion (Pakistan rupee) subsidy on fertilizer, Rs. 256 billion on irrigation and Rs. 165 billion on power. To ensure better price, the government sets procurement price high, sugarcane at Rs. 80 per maund and wheat Rs. 680 per maund, and then subsidies urban consumers. Pakistan must learn from Indian experiences how it is managing efficiently a huge subsidy regime of Rs. 1.1 trillion. (Dawn, 04<sup>th</sup> August, 2008)

### **Streamlining the subsistence poultry farming**

The poultry sector is one of the significant segments of the agriculture sector in which about 15 million people are engaged directly and indirectly. At present investment in this sector is around Rs. 200 billion. Small farmers are facing losses due to high cost of production and low prices of birds in the market. In subsistence farming, the rate of mortality and cost of production is higher than farming in controlled shed. The market rate fluctuation is a threat to subsistence poultry farming. The farmers who purchase chicks at high prices are more susceptible to losses. More than 70 per cent production cost for poultry is incurred on feed prices. Poultry feed prices have gone up by 22 per cent in 2007-2008. Wheat and rice are the two major poultry feed ingredients. Similarly adulterated medicines exacerbate mortality rate at poultry farms. The farmers should be aware of the latest farming techniques and principles of poultry business. The poultry sector also needs attention to educate the farmers. (Dawn, 04<sup>th</sup> August, 2008)

### **Need for rural hydro-power units**

A significant portion of the population, particularly those living in low density scattered settlements, are still without electricity. These people depend on traditional biomass and kerosene to meet their daily energy needs. Hydropower’s development does not pollute environment. In addition, replacement of firewood with electricity helps control deforestation. The Small Hydro Power projects benefit local environment by using a natural resource to generate the needed electricity without

depleting the quantity or quality of the resource or harming aquatic fauna and flora. Within the range of small hydro-power, mini-hydro typically refers to schemes below one MW, micro-hydro below 100 kW and pico-hydro below five kW. Generally speaking, micro- and pico-hydro technologies are used to provide electricity to isolated communities where the electricity grid is not available, whereas mini-hydro tends to be grid connected. The amount of electricity generated by pico-hydro unit is very small in magnitude. (Dawn, 04<sup>th</sup> August, 2008)

### **Untapped hydropower potential of Punjab**

As the nation faces the worse power crisis of recent times, the government is exploring possibilities of creating additional capacity for generating electricity optimally, on an emergent basis. Pre-feasibility studies for 35 raw-site projects of cumulative 350 MW capacity have been conducted. In addition, detailed feasibility reports of another 12 projects of about 50 MW total capacity are available since long. Two years thereon, the implementation of policy did not make any progress. The scope of power policy covers development of projects of capacity up to 50 MW, through public sector, private sector or under public-private sector partnership. The Irrigation and Power Department launched, in September 2006, the first project namely Khokhra hydropower project on Upper Jhelum Canal, for which detailed feasibility study was conducted in August 2005. Bankable feasibility studies have been prepared for these projects. Seven private companies were allowed to develop projects at 11 raw sites. To develop a hydropower project it is vitally important to conduct proper feasibility study. The 3-year capacity building project has completed last year. (Dawn, 04<sup>th</sup> August, 2008)

### **Grim and unsustainable fiscal situation**

Pakistan has been in fiscal difficulties before. There is one other problem associated with large fiscal deficits; imports increase beyond the capacity of the country to finance them. The second area of public policy concerns government expenditure. This is usually divided into three broad categories development, non-development and defence. That means increasing the proportion of public expenditure in GDP. Whatever is saved should be directed towards social development. Recurrent, non-development expenditure is the third category of government spending that needs to be carefully reexamined. In addition to improving tax administration, tax policy also needs to be revised. Finally, the government should allow greater fiscal autonomy to the provinces. The proceeds from these taxes should be spent on development in the provinces. Provincial tax returns should not be allowed to be expended on non-development activities. (Dawn, 04<sup>th</sup> August, 2008)

### **South Asia signs deals to fight hunger and terror**

South Asian leaders signed a legal cooperation pact on Sunday aimed at combating terrorism, and agreed to set up a food bank to fight hunger in the face of rising food prices in one of the world's poorest regions. The SAARC'S main agenda of economic growth has long been held back by old rivalries among members. The summit also agreed to make South Asia "once again a major granary of the world, through a series of specific regional collaborative projects". The leaders of South Asian region concluded the 15th SAARC summit here with the renewed resolve for collective regional efforts to accelerate economic growth and social progress for the benefit of its people. The leaders of the SAARC member states in a declaration at the end of the two-day summit reaffirmed their commitment to the principles and objectives enshrined in the SAARC Charter. Each member state may consider taking up at least one regional or sub-regional SAARC project as the lead country. Noting satisfaction at SAARC entering into implementation phase from declaratory phase, the leaders directed to rationalize SAARC mechanisms, including regional centers and prioritize their activities on

an ongoing basis to make SAARC mechanisms efficient in delivering tangible results on the ground. The leaders recognized the importance of connectivity for realizing the objectives of SAARC. (Business Recorder, 04<sup>th</sup> August, 2008)

### **Rs. 1 billion micro finance scheme for cottage industries**

Punjab government would soon initiate a " Micro Finance" scheme with an amount of Rs. 1 billion during current fiscal period for the development of cottage industries in the province. The proposed scheme would not only help in establishment of large-scale cottage industries but also generating employment opportunities in the Punjab. Apart from this, the government has also earmarked Rs. 1.30 billion for the development of industrial sector to facilitate the business community and ensure the development of industrial sector in the province. The government has already introduced business-friendly policies for ensuring maximum establishment of industries in private sector and the radius of setting up industries would be expanded to rural areas of the Punjab sources added. The government was making strenuous efforts for ensuring Direct Foreign Investment (DFI) in various fields of industrial sector. (Business Recorder, 04<sup>th</sup> August, 2008)

### **Economic benefits of Second Flood Protection Sector Project achieved**

The Project Completion Report (PCR) of Second Flood Protection Sector Project has assessed that desired economic benefits of the project have been achieved. OED agrees with PCR's rating of the Project as "efficient. The Asian Development Bank's (ADB) Project Completion Report (PCR) noted that the Project was built on the achievements of the first project by augmenting the facilities made available earlier and by further enhancing the institutional capabilities of the Federal Flood Commission, the National Flood Forecasting Bureau, the Flood Forecasting Division of the Pakistan Meteorological Department, the Irrigation Research Institute, the provincial irrigation departments and provincial irrigation and drainage authorities, and flood-prone communities. The PCR noted that the scope was changed during the reformulation of the Project's design-inputs from consultants. (Business Recorder, 04<sup>th</sup> August, 2008)

### **Pakistan exporters assured of granting concession in taxes**

The US consulate Lahore's Principal Officer Brian'd Hunt has assured that the demands of Pakistan exporters, textile manufacturers will be conveyed to his government to grant them concession in taxes and allowing the export of value-added products without duty. Exchanging views at the lunch hosted in his honour by Khawaja Muhammad Jalaluddin Roomi President of Multan Chamber of Commerce and Industry (MCCI), said that Pakistani products are considered to be popular in United States and its cotton products are highly appreciated. The luncheon was attended by FPCCI president Mian Tanvir Ahmed Shaikh, Khawaja Muhammad Masood, Chairman of Mehmood Group of Industries, Adnan Ahmed Khan Senior Vice President of MCCI, Mian Farid Mughis, Mian Aamer Nasim, Khawaja Muhammad Yousaf , Khawaja Muhammad Abdullah, Shahmshad Jafari, Khawaja Muhammad Azam, Khawaja Anis ahmed, Syed Asim Shah, and Malik Asrar Awan. (Business Recorder, 04<sup>th</sup> August, 2008)

