MARCH / APRIL 2011

TRACKER

NBP Industry Newsletter

Tracking Opportunity & Risk Related Developments

INDUSTRY RESEARCH & ANALYSIS - IRA

Credit Management Group

MAJOR DEVELOPMENTS

26% Increase in Export
(Page No…..2)

CNG primary fuel for majority of car owners
(Page No….. 3)

Launching of $1.08 billion OGDCL's convertible bonds
(Page No….. 3)

Development of five more oil gas fields
(Page No….. 3)

Spending of $10-12 B on oil import
(Page No….. 4)

1,150 MWs additional power by summer
(Page No….. 5)

Circular debt nears Rs 500 B mark
(Page No….. 5)

10% growth Cellular phone users base
(Page No….. 8)

Fertiliser sector profits grow 70% in 2010
(Page No….. 9)

Output of 12m Cotton bales
(Page No….. 11)

Branchless banking is future
(Page No….. 13)

Banks showed better performance in 2010
(Page No….. 13)

Banks advised to tackle rising NPLs
(Page No….. 14)

Surge in CPI inflation
(Page No….. 16)

Fiscal deficit may reach 6% of GDP
(Page No….. 17)

MARCH / APRIL 2011 ISSUE

MAJOR DEVELOPMENTS	1
Textile *(Ginning, Spinning, Weaving, Knits, Woven Apparel)*	1
Oil *(Marketing, Refining, Sourcing)*	2
Power/ Energy *(Generation, Distribution)*	4
Cement / Construction / Steel	6
Automotive	7
Telecommunication	8
Other Industries	9
Agriculture	10
Micro Business & SME	12
Financial Services	13
Regulatory	15
Macro Environment	16
Table: Risk-Opportunities Trends	20

2.6% GDP growth
(Page No….. 18)

TEXTILE

Target of $25 textile export

Federal Minister for Textile Industries has said the textile export target of $ 25 B would be achieved at all costs, despite floods, gas and electricity crises in the country. He said the textile industry would have been in a better position if floods had not hit the cotton growing areas of the country. Talking to media at APTMA, he said Pakistan had the potential to meet the textile export target.
(Daily Times - January 11, 2011)

$341.6m export at stake

The $341.6 M worth of Pak textile export to Turkey has put on stake, as Turkish government has increased custom duty by 28% on the import of raw textile from Pakistan.

At a time when the decision regarding the EU market access concession for the Pakistani products has been deferred till March/April the Turkish government action of increasing custom duty to facilitate its local fabric manufacturers will add to woes of Pakistan textile exports, sources said.
(The Nation - January 15, 2011)

Trade transaction to support textile sector

The ADB, IFC, Citibank, and Pakistan"s MCB Bank announced that they have completed a landmark trade transaction that will help boost the textile industry in Pakistan, a sector that accounts for over 60 % of the country"s industrial activity.

The four banks provided trade finance coverage of up to 110 M for Ibrahim Fibers Limited to import state-of-the-art German machinery to produce polyester staple fiber and polyester chips. The additional 650 tons-per-day capacity made possible by the transaction will more than double Ibrahim Fiber"s polyester production, already one of Pakistan"s highest, to 1,250 tons per day.
(Business Recorder - January 6, 2011)

Disinvestment of 10% stake

Nishat Mills Limited (NML) has decided the offer price of Rs 19 per share for divestment of its 10% holding in Pakgen Power. As of June 30, 2010, NML holds 119.1 M shares (or a 32% stake) of Pakgen at Rs 13.9 per share. "As per our estimates, the transaction would lead to a one time gain of Rs 0.11 per share for NML in

FY11", Bilal Qamar, an analyst at JS Global Capital said.
(Business Recorder - January 15, 2011)

Import of 2 M cotton bales

Pakistan has to import nearly 2 M cotton bales to meet domestic demand until June 2011, an official of pakistan Cotton Ginners association said. The world's third-largest cotton consumer has so far imported over 1 M bales to meet the shortfall after summer floods ravaged the 2010/11 crop thus reducing it to an estimated 11.70 M bales against an original target of 14 M. Domestic consumption fluctuates between 14 M and 16 M bales on average.
(Daily Times - February 9, 2011)

Release of Rs 1.61 B

The Textile Ministry Wednesday released Rs 1.61 B for its various on-going support schemes for the development of textile sector, as envisaged in the Textile Policy 2009. The Textile Ministry has already released Rs 4,825 out of original allocation of Rs 7.5 B for the CFY against various schemes envisaged in the textile policy (2009-14).

The ministry has released Rs 120 M for the Export Finance Mark-up Rate facility, Rs 1 B for the drawback of local taxes and levies while Rs 490 M has been released for Magnetisation of PTA. However, no amount has been released against Mark-up Rate Support and refunds of past R&D claims in the released amount, informed sources.
(Business Recorder - February 10, 2011)

Textile exports can touch $15 B mark

Pakistan's textile exports can rise to at least $ 15 B in next two years from the present figure of $ 9 B per annum by ensuring uninterrupted supply of gas, electricity and water at the affordable and supportive prices to the textile industry along with availability of standard infrastructure, matching incentives and facilities.
(Daily Times - February 25, 2011)

26% Increase in Export

* Exports recorded over $7.44bn growth during July-January 2010-11 as against $5.917bn in the same period of 2009-10

Despite challenges of energy shortage, the textile sector of the country has performed well during the first seven months of the CFY as its exports surged by 25.88%.

Textile exports during July-January 2010-11 were recorded at over $7.44 B as against $5.917 B during July-January 2009-10, revealed data released by the Federal Bureau of Statistics.
(Daily Times - February 20, 2011)

Exports up by 26%

Textile product exports have increased to $7.45 B in the first seven months of the CFY, a 26 % increase over the corresponding period in the preceding year.

According to the Trade Development Authority, the major items exported include cotton cloth, knitwear, cotton yarn, bedwear and readymade garments, comprising 45% of total textile exports.
(The Express Tribune - February 23, 2011)

Largest exporter to France

Gul Ahmed Textile Mills Limited has been declared the largest exporter to France in Home Textile category. In a simple ceremony Chairman, Gul Ahmed Textile Mills Ltd and President, International Textile Manufacturers Federation received the prestigious award from the chief guest, the ambassador of France.