### **Fresh WTO talks must wait until after US election: economists**

Any new attempt to grasp the grail of a world trade pact will probably have to wait until next year, after elections in the United States and India, despite some calls for more talks now, economists say. Meanwhile, Nobel prize-winning economist Joseph Stiglitz said: "The talks will not be able to resume until after the American elections." The breakdown threw up various views of the future, from analysis that emerging countries have gained new stature to suggestions that the talks should treat agriculture separately from other subjects. Stiglitz was scathing of Washington's insistence that extra duties

should be imposed only if imports surged by 40 percent. A 40-percent decline in price would have put most developing countries into bankruptcy. French agriculture minister Michel Barnier has suggested opening talks with other institutions such as the UN Food and Agriculture Organization and the International Monetary Fund. "Some countries can benefit by negotiating along narrower lines," Cohen said, pointing to an increase in the number of such accords since the Uruguay round which preceded Doha. But this type of accord complicates world trade and risks putting weaker countries at a disadvantage, Cohen said. (Business Recorder, 04<sup>th</sup> August, 2008)

### **OGRA directed to regulate CNG prices: Rs. 4-5 per kg cut likely**

The government on Monday directed the Oil and Gas Regulatory Authority (OGRA) to regulate the CNG prices under a formula that would reduce existing sale rates by almost 10 per cent or Rs. 4-5 per kg. The formula envisaged calculation of CNG sale rate to consumers on the basis of primary cost of gas announced biannually as part of overall gas rates plus fixation of operating expenditure which should not exceed 50 per cent of primary cost and then a 20 per cent rate of return to the CNG stations. At current natural gas tariff for gas utilities, the retail sale rate for consumers would come down by about 10 per cent or Rs. 5 per kg with immediate effect, the FBR chairman told the committee. The committee asked OGRA to ensure that CNG rates are uniform and no retailer should be allowed to charge consumers more than the rates to be approved by OGRA. (Dawn, 05<sup>th</sup> August, 2008)

### **Mills want refined sugar import banned**

Sugar mills have urged the government to ban import of refined sugar. They said that instead of refined sugar import, raw sugar may be imported to meet the expected shortfall of around 0.7 million tons in the next season. The Pakistan Sugar Mills Association (PSMA) has suggested to the government that in order to overcome sugar shortage during 2008-09 crushing season, import of raw sugar should be allowed. The PSMA figures disclose that up to July 15, total sugar production stood at 4.732 million tons. Responding to a question, he said raw sugar price in the world market is far less than that of refined white sugar, therefore, the government should ban import of refined sugar. (Dawn, 05<sup>th</sup> August, 2008)

### **Musharraf urges peace to stop capital outflow**

President Pervez Musharraf has stressed the need for measures to stop capital outflow and encourage inflows of foreign investment. Earlier the businessmen informed the president of the negative impact of the higher interest rates and demanded construction of roads and small dams in the province. It further demanded proper representation of the traders of the province in foreign delegations and exhibitions, establishment of an expo centre in Quetta and expediting construction work on various highways. The president assured his full support to the business community. Musharraf advised the business community to invest in power generation and help the government overcome the energy shortage. (Dawn, 05<sup>th</sup> August, 2008)

### **WTO talks can still be revived: Brazil**

World trade talks have not failed and can still be revived, Brazilian President Luiz Inacio Lula da Silva insisted as he embarked on efforts to bring the United States, India and China back to the table. WTO chief Pascal Lamy had last Tuesday announced that the talks had "collapsed" after nine days of haggling. Differences between industrial countries and developing nations particularly between the United States and India were said by diplomats to have been the obstacle. Lula noted the trade talks had been dragging on seven years before the Geneva session, which had been presented as a "make-or-break" moment. (Dawn, 05<sup>th</sup> August, 2008)

### **Italy gives 7 million euros to better marble sector**

Italy has provided over 7 million euro to start skill development programme to enhance the performance of the marble sector. In his keynote address, the Italian envoy stressed the need of establishing strong business relationship between the two countries to compete in the international market and to be more helpful for local marble sector to understand the international market trends. Earlier, Amin Hashwani, Akbar Hashwani and Shoukat A K Popalzai and other representatives from marble sector highlighted the challenges faced by the sector, saying that due to misperception about prevailing law and order situation in Pakistan, especially in Balochistan, foreign investors feared to invest in the sector. Shahid R Khan, Chairman of All Pakistan Marble Mining Processing Industry & Exporters Association (APMMPI&EA), Sanaullah, a former chairman, APMMPI&EA, Sikandar Hayat Jomezai, and other representatives from marble sector were present in the meeting. (Business Recorder, 05<sup>th</sup> August, 2008)

### **Japanese finance minister says sees danger of stagflation**

Japan's new finance minister, Bunmei Ibuki, said that there was a risk of the nation's economy falling into stagflation prompted by high raw material prices, adding that it was hard for the central bank to move now given its limited policy options. Ibuki, who also controls Japan's currency policy, declined to comment on foreign exchange rates, currency intervention policy and external reserves management, saying he would be "disqualified" if he commented on such market-sensitive issues. "Rather than worsening economic sentiment due to falling domestic demand, sentiment is hurt by the fact that firms cannot pass on rising raw material costs prompted by overseas factors." Ibuki, known as a tax and fiscal policy expert after serving as a key member of the LDP's powerful tax panel, avoided commenting directly on the timing of raising the politically sensitive consumption tax, a step seen as painful but necessary to fund the rising social welfare costs of Japan's ageing society. Shortly after being named finance minister, Ibuki said that the government should come up with a scenario on the consumption tax in two to three years. (Business Recorder, 05<sup>th</sup> August, 2008)

### **Euro zone inflation to fall as growth slows: IMF**

Inflation in the euro zone is likely to fall from current record highs as the economy slows, but the European Central Bank needs to be on guard because upside price risks are high, the IMF said. The International Monetary Fund kept its growth forecast at 1.7 percent for 2008 and 1.2 percent for 2009, compared with 2.6 percent in 2007. The IMF said euro zone growth is dragged down by high energy and food prices, tight credit conditions, slowing global demand and a strong euro. "They (IMF directors) also noted that the euro is now on the strong side relative to fundamentals," the IMF said, following complaints of many European businesses that the euro's strength against the US dollar is harming them. (Business Recorder, 05<sup>th</sup> August, 2008)

### **EMC satisfied with stocks of food items**

The Economic Monitoring Committee (EMC) expressed satisfaction over availability of sufficient stocks of food items of daily use. The committee proposed setting up of urea outlets by major manufacturers. The Ministry of Petroleum & Natural Resources informed EMC that arrangements have been made to supply additional 10 mmcf and 5 mmcf gas through SNGPL and SSGCL transmission systems respectively to urea factories to increase production for the current month. The EMC also approved recommendations of the committee headed by NRB Chairman for working out pricing structure for CNG stations by Oil and Gas Regulatory Authority (OGRA) in pursuance of the government's decision to regulate the consumer's prices. The EMC issued instructions to MINFAL to

ensure availability of sufficient stocks of all food items of daily use at reasonable prices before the advent of Ramazan. (Business Recorder, 05<sup>th</sup> August, 2008)

### **Oil dips below \$ 120 as storm threat eases**

Oil prices plunged in a massive sell-off, falling below \$ 120 a barrel for the first time since early May after tropical storm Edouard appeared unlikely to threaten oil and natural gas facilities in the Gulf of Mexico. Also, weighing on prices was a report by the commerce department that consumer spending fell in June as shoppers dealt with higher prices for gasoline, food and other items. Light, sweet crude for September delivery fell more than \$ 5 at one point to \$ 119.50 a barrel on the New York Mercantile Exchange. The contract later recovered slightly, trading \$ 4.25 lower at \$ 120.85 a barrel. Natural gas futures also sank, dropping 68.1 cents. (Times of India, 05<sup>th</sup> August, 2008)

### **India's rating may be cut**

The sovereign ratings outlook for India may turn negative, from stable currently, if the country's fiscal policy fails to check external shocks like crude prices or aggravates the inflation concerns, global rating agency Moody's warned. Moody's warning comes within weeks of another global agency Fitch downgrading India's foreign currency credit outlook from 'stable' to 'negative'. "If the fiscal policy response remained inadequate amidst heightened external shocks, then ratings pressure for a change in India's sovereign ratings outlook -from 'stable' to 'negative' would increase," a Moody's report said. (Times of India, 05<sup>th</sup> August, 2008)

### **Funds Target Countries Hit Hardest by Food Crisis**

The rapid rise in food prices has been a burden on the poor in developing countries, who spend roughly half of their household incomes on food. The Global Food Response Program (GFRP) aims to strike a balance between short-term food stabilization and measures to ensure countries are able to cope better in the medium term. To date, the Bank has approved and begun disbursing \$ 54 million in six countries. Programs totaling \$ 69 million in eight additional countries are pending approval. (web.worldbank.net, 05<sup>th</sup> August, 2008)