Gul Ahmed has also achieved this award in previous years and has been the largest home fashion exporter to the European Union consistently for the last 25 years.-PR
(Business Recorder - January 26, 2011)

Lotte benefits from hike in cotton prices

Lotte Pakistan PTA has benefited from the increasing use of polyester staple fibre (PSF) by international textile manufacturers in the wake of rising cotton prices in the international market.

Lotte Pakistan, a leading supplier of purified terephthalic acid (PTA) essential input in PSF production, has witnessed a jump in primary PTA margins during the last quarter of 2010.
(The Express Tribune - January 5, 2011)

OIL

Investment of $40m

The Niko Resources (Pakistan) Ltd. has assured the Minister for Petroleum and Natural Resources to invest more than $40 M for drilling an offshore exploratory well in Pakistan during the next weather window (September to December).

According to the Petroleum Ministry, the offshore drilling costs will be more than $40 M and it will be completed during this year after the monsoon.
(The Nation - February 4, 2011)

Boosting of 20% production

Germany has offered new technology to OGDCL, PPL and other exploration companies to enhance minimum 20% production of oil and gas from the reservoirs on 50% production sharing formula.

"German company is ready to give guarantee of minimum 20% increase in production from oil and gas reserves," Honorary Investment Counsellor Germany and former advisor Prime Minister of Pakistan told. He said OGDCL had recently closed Dhodhak field due to depletion.
(Business Recorder - February 20, 2011)

ARL to boost capacity

Pakistan's Attock Refinery Limited (ARL) is moving ahead with a plan to increase crude processing capacity by about 20 %by the end of 2013 from current nameplate capacity of 42,000 b/d.

ARL will spend $100 M to add a 12,500 b/d pre-flash unit that will take capacity to 54,500 b/d within two years. It has invited bids for the refining capacity by May. The company also plans to install a 7,000 b/d isomerisation unit to increase gasoline production and improve quality

and add a 12,500 b/d diesel hydro-desulphurisation unit, but has not set a timeframe for these projects yet.
(Daily Times - January 22, 2011)

CNG primary fuel for majority of car owners

A whopping 77% of Pakistani car owners claim to use CNG as their primary fuel, while 81 % of them claim to face problems with its supply, said the findings of a survey conducted by Gilani Research Foundation-Gallup Pakistan.

Seventy 7% of car owners claimed to use CNG as fuel in their cars, 17 % used petrol while 4% used diesel. 2% gave no response.
(The Express Tribune - December 29, 2010)

Tight gas policy approved by CCI

The Council of Common Interests (CCI) approved in principle Tight Gas Policy that will offer 40 to 50 %higher price than that of price announced in Exploration and Production Policy 2009 to attract the exploration companies to invest in tight gas fields it has learnt.

"Conventionally, lease is granted to exploration companies for 30-year period including extension period but in Tight Gas Policy, lease will be granted for 40-year period that includes 10-year extension," sources said, adding that exploration companies will be given 40% higher price over and above wellhead price announced in Exploration and Production Policy 2009. "But companies which succeed in recovering gas from tight fields within two years, will be able to get 50% higher price," sources maintained.
(Business Recorder - February 2, 2011)

Exploratory drilling down 32%

Oil and gas exploration drilling in the country slowed down by 32% in 6 months (July-Dec) of the current financial year 2010-11 at a time when the government is striving to tap more indigenous energy resources.

This is negative in a sense that the slowdown in drilling activity could reduce the much-needed future oil and gas production, according to Topline Securities.

No discovery has been made so far from the drilling in the first half of 2010-11, said Topline Securities analyst in a research note.
(The Express Tribune - January 19, 2011)

14% increase in Global oil prices

After a record gain of more than 78% in 2009, the international oil prices (WTI) grew by only 14% in 2010, less than average annual gain of 21% in the last decade, analysts said. They said that like other commodities, uncertainty on global economic outlook also affected oil prices, which moved in a broad band of 65 dollar per barrel to 91 dollar per barrel in 2010.

As far as local oil market is concerned, retail prices of regulated products increased by only 11-13 %. "This is primarily due to the fact that the impact of international oil prices on local oil products comes with one month time lag and that is why the price hike in international markets will be reflected in local prices next year in January 2011," senior analyst at Topline Securities said.

He said though oil prices remained volatile during 2010 amid global financial woes and turmoil in currency markets, average WTI crude oil prices stood at $79r per barrel as compared to $62 a barrel average price during 2009, up 27%.
(Business Recorder - December 30, 2010)

Launching of $1.08 billion OGDCL's convertible bonds

The Privatisation Commission will launch convertible bonds of OGDC worth $1.08 B by end of March 2011 while convertible bonds of PPL worth $304 M by end of the current year at London Stock Exchange.

He said that the privatisation commission expected to generate $3 B through launch of convertible OGDCL, PSO and PPL bonds. He added that $1 B could be arranged through launch of convertible bonds in London Stock Exchange of the OGDCL. The convertible bonds would be for 6% shares of OGDCL on 4.5% annual interest rate and proceeds of the bonds could be used for development of newly discovered oil and gas fields in Sindh and Khyber-Pakhtunkhwa.
(Business Recorder - January 21, 2011)

OGDCL enhances drilling Programme

OGDCL marked 40 wells on ground and 26 wells including 13 exploratory, 2 appraisal and 11 development wells were spudded during the last financial year.

OGDCL was joint venture partner in 16 wells drilled by other operators. OGDCL is also committed to acquire more exploration acreage and to extend its exploration activities overseas wherever a technically and commercially viable potential is identified.

OGDCL has its own eight- (8) rigs fleet; rigs are maintained in a professional manner. OGDCL has a full department of up keeping and maintenance of these rigs.
(Business Recorder - February 18, 2011)

OGDCL remains successful

The OGDCL is effectively playing its role on exploration and production fronts, posting sound results during 2009-10.