### **Peru: World Bank Announces US\$ 370 Million Loan to Support Fiscal Management and Competitiveness**

The World Bank's Board of Executive Directors today approved a US\$370 million loan to Peru. The Programmatic Fiscal Management and Competitiveness Development Policy Loan is a core part of the World Bank's partnership strategy with Peru. Over the short term, the program will strengthen the Peruvian government's financial position, while backing the government's public sector and competitiveness reform program. Over the medium to long term, the reforms, which are supported by the series of programmatic loans, will result in a sounder general financial framework, improved efficiency and quality of public sector spending and more sustainable economic growth. (web.worldbank.net, 05<sup>th</sup> August, 2008)

### **WHO and World Bank Join Forces for Better Results from Global Health Investments**

As delegates gather at the International AIDS Conference (3-8 August), the World Health Organization (WHO) and the World Bank today address the pressing global debate around health systems and initiatives in specific aspects of health, nutrition and population. Critics claim that disease-specific initiatives are eroding already weak health systems, while others assert that weak health systems are holding back progress in disease-specific initiatives. Notwithstanding the gains that have been made in funding and access to health services, critics allege that Global Health Initiatives

have also exposed weaknesses in health systems. These weaknesses in overstressed health systems in many low- and middle- income countries are thought to be limiting the effectiveness of Global Health Initiatives and may be undermining investments that are now being made. (Web.worldbank.net, 06<sup>th</sup> August, 2008)

### **NFC award: PPP-led government gears up to remove apprehensions of federating units**

Lack of consensus on political and economic fronts has not hampered the resolve of the federating units to find out a workable formula for National Finance Commission (NFC) award as population-based distribution of resources from the Federal Divisible Pool down to provinces is not acceptable to the smaller provinces. The distribution of resources through NFC had always been a source of tension among the federating units in the past, but the present coalition government, realizing its importance, is geared up to implement award, removing all the apprehensions of federating units for bringing harmony, sources told. Earlier, high government functionaries visited all the provinces to meet the Speakers and Chief Ministers of the respective provinces to resolve outstanding issues pending in Senate especially related to NFC award. (Business Recorder, 06<sup>th</sup> August, 2008)

### **Six pilot housing projects to be initiated in a week**

The government has asked Pakistan Housing Authority to launch mega housing projects to overcome the shortfall of residential accommodation in the country and six pilot housing projects in Islamabad, Lahore, Karachi, Quetta, Multan and Larkana will be initiated in a week, said Rehmatullah Khan Kakar, Federal Minister for Housing and Works. The Chief Executive of NAMFATT briefed the minister about his company's participation in mega housing projects in various countries including construction of 6,500 affordable apartments in Thailand. (Business Recorder, 06<sup>th</sup> August, 2008)

### **Ministry rejects cement makers' cost calculations**

The Ministry of Industries and Production rejected the per unit cost calculations submitted by cement manufacturers who are reportedly charging inflated prices in different parts of the country. Khawaja admitted that there was a difference of Rs. 60 per bag in the cost calculated by the ministry's cost accountant and the cement manufactures who showed Rs. 40 per bag increase in the cost of production. The ministry is in the process of seeking input cost information from other sources so that a solid case should be submitted to the Economic Co-ordination Committee (ECC) or Economic Monitoring Committee (EMC) for action. (Business Recorder, 06<sup>th</sup> August, 2008)

### **Auto industry: PAMA suggests steps to encourage investment**

Local and foreign stakeholders have expressed concern over the viability of further investment in local auto manufacturing sector following the announcement of additional levies and taxes in the 2008-09 federal budget. Dilating on the challenges facing the auto industry in Pakistan, the spokesman said that Pakistan's local auto assembling sector accounts for 91 percent of total cars and light commercial vehicles (LCVs) sold in the country. This has made Pakistan's auto industry one of the highest potential sectors of the country's economy. The auto industry, he said, currently provides employment in addition to investment in technology transfer, localization of parts and human resource development in numbers, the direct impact of the auto industry on Pakistan's engineering industry business for 400 vendors and direct employment opportunities to about 192,000 people. Removal of 35 percent LC margins on imports. (Business Recorder, 06<sup>th</sup> August, 2008)



### **US service sector shrinks**

The US service sector shrank slightly for the second consecutive month in July but by less than economists had expected, according to a report released that also showed inflation pressures moderating. The Institute for Supply Management said its non-manufacturing index came in at 49.5 for July, up from June's 48.2. The prices paid index slid to 80.8 in July from June's 84.5, which was the highest in the 11-year history of the index. The service sector represents about 80 percent of US economic activity, including businesses such as banks, airlines, hotels and restaurants. (Business Recorder, 06<sup>th</sup> August, 2008)

### **China publishes details of anti-monopoly law**

China has fleshed out its landmark anti-monopoly law, specifying turnover thresholds that will trigger a government review of proposed mergers. All business combinations must be cleared by the Ministry of Commerce if the joint global revenue of the companies involved exceeds 10 billion yuan (\$ 1.46 billion) or 2 billion yuan in China, the People's Daily reported. For the purpose of law, business "combinations" encompass mergers and acquisitions; share or asset sales that give one company control of another; and the signature of contracts that cede control or decisive influence to another firm, it said. The newspaper cited detailed regulations published by the State Council, China's cabinet. (Business Recorder, 06<sup>th</sup> August, 2008)

### **Oil falls as fears for growth intensify**

Crude oil prices fell below \$120 a barrel for the first time in three months, as new data underscored the damage high energy costs are inflicting on US consumers. Real US consumer spending fell by 0.2 per cent in June, as rising inflation offset the impact of \$100 billion in rebates for US taxpayers. (Financial Times, 06<sup>th</sup> August, 2008)

### **Inflation fears persist as Fed holds rates**

The Federal Reserve pushed back the horizon for possible rate increases by acknowledging continuing risks to growth, but emphasized that inflation risks were "also of significant concern". Interest rates were kept on hold at 2 per cent and the central bank provided no signal that it intended to raise rates at its next policy meeting in September, while offering little guidance beyond that. (Financial Times, 06<sup>th</sup> August, 2008)

### **OGRA raises wellhead gas prices by 35pc**

The Oil and Gas Regulatory Authority (OGRA) has increased wellhead gas prices up to an unprecedented 35 per cent for 12 production companies with effect from July 1, 2008 owing to rise in international crude and furnace oil rates over the last six months. An OGRA announcement said the highest 34.86 per cent increase has been allowed in the country's largest gas producing Sui field from Rs. 107.47 per MMBTU (million British thermal unit) to Rs. 144.93 per MMBTU. The second highest jump of 24.37 per cent was allowed to Kandanwari gas field, another PPL asset. Likewise, an increase of 11.6 per cent has been allowed in the wellhead rates of Sara/Suri field, from Rs. 89.93 to Rs. 100.37 per MMBTU. The wellhead rates of Adhi gas fields have been increased from Rs. 91.15 to Rs. 101.35 per MMBTU, up by 11.2 per cent. The rates for Meyal/Dhulian gas field have gone up by 10.36 to Rs. 87.96 per litre from existing Rs. 79.70 per litre. (Dawn, 06<sup>th</sup> August, 2008)

### **Gold loses Rs. 1,543 in two weeks**

Local gold price plunged by over Rs. 1,543 per 10 grams in the last 14 days owing to a downward trend in the world gold prices caused by falling crude oil prices. On July 22, the local gold price had hit a record peak of Rs. 22,414 per 10 grams. The price fell by Rs. 514 per 10 grams to settle at Rs.