Its sales revenue and profit after taxation increased by 9.0% and 6.5% to Rs 142.572 billion and Rs 59.177 B, respectively, resulting in earnings per share (EPS) of Rs 13.76 as compared to Rs 12.91 during the preceding year, the official said.
(Daily Times - January 1, 2010)

Development of five more oil gas fields

There is a considerable increase in oil and gas production, share value, profit of OGDCL and it would further increase with new projects in hand which have been started. OGDCL has increased gas production from its fields to 953 MMCFD in February 2011 from 790 MMCFD in August 2010.

The oil production has also been hiked from 33,128 barrels per day to 38,373

barrels per day and LPG from 118 tons per day to 124 metric tons per day. OGDCL is pledged to develop five oil and gas fields in a bid to produce about 400 mmcfd natural gas and 500 metric tons of LPG per day to overcome energy shortage and would be able to produce 8000 to 9000 barrels per day oil from these new fields.
(Business Recorder - February 22, 2011)

US firm shows interest in setting up refinery

Northfield Commodities, a US energy trading firm, has expressed interest in setting up a refinery in Pakistan.

This was discussed by the representatives of the commodities company along with other investors in their meeting with Federal Minister of Petroleum and Natural Resources.
(The Express Tribune - February 1, 2011)

Oil sales down

According to the latest figures released by OCAC, total oil sales was recorded at 11.3mn tons during 7MFY11 (Jul-Jan) as compared to 11.8mn tons last year, down by 4%. Major reason behind decline in sales is lower diesel consumption which fell by 9%YoY to 4 M ton during 7MFY11. Diesel which contributes 35 % in total oil consumption and used as a transportation fuel, its demand fell due to slowdown in trading activities amid floods. Similarly, FO, the heavyweight oil product with 44pc share in overall oil consumption, its sales reduced by 3%YoY to 5mn tons. Interestingly, petrol consumption continue to show a rising trend, up 18% to 1.3mn tons on account of persistent CNG shortage.
(The Nation - February 5, 2011)

Spending of $10-12 B on oil import

Pakistan spends around $10-12 B a year on import of crude oil and petroleum products to meet its energy requirements. However, it is working on policies to substitute liquid hydrocarbon fuels with natural gas in a bid to cut its import bill and improve the environment, Federal Secretary for Environment while addressing a workshop on "Globally Accepted Practices for the Promotion of Energy Conservation and Safety Standards in Different CNG Applications" said.
(Daily Times - February 18, 2011)

POL hits gas in TAL Block

POL has discovered hydrocarbons in TAL Block in its exploratory well, Tolanj X-1, which is being drilled in Khyber Pukhtoon Khwa Province of Pakistan.

According to POL Tolanj X-1 well was spudded on June 21, 2010 and in the Lumshiwal Formation, upper 48 metres of the drilled section produced around 16.3 mmcf gas per day during Barefoot DST at the rate of 32/64" fixed choke size at flowing wellhead pressure of 2392 psi.
(Daily Times - February 16, 2011)

Import one M tons of oil

The PSO and Kuwait Petroleum Corporation have concluded negotiations to ink a deal for direct import of one M tons high-sulpur fuel for one year, which would cause annual saving of $3.3 M. Briefing the National Assembly Standing Committee on Petroleum and Natural Resources, PSO MD said that it was a remarkable achievement regarding gas supply arrangement with KPC.
(Business Recorder - January 20, 2011)

Stress survey: PPL awards contract

NXT Energy Solutions has announced that it has received a letter of award from the PPL giving it permission to conduct a stress field detection airborne survey at a cost of $2.66 M.

The letter represents the formal acceptance of a bid submitted by NXT, a Calgary-based company, a press release said.
(The Express Tribune - January 6, 2011)

High Oil consumption

The oil consumption in the country has increased to fresh high of 20 M tons in the year 2010, up 0.5% from 2009. This increase was mainly on the back of healthy demand in December 2010 when oil consumption improved by 11 % on both yearly and monthly basis, analysts said.

However, in comparison to the 4% on y-o-y basis sales growth in the first half of 2010, demand contracted by 3% on y-o-y basis in the second half of 2010 mainly due to heavy floods in July and August 2010, an analyst at JS Global Capital said.
(Business Recorder - January 11, 2010)

POWER / ENERGY

Conversion of 2 KESC plants to coal

KESC and a Chinese company Global Mining Limited have inked an agreement to convert two Bin Qasim power generation units to be powered by coal.

According to KESC spokesman, under the agreement KESCs two power generation units at Bin Qasim with a capacity of 420 MW that are operated on expensive furnace oil would be converted so that they can be fueled by cheap imported coal.
(The News - February 4, 2011)

Over $100 B could be saved

Pakistan could save over $100 B being spent on the import of oil and gas, if the government devises an 'energy mix' utilisation plan for next 12 years. Pakistan needs to increase nuclear, hydel, coal-based power projects in the country's energy mix, encourage/facilitate private sector participation and foster development of renewable energy sources, energy experts said.

These indicative numbers are based on studies undertaken by the Energy Expert Group whose policy recommendations once implemented are expected to lead to a minimum of a $100 B savings over 12 years ($30 B from oil and $70 B from gas).
(Business Recorder - January 30, 2011)

17 hydropower projects

The Federal Government has lifted certain restrictions on establishing electricity projects of over 50 mw, which will pave the way for setting up 17 hydropower projects in Azad Jammu and Kashmir, Kyber Pakhtunkhwa (KP) and Punjab provinces. All these projects would be functional by the end of 2017.

Sources in the Planning Commission said that all bottlenecks had been removed which had halted the construction progress of 5107 mw capacity hydropower projects.
(Business Recorder - January 9, 2011)

90% of IPI pipeline completed

Iran said 90pc work on the Iran-Pakistan-India gas pipeline was complete within its territory and it was open for having trade arrangements with any country in the energy sector.
Addressing a press conference here, Iran's Ambassador to India said work was also in progress on the Pakistani side and it was ready to start 50 per cent of the total 60 mcm capacity once the pipeline was in place.
(The Nation - February 9, 2011)

$100m for Uch-II power plant

The loan will fund construction of 404MW gross capacity Uch-II. Located on surplus land at the existing Uch-I site, the project would be developed by a British power company. The plant is expected to take 30 months and would be completed in September 2013.
(Dawn - January 19, 2011)

1,150 MWs additional power by summer

Pepco DG (Energy Management and Conservation) Engineer said that 1,150MW electricity would be added to the national grid with the commissioning of the five new power plants by summer. He was giving a weekly briefing to media at the Wapda House.