20,871 per 10 grams as compared to Rs. 21,385. The rate of one tola gold bar, after achieving a record high of Rs. 26,150 on July 22, fell to Rs. 24,350, down by Rs. 1,800 per tola in the last 14 days. The international gold rate is now quoted at \$ 885 per ounce as compared to \$ 910 per ounce. Gold imports fell by 95 per cent in terms of quantity and 89 per cent in terms of value in 2007-2008 compared to 2006-2007. (Dawn, 06<sup>th</sup> August, 2008)

### **Oil prices slide below \$ 119**

Oil prices fell another 2.0 dollars to beneath 119 dollars a barrel, as slowing US demand for energy offset tensions over crude-rich Iran, traders said. Brent North Sea crude for September delivery dropped 2.50 dollars a barrel to 118.18 dollars in electronic trading. New York's main contract, light sweet crude for September shed two dollars to 119.41 dollars a barrel. Crude futures were falling "with concerns over slowing demand for energy still dominating investor sentiment," said Andrey Kryuchenkov at the Sudden brokerage in London. The monthly US Commerce Department survey showed consumer spending, which accounts for two-thirds of economic output, had cooled in June while inflationary pressures accelerated. The United States is the world's biggest user of energy and any signs of slowing consumer spending tend to weigh on global oil demand projections. (Dawn, 06<sup>th</sup> August, 2008)

### **Asian stocks close mostly down**

Asian stocks closed mostly down as investors worried about the cooling world economy, disappointing corporate profits and crucial upcoming interest rate decisions. Hong Kong and Taiwan led the decliners among major regional bourses, falling 2.5 per cent. The Tokyo Stock Exchange's benchmark Nikkei-225 index slipped 18.52 points or 0.14 per cent to end at 12,914.66. Australian shares closed down 1.4 per cent, dealers said. The heavyweight miners were lower BHP Billiton dropped 6.6 per cent to 35.82 Australian dollars, Rio Tinto lost 6.2 per cent to 110.79 and Fortescue Metals shed 6.3 per cent to 7.50. Singapore share prices closed 0.54 per cent lower, dealers said. Malaysian share prices closed down 1.7 per cent, dealers said. The Kuala Lumpur Composite Index shed 19.82 points to 1,128.86. Indonesian shares closed 1.9 per cent lower, dealers said. The Jakarta Composite Index slipped 42.06 points to 2,185.62. New Zealand share prices closed 0.7 per cent lower, dealers said. The benchmark NZX-50 index fell 23.5 points to 3,295.68. Telecom eased nine cents to 3.67 dollars. (Dawn, 06<sup>th</sup> August, 2008)

### **World oil consumption: Pakistan ranks 38<sup>th</sup>**

Pakistan ranked 38th in world oil consumption with 324,000 barrels per day while the United States held the number one position with a consumption of 20,730,000 bbl/day. One of the interesting facts is that that the US and Canada consume 28 per cent of world oil production, while their combined population is only five per cent of the world. Canada's oil consumption is 2,294,000 bbl/day. China consumes one third the oil consumption of America, but its population is more than four times that country. (Dawn, 06<sup>th</sup> August, 2008)

### **India among world's top automakers**

With the boom in the domestic auto industry in recent years, India has found a place among the world's top 15 automakers and has been ranked fourth in the list of automobile manufacturers in the leading developing countries' category. According to United Nations Industrial Development Organization's (UNIDO) 'International Yearbook of Industrial Statistics 2008', India occupies the 12th position in the global list of top 15 automakers. The other countries making up the global 15 are Mexico, Thailand, Indonesia, Pakistan, Germany, Korea, the UK, Brazil, Turkey and Bangladesh. It

follows the international standard for industrial classification that categorizes the automobile sector as manufacture of motor vehicles, bodies (coachwork) for motor vehicles, trailers and semi-trailers and manufacture of parts and accessories of motor vehicles and their engines. (Hindu, 06<sup>th</sup> August, 2008)

### **FPCCI chief urges OGRA to lower POL prices**

President, Federation of Pakistan Chambers of Commerce and Industry (FPCCI), Tanvir A Sheikh has demanded that OGRA revise petroleum prices downwards in the domestic market. OGRA has been arguing that increased oil prices internationally are the main cause for hikes in POL prices in the domestic market. Sheikh demanded that OGRA follow its past practice of increasing domestic oil prices with international prices and should now adjust prices downward - following the trend in the international market. The FPCCI head said that OGRA has increased petroleum prices seven times since February 17 and that while the prices of oil in the international market have declined by 32 dollars per barrel in last three months, OGRA did not reduce petroleum prices a single rupee. (Business Recorder, 07<sup>th</sup> August, 2008)

### **Britain's economy nears stagnation as BoE meets**

Britain's economy has almost ground to a halt, the consumer spirit is evaporating and jobs are getting harder to find, surveys showed, as the Bank of England begins a tricky two day interest rate meeting. Policymakers have to decide what is the best path for borrowing costs with inflation running at the highest rate since the central bank was granted the power to set rates in 1997 but with the economy looking increasingly vulnerable to recession. Analysts are unanimously forecasting rates on hold at 5 percent when the BoE announces its decision on Thursday because the latest news on the economy has been unequivocally bleak. "The consumer sector is bearing the brunt of the credit crisis with falling asset prices, negative real wage growth and rising unemployment taking its toll on sentiment and spending." Car registrations slumped 13 percent on the year last month, the biggest fall since late-2006, according to industry data. Inflation is already running at 3.8 percent and is expected to spike to around 5 percent. (Business Recorder, 07<sup>th</sup> August, 2008)

### **IMF cuts UK growth forecast**

The British economy will slow sharply this year and next but the Bank of England has little scope to trim interest rates because of soaring inflation, the International Monetary Fund said. It said the UK economy would grow by 1.4 percent in 2008 and just 1.1 percent in 2009 - the slowest rate since 1992 and below the 1.75 percent it forecast in May for both years. The IMF predicted inflation would exceed the Bank of England's 2 percent target for an "extended period" and would likely hit 5.0 percent by the end of the year, reducing the scope for interest rate cuts. "Given the outlook for inflation and the stance of fiscal policy, directors saw little scope for monetary easing at present," the report said. The IMF said rising inflation expectations made it even more important that fiscal and monetary policies played their part in safeguarding the credibility of the government's framework. (Business Recorder, 07<sup>th</sup> August, 2008)

### **EU exports to Iran rising despite sanctions**

European Union exports to Iran are on the rise again after a three-year decline, despite United Nations sanctions over Tehran's nuclear programme, figures from the EU's statistics office Euro stat show. The main increases were in exports of vehicles, machinery and other manufactured goods with Germany, Italy and France registering the largest increases. An EU official said the figures appeared to highlight Iran's ability to use oil revenues swollen by soaring world oil prices to buy goods with cash, despite a clampdown on export credit guarantees by European governments. German Chancellor Angela Merkel

urged German firms on Wednesday to show sensitivity in their dealings with Iran, following Israel's criticism of a German firm's gas plant deal. (Business Recorder, 07<sup>th</sup> August, 2008)

### **Top US official sees 'no alternative' to Doha**

A senior US trade official defended the World Trade Organization and the multilateral trading system in the wake of the latest collapse of negotiations for a new round of tariff cuts in a broad range of industries. Even if the WTO has become extremely unwieldy, it would be crazy to walk away from Doha unless there is something better, said Warren Maruyama, general counsel in the office of the US trade representative. Right now, there is no plausible alternative. (Financial Times, 07<sup>th</sup> August, 2008)

### **Prices of ghee, oil decline**

The prices of ghee and cooking oil in the local market have fallen after palm oil rates declined in international market. However, the producers of branded ghee and oil have not reduced their rates. The price of 16 kg ghee and cooking oil tin plunged to Rs. 1,950 from Rs. 2,100 in Punjab two weeks ago. In Karachi, the rate of 16 kg ghee tin is quoted at Rs. 1,820 as compared to Rs. 1,900. The palm oil rate fell to \$1,000 per ton from \$1,200 two weeks back. The branded ghee and cooking oil producers also did not pass the impact of the falling palm oil prices in the world market to consumers in March this year. Branded ghee and cooking oil prices have surged substantially in the last two years. In Sept 2006, five kg Dalda ghee tin was priced at Rs. 395 while it is now quoted at Rs. 775. Palm oil imports in 2007-08 surged by 3.28 per cent in quantity and 76 per cent in value to 1,766,471 tons (\$1.6 billion) as compared to 1,710,437 tons (\$916 million) in 2006-07. (Dawn, 07<sup>th</sup> August, 2008)