The Pepco DG said that three power plants of 225MW each including Liberty Tech, Hubb at Narowal and Helmor at Bhikkhi, and Foundation of 175MW and Chashma Nuclear Power Plant-II of 300MW would be generating electricity by summer this year.
(Business Recorder - February 2, 2011)

ADB lends $242 M for power sector

The Asian Development Bank (ADB) will provide $242 M to help the country modernise electricity transmission lines and curtail losses that have contributed to a crippling power shortage, the bank said.

The new loan is part of $810 M the Manila-based bank approved in 2008 for the Power Distribution Enhancement Investment Programme, the bank said in a statement.
(The Express Tribune - January 29, 2011)

ADB sanctions Rs.2,318B

ADB sanctioned another loan of Rs 2,318 M for the improvement and upgradation of grids and distribution system of FESCO said, CEO.

Addressing a high level meeting at FESCO Headquarter, he said that this amount would be spent on up-gradation of four grids in addition to the expansion of 6 grid stations.
(The Nation - February 9, 2011)

$36.8 M loan to Pakistan's wind farm

The ADB will be providing a loan to help fund the first privately owned and financed wind farm in Pakistan.

Turkish firm, Zorlu Enerji Electrik Uretim will use the $36.8 M loan to install wind turbines to increase the output of its wind farm - located in the southern Sindh province, 100 kilometers northeast of Pakistan's commercial hub of Karachi - from the current 6 megawatts to a total 56.4 megawatts.
(Daily Times - February 5, 2011)

106MW project - Agreement signed

WAPDA and SAMBU-SARCO, joint venture of a Korean and Pakistani firm, signed Rs 7.52 B agreement for 106MW Golen Gol Lot-II Hydropower Project at Wapda House.
(The Nation - December 28, 2010)

Coal prices down by 12pc

The coal prices have fallen for the first time since Nov 2010. Coal has slipped to FOB $122/ton from its peak of $138/ton, a decline of 12 percent. Stock build-up ahead of an anticipated harsh winter and concerns over production disruptions in Australia amid floods had led to an abnormal jump in the commodity's price.
(The Nation - February 6, 2011)

2nd Wind energy project initiated

With a life of 20 years, the turbine will generate two kilowatts (KW) of energy and is expected to recover its production costs in the first year of operation. The locally designed wind energy turbine will cost Rs.200,000 per KW, which is considerably less than the imported turbine, which would cost Rs1 M per KW.

AGECO Limited had earlier installed the first wind energy turbine to power traffic signals at the F-7 crossing in Islamabad. The company has planned to generate enough wind energy to supply electricity for street lights and traffic signals of the capital.
(The Express Tribune - February 13, 2011)

Energy crisis causing 2% loss in GDP

Energy crisis in Pakistan had been causing a loss of 2 percent in GDP - Rs 75 B in terms of exports reduction whereas hundred of thousands get jobless every year. These were the concerns shown by experts while addressing at a seminar on "Energy Security and Climate Change" organised by Associate, Sustainable Development Policy Institute (SDPI).
(Business Recorder - February 18, 2011)

Circular debt nears Rs 500 B mark

The country's energy sector is facing about Rs 500 B circular debt, which includes Rs 301 B old and Rs 140-150 B fresh debts which have piled up recently due to inefficient top brass of Pakistan Electric Power Company (Pepco), sources told.
(Business Recorder - February 23, 2011)

10 nuclear power plants to be set up by 2030

Ten nuclear power plants will be set up in the country by the year 2030 to help cope with the current electricity crisis, said Pakistan Atomic Energy Commission (PAEC) Chairman.

He said that more than 10 nuclear power plants established will generate up to 1,000 megawatts of electricity. "This is going to be a long battle but we will win this because all it requires is will, determination and commitment." *(The Express Tribune - January 12, 2011)*

Iran to supply electricity to neighbours

Iran will export 70 megawatts of electricity to Afghanistan and Pakistan in the current Iranian year, which ends on March 20, Fars news agency reported. *(The Express Tribune - January 4, 2011)*

2nd Powership arrives

The Turkish company KARKEY's second powership "Alican Bey" has arrived Karachi.

An official of the company told that the total project installed capacity would be 330 megawatt (MW) as compared to the contract capacity of 232 MW, providing additional 98 MW additional capacity. *(Daily Times - February 1, 2011)*

KESC hikes tariff by 96 paisa per unit

NEPRA has approved to KESC to hike power tariff by 96 paisa per unit.

According to the NEPRA official, KESC proposed to raise tariff by Rs 1.01.

It said the hike granted in fuel adjustment charges and will be payable in upcoming electricity bills.
(The News - February 1, 2011)

NEPRA approves increase in electricity prices

NEPRA allowed power distribution companies to raise electricity prices by 33 paisas per unit under the monthly fuel adjustment formula.

NEPRA gave permission for the increase during the hearing of applications filed by power distribution companies. (The Express Tribune - February 24, 2011)

Rs 27 B Thar coal water carrier scheme approved

Considering that the most critical infrastructure project is the supply of fresh water to Thar coal fields, the Central Development Working Party at its meeting held in Islamabad on January 21 approved a scheme for Thar coal water carrier at a cost of Rs 27 B.
(Business Recorder - February 6, 2011)

$66 M aid to help build two dams

The US will provide $66 M to Pakistan to help complete Gomal Zam and Satpara dam projects, according to two agreements signed by Acting US Special Envoy for Afghanistan and Pakistan and Pakistani officials here.

USAID Mission Director, Wapda chairman and Secretary Water and Power Ministry represented their countries on the occasion.
(Dawn - January 8, 2011)

Raising of Rs.20bn allowed

The ECC of the cabinet allowed the Water and Power Development Authority to raise Rs.20 B through TFCs and Islamic Sukuk bonds for the $11 B Diamer-Bhasha dam.

Wapda already raised Rs.16 B in 2006-07 for the dam which is estimated to generate 4,500MW of electricity and store 6.4 M acre feet of water.
(Dawn - January 14, 2011)

CEMENT / CONSTRUCTION / STEEL

Eyes on new destinations

Cement industry leaders have identified Iraq, Sri Lanka and African countries as potential export destinations during the CFY.

Pakistan had the capacity to produce 44.88 M tons of cement by the end of fiscal year 2009, though it only produced 33.22 M tons due to lower demand and increased losses due to the pressure placed on pricing, according to a research conducted by The Vision Corp. *(The Express Tribune - February 6, 2011)*

Cement rates up

The cement prices were skyrocketing and cement rates have been increased by Rs 40 per bag during the last six months. Due to high rates of cement the construction industry was facing serious hardships, while government was not taking any steps to control the prices.

The industry sources said that cement prices during the last six months were as under: Last August cement was at selling at Rs 305 per bag, in September Rs 310 per bag, October Rs 315 per bag, November Rs 335 per bag, December 2010 Rs 340 per bag, January Rs 341 and in February, 2011 the cement bag was selling at Rs 344 each in market. *(The Nation - February 11, 2011)*

Cement sector to feel heat

Not as much now because of previous inventory build up, the country`s cement sector is likely to feel the heat of the soaring international prices of coal (the black gold), going forward.

Global coal prices continue to climb, already 34 % up since June last year. The two major reasons listed by market watchers were: Temporary supply shocks from Australia and a higher demand in China.
(Dawn - January 15, 2011)

Domestic sale up 7%, exports decline 20%

Cement sale for domestic market during the month of January 2011 remained 1.907 M tons, registering a growth of 7 % while export was 0.566 M tons, showing a 20% decline compared with last month i.e. December 2010.

Cement sale for the period from July 2010 to January 2011 was 17.20 M tons, registering a decrease by 12.01% as compared to corresponding period.

The decline is in contrast to the last year when local consumption of cement increased by 14.70% in 2009-10 but the

overall increase in cement sales was 9.30% due to decline in exports.
(Daily Times - February 9, 2011)

PS increases steel prices

According to the source, the PS increased the prices of steel billets 150x150 mm by Rs 1000 to reach Rs 54,000 per ton. Price of MS Slabs has been raised by Rs 1,000 to stand at Rs 51,500 per ton as compared to Rs 50,500 per ton previously. They further said that price of MS Thick Plate has gone up by Rs 1,000 to reach Rs 54,000 per ton. Galvanised coils after witnessing an increase of Rs 500 stand at Rs 83,300 per ton. Cold Rolled products have also increased by Rs 500 to stand at Rs 78,300 per ton, however, Hot Rolled products have witnessed an increase of Rs 1,000 to Rs 2,500 per ton in different categories.
(Daily Times - February 5, 2011)

Malaysian firm to invest $437m by 2015

Malaysia Co Bandaraya Development Berhad is investing $437 M in Pakistan to develop a golf resort, a five star hotel, five housing schemes, condominiums and shopping areas.

The BRDB General Manager said the investment started in 2006 and would complete in 2015. In the first nine years, it will construct 420 housing units, 5 condominiums containing 400 units and shopping facilities containing 121 shops, he added.
(The Express Tribune - December 29, 2010)

Hindrance in cement production

The regional competition has started to hinder the local cement export, as the production came down to 32.3 M tons in 2010 versus 33.4 M tons of 2009, down by 3% However, on monthly basis, the sale registered a rise of 3% to 2.5 M tons in December.

According to the latest figures, though a growth of 5 % was witnessed in 1H2010, floods in Jul-Aug resulted in demand contraction of 11% in 2H2010. Local sales were recorded at 22.7 M tons in 2010 against 22.1 M tons in 2009, up by 2%. However, on the export front, sales declined by 14% to 9.7 M tons due to a slowdown in global demand and commissioning of new capacities in the region.
(The Nation - January 5, 2011)

AUTOMOTIVE

Age limit raised for imported cars

The Cabinet approved an increase in the age limit from 3 to 5 years for imported cars. It also directed the Finance Minister to settle the matter of salary payment to the employees of devolved ministries. Briefing media about the Cabinet decision, Information Minister said the Cabinet allowed import of five years old used vehicles in view of high prices of local cars.
(Business Recorder - January 27, 2011)

Car sales improved

Car sales have increased by 12% in 1st 7 months of CFY FY11 to reach 72,580 units as compared to 64,965 units in the corresponding period last year, data released by Pakistan Automotive Manufacturers Association (PAMA) showed.

According to the latest numbers by PAMA, new year registration factor and deferred sales from December were seen as "major reasons" behind surge in sales, which is also evident from the past trend, as car sales on a month-on-month (MoM) basis recorded a substantial increase of 73% to stand at 12,934 units as against 7,446 units in December 2010.
(Daily Times - February 11, 2011)

Policies to stimulate investment

Consistent and long-term policies are necessary to ensure further investment in the automobile sector, DG PAMA, said.

In a media said that OEMs are importing components, which are not produced in the country, at 32.5% duty. However, if they import any components that are produced in the country they would have to pay a duty of 50 per cent. "It is an agreed arrangement that protects rights of local vendors," he said.

However, if new entrants are allowed to import 100% components at 32.5% duty for some years, it will severely affect the business of local auto-part vendors and will also give an edge to the new entrants over existing manufacturers.
(The Express Tribune - January 8, 2011)

Heavy investment likely

All the previous records of used cars import are expected to be broken this year as investors from various sectors are likely to put billions of rupees in the import of used vehicles as the import policy relaxation is luring them to earn hefty profits.

The Federal Cabinet in its meeting on 26th January allowed 5 years old cars to be imported under gift, transfer of residence and personal baggage schemes.
(Daily Times - February 16, 2011)

Rs 3.5 B by IMC

Indus Motor Corporation will invest Rs 1.5 B more on the expansion of its highly-advanced press shop in the manufacturing plant by August 2011.

According to the officials, the company is working aggressively to culminate the operations of second phase of the press shop to achieve the maximum level of localization in the production of vehicles. An amount of Rs 3.5 B is estimated to be spent on the press shop, Rs 2 B and Rs 1.5 B on phase one and two respectively.
(Daily Times - January 19, 2011)

Irish company keen to manufacture trucks

Federal Minister for Industries and Production chaired a meeting of representatives of M / s Harris Group of Ireland with senior officials of the Ministry and Engineering Development Board.