### **Sharia banking may touch \$ 1trn in 2 years**

Today, the Sharia finance and banking industry is one of the fastest growing markets in the world and is estimated to be worth more than US\$1 trillion in the next 2 years, according to the UK-based Securities & Investment Institute. The Securities & Investment Institute (SII), the leading financial services educational body in the area of Islamic finance, first announced the development of its benchmark Islamic Finance Qualification (IFQ) in 2005. SII has designated Singapore as its first choice for the regional launch of the IFQ. The Institute is also working with financial services regulators throughout the Middle East including all the Gulf Corporation Council countries (GCC). IFQ is sold in 53 countries and has become a required qualification in a number of finance houses and government institutions around the globe. The launch of the SII Islamic Finance Qualification from Singapore provides the perfect tool for consumers in the region to gain the prerequisite background to assess wholesale instruments, such as Sukuk, Islamic bonds or retail products such as Islamic mortgages. (Dawn, 07<sup>th</sup> August, 2008)

### **Govt. urged to restore dealers' sale margins**

The Pakistan Petroleum Dealers Association (PPDA) asked the government to withdraw the reduction in their margins or risk strike by the petroleum dealers. Addressing a press conference PPDA chairman Abdul Sami Khan urged the government to restore the 60 paise and 25 paise dealers' margins on petrol and diesel, respectively. He announced that the dealers would gradually stop selling petroleum products on credit cards and put up protest banners at petrol pumps across the country from Wednesday against the government decision. The government has been fleecing the common man by collecting huge taxes on petroleum products, he claimed. (Dawn, 07<sup>th</sup> August, 2008)

### **ECB keeps rate steady on weak economy**

The ECB recognized that eurozone economic activity was weakening, but president Jean-Claude Trichet focused on inflation and signaled that the bank's main lending rate would stay on hold. The European Central Bank held its key interest rate at 4.25 per cent amid growing signs of a European economic slump combined with rising inflation. Foreign exchange markets reacted violently after Trichet acknowledged that economic growth was beginning to slow. "The ECB continues to face a real inflation problem," Kraemer said, because long-term inflation expectations were still considerably higher than the bank's target of 2.0 per cent. On growth, Trichet said uncertainty over the outlook for economic activity remained high amid "very high and volatile levels of commodity prices and the ongoing tensions in financial markets." (Dawn, 08<sup>th</sup> August, 2008)

### **Sugarcane output may drop by 40pc**

Sugarcane production may drop by 40 per cent this year compared to last year owing to less area brought under cultivation, shortage of water and urea, and change in crop pattern. Presently, growers owe Rs. 2.5 billion cane dues to mills, which paid less than the minimum cane price fixed by the government during 2007-08 season ended in April this year. The minimum price was fixed at Rs. 67 per maund, but the mills paid only Rs. 60. The government has filed criminal cases against mill owners in district courts to persuade them to make payment to growers. Mr. Jamali pointed out that the chief minister is yet to announce formation of a new cane control board which would announce the minimum procurement price. The cane commissioner has written to the agriculture secretary to request the chief minister to announce formation of the board which has representatives from growers, mills and directors of agriculture, industry and labour. It is headed by the cane commissioner. (Dawn, 08<sup>th</sup> August, 2008)

### **Rs. 1 million reward for providing info on cartels**

The Competition Commission of Pakistan (CCP) will pay a reward of up to Rs. 1 million to a person, who will provide credible information leading to unmasking of any cartel activity. The minimum reward money is Rs. 200,000. In case of acquisition of shares by an undertaking, if an acquirer acquires voting shares, which taken together with voting shares, if any, held by the acquirer shall entitle the acquirer to more than 10 per cent voting shares. This amendment may now rationalize the thresholds for merger. The exemption from filing pre-merger notification: With a view to save the undertakings from the exercise of filing pre-merger notification under section 11 of the Competition Ordinance, 2007, certain transactions have been exempted, specifically from filing of the pre-merger notification. The above provision about the transactions exempted from pre-merger notification has also been inserted through suitable amendment in the Competition (Merger Control) Regulations, 2007. (Dawn, 08<sup>th</sup> August, 2008)

### **ASEAN-India FTA talks conclude**

Difficult negotiations over an ASEAN-India free trade deal have been concluded and the last obstacles overcome, Association of Southeast Asian Nations (ASEAN) secretary general Surin Pitsuwan said. The agreement covering billions of dollars in trade but not services between the 10 ASEAN states and India was supposed to have been concluded last year. New Delhi had submitted a list of 1,414 products, while ASEAN's target number was 400. ASEAN aims to create a single market of more than half a billion people by 2015 to help battle competition from China and India. (Dawn, 08<sup>th</sup> August, 2008)

### **SEC unveils settlement with Citigroup**

The Securities and Exchange Commission said it had reached a multibillion-dollar settlement with US banking giant Citigroup regarding its marketing of complex debt securities. The regulator said that under the settlement's terms, Citigroup has agreed to effectively buy back \$7.4 billion worth of auction-rate securities it marketed to tens of thousands of customers. Auction-rate securities, essentially debt instruments issued by financial firms, municipalities and student-loan companies, typically have a fairly lengthy maturity, but the interest rates on such securities can be volatile and change at weekly and monthly auctions overseen by banks. (Dawn, 08<sup>th</sup> August, 2008)

### **Reserves fall to \$ 10.15 billion**

Pakistan's foreign reserves fell by about \$328 million to \$10.159 billion in the week ending Aug. 2, the central bank said. According to official data, the State Bank of Pakistan said its reserves fell \$48 million to \$6.968 billion, while those held by commercial banks rose \$151 million to \$3.190 billion. (Dawn, 08<sup>th</sup> August, 2008)

### **US, Brazil to deepen energy cooperation**

Brazil and the United States are seeking to deepen a partnership in energy, especially by promoting biofuels and other alternatives to oil, US Deputy Secretary of Energy Jeffrey Kupfer said. But while ethanol biofuel was one of the main topics discussed with officials during his three-day visit to Brazil, there was no change to US import tariff on Brazilian ethanol, he told reporters. Brazil's biofuel industry argues that its ethanol, derived from sugarcane, runs cleaner and more efficiently than the US sort, made from corn, and is less of a concern to critics who claim that biofuel production is reducing the amount of farm output dedicated to food production. (Dawn, 08<sup>th</sup> August, 2008)

### **Gold edges higher**

Gold edged higher in Europe as the dollar softened against the euro ahead of a rate-setting meeting of the European Central Bank later in the session, and as oil prices rose. Platinum steadied after a rise in prices fuelled by strike action in South Africa on Wednesday ended a three-session slide that drove prices down some \$180 an ounce to six-month lows. Gold edged up to \$ 882.20/883.20 an ounce from \$878.70/879.90 late in New York. The dollar weakened broadly, as oil prices bounced back from three-month lows, prompting traders to take profits. The euro firmed a touch against the US currency ahead of the ECB's rate-setting decision later in the session, and ECB president Jean-Claude Trichet's accompanying press conference. (Dawn, 08<sup>th</sup> August, 2008)

### **Move to reduce \$ 11 billion oil import bill**

The Economic Monitoring Committee (EMC) asked the ministry of petroleum on Thursday to prepare proposals for curtailing oil consumption in order to lower the oil import bill which has now reached \$11 billion. It advised the ministry to specify government's guidelines in sync with the Oil and Gas Regulatory Authority (OGRA) on gas pricing mechanism to the benefit of public at large. It advised MINFAL that decision to import refined or raw sugar must be taken in conjunction with fixing prices. The EMC had directed MINFAL to finalize a decision on wheat release prices after meeting provincial food secretaries and taking into consideration their viewpoint. The MINFAL also informed EMC that Pakistan's projected edible oil consumption was likely to be around 2.8 million tons. Taking stock of declining international edible oil prices, domestic oil and ghee rates have registered a fall in the open market. (Dawn, 08<sup>th</sup> August, 2008)

### **Heavy antidumping duty on PSF import from China expected**

Based on information provided by the domestic industry, National Tariff Commission (NTC) may impose heavy antidumping duty on import of Polyester Staple Fiber (PSF) from China. According to information available here, NTC has already initiated antidumping investigation against alleged dumping of PSF from China. This is the second time that NTC has initiated such an investigation against imports of PSF in Pakistan. In case antidumping duties are imposed against imports of PSF from China, the domestic industry in Pakistan (Dewan Salman Fibers Ltd, Ibrahim Fibers Ltd and ICI Pakistan Ltd) will have improved share of domestic market due to price correction of imported PSF. (Business Recorder, 08<sup>th</sup> August, 2008)

### **Drop in rupee value to escalate import bill**

The PIAF (Pakistan Industrial and Traders Associations Front) chief in a statement, expressed his concern over the rupee depreciation, saying that it would further escalate import bill and cost of indigenous goods, thus eroding their competitive edge, both in local as well as global markets, besides, further widening the current trade deficit. As such, it is more crucial situation for the export-oriented industry as it is mainly dependent on imported constituents to produce exports goods and thus the devaluation of rupee would not work to boost exports, he added. (Business Recorder, 08<sup>th</sup> August, 2008)

### **FPCCI rejects banks' demand for increase in interest rate**

President, Federation Pakistan Chambers of Commerce and Industry (FPCCI) Tanvir A Sheikh has strongly reacted to the demand of commercial banks for further raise in interest rate. Banking spreads are directly related with the mark-up income of the banks. During the last couple of years, banking sector earned significant mark-up income on the basis of high spreads. He stated State Bank of Pakistan has already increased its discount rate by 250 basis points in less than a quarter, which is very unusual practice for any Central Bank in the world. The Reserve Bank of India did not raise its discount rate from 6 percent during last year but only changed cash reserve requirement (CRR), Statutory Liquidity Requirement (SLR) and repo rate whereas SBP has fully focused on raising discount rate. (Business Recorder, 08<sup>th</sup> August, 2008)

### **China revises foreign exchange rules to monitor flows**

China has updated key foreign exchange rules for the first time in 11 years, hoping to boost monitoring of fund flows and stem growth in its massive foreign exchange reserves, the government said. Coming at a time of intense speculation about the future of China's currency, the yuan, the new regulations would mainly have a psychological impact, indicating China's future intentions, observers said. (Business Recorder, 08<sup>th</sup> August, 2008)

### **IMF no substitute for reformist government: Turk minister**

Turkey's economic success depends on having a reformist government rather than on any IMF programme, state Anatolian news agency quoted Economy Minister Mehmet Simsek as saying. The Turkish government is yet to decide between a precautionary stand-by accord with access to IMF loans and a less stringent post-programme monitoring deal. Simsek said Turkey's large current account deficit was a by-product of the IMF-backed economic programmes. The IMF said on Wednesday Turkey still faces risks from a large current account deficit, which Simsek has predicted at \$50 billion at the end of 2008 up from \$38 billion last year. (Business Recorder, 08<sup>th</sup> August, 2008)

### **EU And UN To Link Carbon Trading Registers By December: Brussels**

The European Commission on Wednesday said the EU will link its carbon trading market to the United Nations' scheme by December at the latest. The linking of the two systems will enable companies to transfer so-called 'certified emission reductions' (CERs) issued under the UN's Clean Development Mechanism to EU member states. Linking up with the UN's carbon credit registry will further strengthen Europe's leading role in the global carbon market. Projects in the future would have to show that emissions cuts were a direct result of the UN scheme, for example demonstrating that banks had lent money because of the prospect of offset sales, a UN climate panel responsible for setting rules proposed in a consultation note. That call followed separate changes which UN climate officials agreed last week to the project approval process. ([web.worldbank.org](http://web.worldbank.org), 08<sup>th</sup> August, 2008)

### **NBFCs bodies oppose central bank's regulatory role**

Investment banks, leasing companies and mutual funds have asked the finance ministry not to act over a proposal that seeks transfer of powers to the State Bank to regulate some of the non-banking finance companies (NBFCs). In separate letters sent to the ministry, the Leasing Association of Pakistan, Investment Banks Association and the Mutual Funds Association have expressed their concern over the proposal and warned of overlapping of jurisdiction for the financial and non-financial sector. If implemented, the proposed powers of SBP will create duplicity of jurisdiction with some entities regulated by SBP and others by the SECP. (Dawn, 09<sup>th</sup> August, 2008)

### **Oil prices fall to \$ 114**

Crude prices continued their dizzying spiral down on Friday, shedding nearly four dollars to trade below 114 dollars a barrel as the US currency strengthened amid concerns about energy demand, dealers said. Brent North Sea crude for September delivery hit an intra-day low of 113.55 dollars a barrel. It recovered slightly to stand at 114.06 dollars, down 3.80 dollars, at about 1420 GMT New York's main contract, light sweet crude for September stood at 116.28 dollars a barrel, down 3.74. Oil futures have shed more than 20 per cent in value since hitting record highs above 147 dollars per barrel on July 11. World oil prices had on Thursday risen towards 120 dollars a barrel on news that a pipeline carrying crude from Central Asia to the West would remain shut for about 15 days after a recent explosion. (Dawn, 09<sup>th</sup> August, 2008)

### **Pakistan to import 300,000 tons urea**

Pakistan will import 300,000 tons of urea from Saudi Arabia and provide maximum subsidy on fertilizer for maintaining prices at the current level so as to avoid the impact of fertilizer shortage on agricultural output, a government official said. Pakistan's total urea production is about 4.8 million tons against a demand of 5.4 million tons, leaving a shortfall of 600,000 tons. This provides an opportunity to the middleman to earn higher profits through black-marketing and hoarding because of much higher international prices. He said due to supply and demand gap and higher prices, the farmers would use less fertilizer in rice and cotton crops that would affect the country's agricultural production negatively. Pakistan's total production of phosphatic fertilizers is about 700,000 tons against its annual requirement of 1,300,000 tons, leaving a gap of 600,000 tons. (Dawn, 09<sup>th</sup> August, 2008)

### **Banks' capital limit to be raised to \$ 300 million**

The Minimum Capital Requirement (MCR) will be increased to \$300 million for both conventional and Islamic banks, said banking sources. For the last five years the State Bank has been following a policy to reduce number of banks with a vision of consolidation of banking in the country. Most of the



small banks were sold to giant foreign banks, which increased their share in the banking industry of Pakistan. "Excluding five big banks and foreign banks, only few banks have potential to reach the new gigantic target of \$300 million of capital requirement," said the senior banker. However, the move will support the big banks as they would get larger chunk of the banking boom. In the presence of giants like Royal Bank of Scotland, Standard Chartered, and NIB Bank, local Pakistani banks can not compete in an unfavourable situation like sharp decline in the economic growth, he said. (Dawn, 09<sup>th</sup> August, 2008)

### **Rising budget deficit: government facing pressure to shelve uplift projects**

The present government is facing a mounting pressure regarding reducing the size of the PSDP by shelving a number of development projects as the budget deficit continues to widen. "According to the international financial institutions, about 7 to 8 percent of GDP is required to be spent on infrastructure annually in developing states while currently Pakistan is spending 3 to 4 percent of the GDP," said Ghulam Murtaza Satti, leader of Infrastructure Project Development Facility (IPDF). "Zardari has also instructed the IPDF to ensure speedy completion of the infrastructural projects being executed under the Public Private Partnership so that further projects are initiated," said Satti. The present government is fully aware of private partnership in development and the IPDF would play a leading role in this regard. (Business Recorder, 09<sup>th</sup> August, 2008)

### **Fata development to bring economic, jobs opportunities**

The Federal Administered Tribal Area (FATA) need developmental activities to promote economic growth, create job opportunities and improve the living conditions of tribal people, says the President of the Islamabad Chamber of Commerce and Industry (ICCI) Muhammad Ijaz Abbasi. Chemonics International and JE Austin are managing "Fata Development Program" with USAID to improve the competitiveness of key Fata economic sectors. Abbasi said that the Fata Development Program would play a key role in uplifting the living standards of the people by initiating development work and stimulating as well as promoting business and investment activities in the region. Studebaker and Aswad said Chemonics International and JE Austin are focusing on South Fata comprising the Khyber, Orakzai and Kurram agencies. (Business Recorder, 09<sup>th</sup> August, 2008)

### **Rs. 7.5 billion allocated for completion of Southern Punjab uplift projects**

An amount of Rs 7.5 billion has been allocated in the current fiscal year budget for the completion of developmental schemes in southern Punjab. A big project, with the cooperation of Asian Development Bank (ADB), is under way for the completion of water supply and drainage schemes, waste water treatment plant and link roads in these areas. The reproductive centres, presently established at the district headquarters level, would be set up down at tehsil level, and added the number of male mobilisers, presently working at population of 20,000 persons, would be increased by setting up these centres at population of 10,000 people and social mobilizers would be appointed in all tehsils of the country, under the programme. (Business Recorder, 09<sup>th</sup> August, 2008)