The Irish company showed keen interest to invest in the trucking sector of Pakistan.

The company intends to establish a refurbishing facility for up-gradation of used trucks. In addition, they will set up

a commercial vehicle testing centre for roadworthiness based on European standards and provision of full dealer network.
(Daily Times - January 26, 2011)

Help in auto parts manufacturing

Pakistan is working with Malaysia to have technical collaboration in auto parts manufacturing with buy-back guarantee.

This was stated by the Minister for Industries and Production while talking to media at the 2nd Malaysia-Pakistan Palm Oil Trade Fair and Seminar (POTS) 2011 at a local hotel.

He said that Malaysia will help Pakistan to further strengthen its auto vendors industry.
(Dawn -January 18, 2011)

Spending of $150 M in Pakistan

Yamaha Motors Pakistan will spend $150 million and set up a new plant at 50 acres plot in Bin Qasim near Karachi said President Yamaha Motors in a meeting with President of Pakistan.

President Yamaha Motors said their company would bring advanced technology to Pakistan where initially 22,000 motorcycles of 125-150 cc, per year, would be manufactured in the factory with EFI engines and during the next ten years its production would reach to 750,000.

The company would also provide comprehensive training, technical education to its employees, dealers and vendors.
(The News - February 23, 2011)

TELECOMMUNICATION

3G to bring about 1 B

The Secretary Cabinet Division said 3G services would hopefully be available to the Pakistani mobile users by the end of 2011.

The Secretary Cabinet Division, speaking said that the local manufacturing of 3G handsets is very important and the government would consider the recommendations given by the industry and stakeholders.

Chairman PTA, said the country would see about $1 B investment in telecom sector.
(Daily Times - January 12, 2011)

10% growth Cellular phone users base

Cellular phone operators have attracted a substantial number of new customers towards their network with plenty of different voice and text packages offered in first half of the current fiscal year 2010-11, registering a 10 % growth in base compared with corresponding period of previous fiscal year.

Pakistan Telecommunication Authority (PTA) statistics showed that 3.59 M new mobile phone subscriptions reported in 1HFY11 against 3.24 M connections added by the cellular phone operators in 1HFY10.

The overall cellular phone users' base has increased to reach 102.777 M by December 2010 whereas it stood at 97.57 M by December 2009.
(Daily Times - February 24, 2011)

Take over of Nayatel

Telecoms operator Etisalat is in takeover talks with internet provider Nayatel, one of Pakistan's fastest-growing companies. "They want to totally buy us out," Nayatel chairman told Reuters in an interview, adding talks had slowed over the potential cost of a deal. "Ultimately it comes down to price," said Chairman, adding he also expected interest from Chinese and Norwegian companies.

Nayatel made its name by investing early in a fibre-optic network for direct connections to homes and businesses to allow for heavier data downloads. The internet, telephone and cable TV service provider has paid-up capital of about $5 million. Annual sales among its 7,000 customers top $12 million, said Khan, with revenue growth of 40-50 % a year.
(Business Recorder - January 25, 2011)

Imports of cellphones

The demand for mobile phones remained in place in 5 months (July-November) of the CFY 2010-11, data shows.

According to Federal Bureau of Statistics data, mobile phone imports rose 100 % to $180 Min July-November 2010 compared to imports worth $91 Min the same period the previous year.
(The Express Tribune - January 6, 2011)

Optical fibre cable system to be established

Pakistan is to establish cross border Optical Fibre Cable system at a cost of Rs 3.7 B between Pakistan and China for security of information, official sources told. The main concern of the two countries is the possibility of India monitoring the communication activities of the two countries, through undersea cable.
(Business Recorder - December 28, 2010)

Pakistan tops

Cellular subscribers in Pakistan surpassed 102.77 M mark in 2010, adding a total of 3.59 M subscribers from July to December 2010, said the latest report published by Pakistan Telecommunication Authority (PTA).

The country's cellular tele-density reached 61.7 % in December 2010, up from 60.8 % six months prior.
(The Express Tribune - February 24, 2011)

Qubee investment to reach 150 M

Qubee plans to expand its advanced internet technology to millions of customers in various cities in Pakistan by the end of the year with the investment of US $150 million, said Chief Marketing Officer (CMO) of Augere Holdings.

Briefing journalists at a local hotel, he unfolded Qubee's future plans to be executed during the calendar year.

The total investment of the company will be increased to $150 M by the end of current year, he said.
(Business Recorder- January 28, 2011)

SMS volume projected to cross 300bn by 2013

The popular trend of exchanging low-cost SMS will double in terms of volume to more than 303.277 B per annum within the next three years, a research report said.

Portio Research said that more than 151.6385 B text messages were exchanged during 2009 in the country, which spells to 1,532 SMS per subscriber. To elaborate the SMS volume further, an average of 621.2 M SMS were exchanged each day during 2009 or 128 messages per head per month were sent against the subscribers' base of 99 M.
(Daily Times - January 14, 20110

GSMA Global Mobile Awards for Easypaisa

Telenor's Easy paisa - the service that had Rs.1 B worth of transactions in less than a month - has been selected as a nominee for the GSMA Global Mobile Awards, according to Telenor officials.

The GSM Association an association of mobile operators and related companies devoted to supporting the standardizing, deployment and promotion of the GSM mobile telephone system.
(The Express Tribune - January 21, 2011)

OTHER INDUSTRIES

Fertiliser sector profits grow 70% in 2010

The fertiliser sector marked 2010 as an eventful year with a substantial increase of 70% in profitability on a yearly basis, according to a report prepared by Summit Capital.

The report is based on the analysis of top 4 fertiliser companies namely FFC, Fauji FFBL, Engro Fertiliser and Dawood Hercules.

Net profit of the sector rose mainly due to higher fertiliser prices and one-time impairment loss on investments of Rs.3.79 B booked by Dawood Hercules last year, said Summit Capital analyst. Engro and FFBL outperformed the sector as these grew by 73% and 72%, respectively on a yearly basis in 2010. On the other hand, Dawood Hercules switched to a net profit of Rs.3.25 B from a loss of Rs.1.78 B in 2009.
(The Express Tribune- February 26, 2011)

Deals finalised to import urea of $100 M

Following the directives of the ECC of the Cabinet, TCP signed commercial agreement worth $100 M with Saudi Basic Industrial Corporation (SABIC) for import of upto 300,000 tons of urea to meet local demand.
(Business Recorder - February 8, 2011)

Interest shown by Chinese firm

A Chinese firm, AMLONG has shown interest in setting up a steel mill of 1 M tons at Kalabagh - based on local iron ore deposits.

The company officials held meetings with various government organisations including Ministry of Industries and Production, said an EDB statement.

The delegation showed keen interest in the project and requested CEO EDB to arrange a visit to the site. Accordingly, a 7 member delegation led by GM, EDB visited Makarwal / Chichali iron ore deposits on January 10-11.
(Daily Times - January 13, 2011)

Start of 1st biofertilizer plant

The first-ever bio-fertilizer plant in the country with capacity of producing over 5,000 bags daily is being opened in City, it was learnt.

The plant, which is equipped with the latest technology of 21st century, agricultural experts said and added that though this technology is available in advanced countries including China and India yet this plant is of its first kind being set up in Pakistan.
(The Nation - January 15, 2011)

Country's first cereal plant starts functioning

Country's first state of the art breakfast cereals plant, capable of producing over 30,000 boxes of cereal per day, start working. The plant is located in Faisalabad Industrial Estate, which will give the country an opportunity to export breakfast cereals processed using Pakistani maize.
(Business Recorder - January 11, 2010)

Danish Co to import Pakistani dates

Catsus, one of Denmark's leading fruit snack producer company, would now import nutritional dates from southern of Pakistan to develop fruit bars for children in Denmark.

It would import around 800 tons of dates per year carrying a total value of $0.65 M. This is the first time that Pakistan would export dates to Denmark, a development that encourages room for Pakistani products in Denmark.
(The Nation - February 16, 2011)

Fauji Fertiliser - Agritech Merger

The CCP issued its conditional no objection certificate to the bidding by Fauji Fertiliser Co. Limited for the proposed acquisition of 75% to 79.87% shares of Agritech Limited by FFC.

Earlier, FFC had submitted its pre-merger application on 2nd August, 2010 for the acquisition of 75% to 79.87% shares of Agritech Limited.
(The Express Tribune - January 27, 2011)

Fertiliser DAP prices continue to soar

Prices of DAP reached Rs.3,100 per bag after an increase of Rs.100 per bag. FFCL and Engro Fertiliser Limited have both raised prices, citing increases in the international market for DAP and phosphoric acid.

Fertiliser prices have consistently shown a rising trend for over a year now. Fertiliser sector analyst said that during 2010, urea prices increased by 11% while DAP prices surged by 32%.
(The Express Tribune - January 28, 2011)

Foreign companies shown interest

Foreign companies have expressed

interest in direct investment and joint ventures in the PNSC. The finance ministry has also appreciated recommendations forwarded by the federal ministry of ports and shipping for considering PNSC as the official shipping company for all public sector organisations. The final decision will be taken by the Economic Coordination Committee (ECC).

PNSC's role is rapidly expanding in international shipping of oil and the first phase of expanding its fleet will involve an investment of $270 million to include eight new ships. The Chairman said that PNSC is making rapid progress despite international recession.
(The Express Tribune - January 13, 2011)

Insurance share in GDP declines

Despite strong growth in asset base of 13.3%, the share of insurance sector assets in the GDP declined marginally to 2.8% in calendar year, 2009 as against 2.9% in the previous year, said a State Bank report issued recently.
(Dawn - January 29, 2011)

Investments in edible oil refineries

The investments in edible oil refineries recently had boosted palm oil trade between Malaysia and Pakistan, Malaysian Minister of Plantation Industries and Commodities, said. He said Pakistan's oils and fats markets had grown from 2.7 M tons in 2000 to 3.7 M tons last year and palm oil accounted for almost 50% of the total.
(Daily Times - January 19, 2011)

Largest Urea plant commissioned

The gas efficient new urea fertilizer plant of Engro Fertilizer Ltd has started trial production.

According to a communique despatched to KSE, urea is the largest single train urea plant in the world with the production capacity of 1.3 M ton p.a. using sophisticated modern technology.

Engro Fertilizer is the 100% subsidiary of Engro Corp.
(The News - December 29, 2010)

Potential to fetch $1 B

Pakistan has full potential of fetching precious forex of $1 B every year through promotion of Animation Industry (Video Games Industry) that is full-fledge entertainment industry world over having export potential of $70 B.

According to PSEB officials, global gamming industry has seen a meteoric rise over the past several years. The world market for gamming software is expected to be worth of approximately $91.96 B by 2015, as per various credible estimates. The video game industry in the US and Canada alone will reach $21.6 B in sales by 2013.
(Business Recorder - February 19, 2011)

Record handling of oilseed

Pakistan's first fully automated dry bulk cargo terminal Fauji Akbar Portia Marine Terminals Ltd at PQA, has created a record by discharging 16,500 M tons of canola oilseeds in a day, comfortably beating the previous 1-day record of about 9,500 M tons achieved at KPT.

This feat was made possible due to the Terminal being built on a 9-hectare facility, which is capable of catering to Panamax size vessels up to 80,000 DWT. The terminal can handle over 4 M tons of dry cargo and provides handling of import and export cargo complemented by bagging stations and storage facilities to exporters and importers at the port.
(Daily Times - January 7, 2011)

'Seafood sector can earn $2 B yearly'

There is a great potential in the Pakistani seafood industry to earn foreign exchange up-to $2 B if fishermen adopt modern methods and exporters opt for shrimp-farming on a mass-scale, said Provincial Minister for Fisheries during his visit to the international exhibition on fisheries, livestock and dairy at Expo Centre, Karachi. He also urged the seafood exporters and private entrepreneurs to come forward and make investment in the sector..
(Business Recorder - February 9, 2011)

Urea sales drop by 21%

Fertilizer sales have dropped by 21% in Jan. 2011 as compared to corresponding period of last year due to Rs350 per 50-Kg bag increase in the price of Urea and profiteering in the country, agronomists told.