### **Need stressed for implementation of IPR laws**

Speakers at a workshop stressed the need for effective implementation of laws regarding intellectual property rights (IPR) to safeguard the rights of domestic authors across the country. Owais Hassan Shaikh, Assitant Director, Trade Marks, Ghulam Mujtaba, Patent Examiner, Nasrullah, Assitant Director, Copyrights, and Hina Anwar, Patent Help Line Officer spoke on the occasion. They lamented that lack of proper implementation of the laws to protect IPR, Pakistani authors were losing benefits from their creations. They termed inadequate knowledge regarding IPR laws as a major hurdle

for its effective execution, saying that authority could only take action against IPR violators, if authors registered their complains against them. (Business Recorder, 09<sup>th</sup> August, 2008)

### **Leading indicators show sharper slowdown in OECD**

A sharper economic slowdown lies ahead for 29 countries in the OECD, the Paris-based Organisation for Economic Cooperation and Development said. "Composite leading indicators (CLIs) for June 2008 indicate a continued weakening outlook for all the major seven economies," the OECD said in a statement entitled "Composite Leading Indicators signal sharper slowdown in OECD area." Japan's CLI fell to 95.9 in June from 96.0 in May. The OECD indicator is based around a long-term average of 100. A decrease below the 100 level indicates economic slowdown. (Business Recorder, 09<sup>th</sup> August, 2008)

### **US business productivity grows solidly**

US business productivity grew by a relatively solid 2.2 percent annual rate during the second quarter as companies boosted output while they cut jobs, a Labour Department report on Friday showed. Compared with the second quarter of 2007, non-farm productivity was up 2.8 percent. The department said that output grew in the second quarter by 1.7 percent, nearly double the 0.9 percent rise posted in the first quarter. Wall Street analysts polled by Reuters were expecting inventories to rise 0.6 percent in June, compared with a 0.9 percent gain in May previously reported as 0.8 percent. US petroleum stocks increased 8.3 percent in June. Durable goods inventories rose 0.6 percent in June, led by a 4.2 percent gain in stocks of metals, the report said. (Business Recorder, 09<sup>th</sup> August, 2008)

### **Japan's company failures set new record**

Japanese corporate bankruptcies in July surged 24 per cent year-on-year to a record for a year of 1,131, a sign that the slowdown in economic activity and rising energy and materials costs are fast taking their toll upon businesses, a leading credit research company reckons. Teikoku Databank said the number of bankruptcies last month was the highest in more than three years. (Financial Times, 09<sup>th</sup> August, 2008)

### **US productivity data ease inflation fears**

US productivity rose at an annualized rate of 2.2 per cent in the second quarter and labour costs jumped less than expected, easing inflation fears and dismissing any concerns that a 1970s-style wage-price spiral could start to unfold. The data, released on Friday by the Labor Department, confirms one of the key elements of strength in the US economy. Even as growth has slowed and companies have cut jobs and hours, workers have been able to step up and maintain high levels of productivity. In the first quarter, US productivity grew at a pace of 2.6 per cent. (Financial Times, 09<sup>th</sup> August, 2008)

### **OPEC should consider oil cut if needed: Venezuela**

OPEC should consider an output cut at its upcoming meeting, if it were warranted by market circumstances, Venezuela Energy Minister Rafael Ramirez said on Friday, adding Venezuela could back such a cut. Ramirez said member nations in the upcoming OPEC meeting would discuss oil's slump in recent weeks that has pushed prices from near \$150 per barrel last month to around \$115 in afternoon trading on Friday. "Of course, we're going to discuss it," he said, regarding the fall in oil prices. Volatility in oil markets is primarily driven by financial speculation, Ramirez added. "Oil is being subjected to many speculative factors. (Times of India, 09<sup>th</sup> August, 2008)

### **Government facing many challenges to achieve Vision-2030 targets**

In the wake of high food inflation and continuous pressure on the country's economy, the government is facing multiple challenges in achieving the Vision-2030 targets that envisage socio-economic transformation of the country with a population growth rate of one percent, poverty alleviation and achieving 100 percent literacy rate. Achieving 100 percent literacy rate by 2030 also looks very difficult to achieve due to many reasons. However, with committed efforts on the part of government and private sector, better results vis-à-vis implementation of targets of Vision 2030 could be achieved. Moreover, the Punjab Population Welfare Minister, Neelam Jabbar, said that the government has decided to strengthen the Prime Minister's Basic Healthcare Programme initiated by Benazir Bhutto so that majority of the population would benefit from the programme. (Business Recorder, 10<sup>th</sup> August, 2008)

### **Manufacturer's cartel held responsible for hike prices of paper**

The trend of increasing in the prices of paper and paperboard is due to the cartel of paper manufacturers. Khamis said that there was no official check on the inferior quality paper, being sold openly in markets. Under-invoicing, under-production and sale of inferior quality paper by the local producers hampering the growth of paper industry and also causing loss of huge amount to the national exchequer, he said. He also alleged that the local mill manufacturers, collusion with the tax officials, were involved in under-invoicing, under-production and sale of inferior quality paper. A local paper manufacturer Mian Fahim Qamar said that the Pakistani paper industry was faced with rising manufacturing costs and increasing tax-related complexities. (Business Recorder, 10<sup>th</sup> August, 2008)

### **Participating in HEC sell-off bidding: CCP approached to cancel NOC issued to engineering company**

A Korean company has approached the Competition Commission of Pakistan (CCP) to cancel the No-Objection Certificate (NOC) issued to a leading engineering company, which intend to participate in the bidding process for privatization of Heavy Electrical Complex (HEC). After issuance of NOC to the engineering company, a Korean company, which has also participated in bidding, filed an appeal to the CCP against the NOC. Secondly, if the engineering company participates in bidding process, it would create monopoly of one company in the engineering sector in Pakistan, the complainant claimed. Now, the CCP is bound to hear the appeal of the Korean company against the NOC issued to this engineering company. Resultantly, the Competition Commission has constituted a three-member bench to hear a complaint of local electric company against an engineering company. (Business Recorder, 10<sup>th</sup> August, 2008)

### **Kuwait sees Iraq budget surplus wants debt repaid**

Kuwait said on Saturday that fellow oil exporter Iraq is likely to report a budget surplus this year and should repay its debts. "Iraq's debt to Kuwait is an old debt. It has to be paid or Iraq has to pay its interest. The debt, estimated at \$15-16 billion, represents loans Kuwait made to Baghdad in the Saddam Hussein era, mostly during the 1980-1988 Iraq-Iran war. The United States has, since invading Iraq in 2003 and toppling Saddam, been pressing its Arab allies to forgive Iraq's debts and restore top-level diplomatic ties. The United Arab Emirates waived all of Iraq's almost \$7 billion debt to the UAE last month. (Business Recorder, 10<sup>th</sup> August, 2008)

### **US economic growth lower, Fed can't raise rates: ECRI**

A gauge of future US economic growth fell to its lowest level in five years and its annualized growth rate also declined, a sign that growth should still be a bigger concern than inflation for policy-makers, a research group said. The decline in the index - to its lowest since 127.3 hit in the week to August 15,

2003 - was due to an increase in claims for jobless benefits and weaker stock prices, and was partly offset by lower interest rates, Lakshman Achuthan, managing director at ECRI, said in an instant message interview. The index's annualized growth rate slipped to a 15-week low of negative 8.9 percent from minus 7.6 percent. (Business Recorder, 10<sup>th</sup> August, 2008)

### **Non-payment of dues by PEPCO may force closure of HUBCO units**

Hub Power Company (HUBCO) may be forced to shut down operations for what it says due to non payment of outstanding amount by Pakistan Electric Power Company (PEPCO), well-placed sources in the PPIB told. HUBCO Chief Executive Javed Mahmood has rushed to Islamabad from Karachi to appraise Water and Power Minister Raja Pervez Ashraf about the future scenario if PEPCO fails to meet its financial obligations. HUBCO's outstanding bill against PEPCO has reached Rs. 28 billion whereas HUBCO owed Pakistan State Oil Rs 18 billion against the supply of furnace oil. Aleem further said that PSO could only ensure uninterrupted supplies to HUBCO and PEPCO if payment is remitted on a timely basis for which adequate funding should be arranged by PEPCO to meet the monthly fuel requirement of WAPDA and HUBCO. (Business Recorder, 10<sup>th</sup> August, 2008)

### **Government may announce Rs. 650 per 40 kilogram issue price of wheat**

The government may announce Rs. 650 per 40 kg issue price of wheat in next 2-3 days, well-placed sources told. "Earlier, the MINFAL also agreed to set the issue price of wheat not more than Rs. 720 per 40 kg. The issue price of wheat was fixed at Rs. 465 per 40 kg last year. So, the difference of Rs. 185 between last years' issue price and the suggested issue price of 2008-09 is indicative of the fact that the government wants to encourage farmers to grow more wheat. As a consequence of a low issue price last year, almost 2 percent wheat cultivable area was reduced. The total cost of production of farmers per 40 kg stood at Rs. 480-485 last year. Sources said the government is planning to announce wheat support price for 2008-09 by the end of September. The flour mill owners were asked to sell wheat @ Rs. 19 per kg while their cost of production was Rs. 22 per kg. (Business Recorder, 10<sup>th</sup> August, 2008)

### **EMC directs TCP to procure sugar for buffer stock**

The Economic Monitoring Committee (EMC), which met with Syed Naveed Qamar in the chair, reaffirming the Economic Coordination Committee of the Cabinet decision, directed the Trading Corporation of Pakistan to procure sugar for building up buffer stock. The Finance Minister directed the Ministry of Food, Agriculture and Livestock (MINFAL) to check shortage of urea in the open market. The EMC directed the MINFAL to effectively coordinate with fertilizer units, distribution outlets and ensure that urea is provided to farmers at controlled rates. The MINFAL briefed the EMC on food grain pricing trend in the open market. The Finance Minister directed the MINFAL to brief the EMC during next meeting on wheat stocks and import position for a comprehensive decision on its equitable distribution as per provinces' consumption. The MINFAL updated the committee on stock of sugar and wheat. The MINFAL further informed the EMC on Pakistan Sugar Mills Association's existing and carry-forward sugar stocks position. (Business Recorder, 10<sup>th</sup> August, 2008)

### **FBR may not hire many consultants on huge packages**

The Federal Board of Revenue (FBR) may drop the idea of hiring a large number of local and foreign 'consultants' on huge packages under the reforms implementation program. The FBR had hired a number of consultants under the Tax Administration Reform Programme (TARP) for last many years. The board has also hired a local consultant for internal audit. Similarly, a consultant for compliance measurement on the customs side would also be hired. The FBR is also hiring a consultant for

improving passengers facilitation. Another consultant is being hired for formulating a Risk Management Policy. The issue of hiring consultant for providing guidance on valuation is also being considered. The FBR is also hiring a consultant for providing guidance on bonded carrier management and foreign consultant for taxpayers' facilitation. The board is also looking for hiring a consultant firm for conducting inspection and audit of the Pakistan Customs Computerized System (PACCS). Procurement and audit consultants have already been appointed. (Business Recorder, 10<sup>th</sup> August, 2008)

### **Iran in new oil money move to dodge sanctions: report**

Iran's government has ordered the state oil company to deposit oil revenues only in selected banks in a bid to dodge toughening sanctions over its nuclear drive, local media reported. The state-run National Iranian Oil Company (NIOC) had been free to choose where to deposit the tens of billions of dollars Iran receives annually in earnings from its crude oil exports. "NIOC is from now on obliged to deposit 100 percent of crude oil export income in foreign bank accounts that are chosen by the Central Bank of Iran," state television quoted the new government directive as saying. "Many foreign banks and even some Chinese banks have cut their financial operations with Iran and these (restrictions) increase day by day," the source said. The European Union and the United States have also imposed restrictions on the activities of Iran's largest banks. (Business Recorder, 10<sup>th</sup> August, 2008)

### **FPCCI honours sacked FBR chief**

The PPP government's preference for retired bureaucrats for cushy jobs and its indecisive approach on vital business issues such as subsidy support on textile export has caused immense heart burning among the business leadership. Mr. Ikhtiar Baig, a pro-PPP businessman, also acknowledged the services of Mr Yousuf. Way back in 1990, the FPCCI, then headed by Mian Habibullah, invited ex-prime minister Ms Benazir Bhutto after her government was dismissed by then president late Ghulam Ishaq Khan. Businessmen say that present FPCCI chief Tanveer Sheikh also aspired for the coveted post of chairman of Trade Development Authority of Pakistan (TDAP). But the present PPP government is digging out all "retired bureaucrats" from their swanky mansions and plush bungalows for cushy jobs. Syed Mohibullah Shah, a retired bureaucrat, was the preferred choice for the TDAP head like other retired bureaucrats. Shahid Aziz Siddiqui has been appointed chairman State Life Insurance Corporation. (Dawn, 10<sup>th</sup> August, 2008)

### **Debt servicing eats up half of reserves**

The amount of debt servicing has increased to become the strongest contender for the dollar, the most precious item for Pakistan as rising oil bills already slashed the reserves to just half within ten months. The State Bank reported on Saturday that the country paid \$ 3.029 billion as the debt servicing for 2007-08, which is just half of the central bank's foreign exchange reserves. The fast decline of reserves has already cast negative impact on value of the local currency against all foreign currencies. Then the country improved its foreign exchange reserves to \$ 16.486 billion till October 2007. However, the political instability slashed the inflows of foreign exchange in the country while the outflow through massive trade deficit, eroded the country's reserves faster than ever to remain at \$ 10.159 billion. (Dawn, 10<sup>th</sup> August, 2008)

### **Investment under CFS suffers 10pc fall**

The combined CFS and MK-II investment on the Karachi Stock Exchange suffered a sharp fall of 10 per cent at Rs. 24.2 billion last week as investors did not opt for fresh credit lines owing to an uncertain future share business outlook. While CFS rates showed a fractional rise at 15.28 per cent,

MK-II fell by 64 basis points at 13.89 per cent, reflecting slack demand from the leveraged sector. The open interest on the forward counter posted a decline of 16 per cent at Rs. 5.17 billion on weekly basis, while future spreads in the August settlements suffered a massive fall of 1,136 basis points at only 0.03 per cent because of falling investor interest. (Dawn, 10<sup>th</sup> August, 2008)

### **Oil turns bearish, bulls may yet return**

In less than a month crude oil, which some saw hitting 200 dollars a barrel by year-end, has plunged 32 dollars but a rebound could happen, for example, over the Iranian nuclear crisis, analysts say. “The market is simple reflecting the fundamentals of supply and demand. Markets participants are considering the world slowdown, the deterioration in expectations for the growth worldwide,” Williams said. Motor fuel consumption fell more than 2.0 per cent. The world’s largest energy consumer, the United States, has witnessed an increase in its crude oil reserves in recent weeks. Swept up in the record run-up of oil prices, analysts had revised upward their 2008 price forecasts, with some talking about 200 dollars a barrel in the next six months. (Dawn, 10<sup>th</sup> August, 2008)

### **Plan to attract \$ 150 billion for power generation**

The government plans to soon finalize a strategy to attract \$ 150 billion investment for additional 143,310MW power generation by 2030. The Commission in this behalf has completed its initial work under Energy Security Action Plan 2005-2030 in line with the recommendations contained in the mid-term review of the Medium Term Development Framework (MTDF) conducted in May this year. It has been decided that there will be maximum utilization of indigenous natural resources in oil & gas, power, nuclear, alternative energy and energy conservation. The ministry of petroleum and natural resources had been directed to encourage public-private partnership on Build, Operate and Transfer programme for power generation on canals. Pakistan Atomic Energy Commission was expected to increase its capacity from 400MW to 8800MW by 2030, while there will be development of wind and solar energy to have at least 5 per cent of total national power generation capacity to be met through these resources to achieve 9700 MW by 2030. The objectives are to enhance the production and exploration of oil, gas, coal and increasing the share of coal and alternative energy in the overall energy mix. (Dawn, 10<sup>th</sup> August, 2008)