Chairman Pakistan Agri-Forum said that farmers applied about 4.5 M bags of 50kg for sowing and growing of winters crops, especially wheat till 31st Jan. last year, whereas total sales of urea Fertilizer from Dec. 2010 to 1st February 2011 has not been more than 3.4 M bags.
(Business Recorder - February 7, 2011)

AGRICULTURE

0.320m animals exported

The Senate was informed by Minister for Livestock and Dairy Development told the House during the question hour that the commercial export of live animals was started about 19 months back. During last two financial years, 70,440 cattle, 64,849 buffaloes, 1,84,777 goats and sheep, and 423 camels were exported.

Giving the break-up, he said a total of 5,515 animals, including 1,260 cattle, 1,825 buffaloes, 2,430 goats and sheep were exported in the year 2008-09.

In year 2009-10 the export soared to 3,14,947 animals, including 69,180 cattle, 63,024 buffaloes, 1,82,347 goats and sheep and 423 camels.
(Dawn - February 5, 2011)

4.6MT rice exported

The country has exported 4.6 M tons of rice to 120 countries of the world in current FY with limited resources.

This was stated by Vice Chairman of REAP while briefing the newly-inducted officers of Commerce & Trade Group, who visited Rice Exporters Association of Pakistan head office.

He said presently we are exporting rice to 120 countries and we have captured

various non traditional markets of the world because basmati rice is famous for its aroma and quality allover the world.
(The Nation - January 30, 2011)

Output of 12m Cotton bales

Farmers have supplied 11.38 M bales of cotton to the market in the current season so far and total production is expected to reach 12 M bales, which is short of the target following damage to the crop in floods last summer, market data shows.

At the start of the season in the middle of last year, the country was expected to produce 14.6 M bales of cotton, but the crop is likely to show a shortfall of 2.5 M bales, causing prices to peak in the domestic market. Cotton spot rate rose to Rs11,800 per maund (37.324 kg) while in the open market prices surged to as high as Rs13,000.
(The Express Tribune - February 19, 2011)

Reduction in lint shortfall

Despite the anticipated shortfall of 1.65 M bales in lint production during crop season 2010-11, the country will cover around 1 M bales by the end of April 2011, final cotton fortnight arrival report revealed.

According to Pakistan Cotton Ginners Association's fortnight arrival report till February 1, 2011, the country faced a shortfall of 1.41 M bales.

He said till February 1, 2011 the textile sector bought around 9.91 M bales out of the total arrival to 11.10 M bales in the ginneries. Ahmad said cottonseed arrival during fortnight till February 1. 2011, the ginneries in the country received 130,000 bales while stocks withheld with the ginneries stood at 723,950 bales. He said the country's consumption for 2011 will stay around 15.5 M bales and a possible shortfall to 1.8 M bales will be met by making imports from USA, Brazil etc.
(Daily Times - February 4, 2011)

Duty waiver on Pakistani kinnow import

Iran, which had been charging a nagging 90% customs duty on import of Pakistani kinnow, has totally waived the duty from January 4, 2011, allowing duty-free import of the fruit from Pakistan into Iran.

Pakistan exported 360,000 tons of kinnow in 2009-10, of which about 44,000 tons was the share of Iran only. The impact of the waiver would take Iran's kinnow imports to 130,000 tons and, finally, the figure of kinnow exports from Pakistan may touch 400,000 tons.
(Business Recorder - January 11, 2010)

Potato export to Russia

Pakistan's potato export to Russia during the current season is expected to range between 120,000 M metric tons to 125,000 metric tons worth Ms of dollars, exporters of the commodity revealed here.

The national exchequer is likely to benefit immensely in terms of foreign exchange as the existing rates of the vegetable in the international market stand in the range of $500 per metric ton.
(Daily Times - January 16, 2011)

Export of upto 3 M tons of wheat

Pakistan is expected to export up to three M tons of wheat this year after a bumper 2009/10 crop and carryover from the previous harvest led to a domestic market surplus, food minister said.

"We are expecting to export between two M tons and three M tons of wheat this year, and some wheat has already been shipped out," he told reporters.
(Dawn - February 3, 2011)

Entrance of Pakistani Meat

MD Zain Poteh, who is importing Pakistani beef, said he expects to continue importing 25,000 kg of beef every two weeks, keeping in view the encouraging response from Malaysian consumers.

Addressing a launching ceremony in Kuala Lumpur, he said a second consignment of meat from Pakistan was on its way to Malaysia. The exported beef comes from young breed of cows from Cholistan.
(The Express Tribune - February 25, 2011)

Tea worth Rs 23.543 B consumed in 2010

Pakistan, being one of the biggest black tea consumers, has imported 118.008 M kgs of this commodity worth Rs 23.543 B ($283.656 M) during the year 2010. Kenyan remained the major producer with its share of 58.44 % in the total tea imports in the country as Pakistan imported 68.968 M kg black tea worth Rs 16.409 B ($197.704 M) from this East African country during this period.
(Business Recorder - January 4, 2011)

Palm oil bill crosses $1 B mark

According to Federal Bureau of Statistics, the country's palm oil import bill, in terms of volume, surged by 61 % during June-January period of current FY as compared to same period of last FY. Palm oil import bill reached $1.093 B during this period against $678 M in corresponding period of last year, depicting an increase of $415 M.
(Business Recorder - February 26, 2011)

Wheat procurement target set

The government set 6.5 M tons of wheat procurement target for the public sector organisations for the year 2011 with a support price of Rs 950 per 40 kg. This was decided in a meeting of the Agriculture Ministry' committee, constituted by Economic Co-ordination Committee of the Cabinet to review the country's existing wheat procurement policy here.
(Business Recorder - February 4, 2011)

Rice exports cross $1 B

The country's rice exports crossed $1 B mark in the seven months of the current FY FY11. This was announced by the Rice Exporters Association of Pakistan in a press release issued here. According to Reap figures, 2.080 M tons rice, worth $1.141 B has been exported during the seven months of FY11 against 2.397 M tons worth $1.180 B exported in the corresponding period of FY10.
(Business Recorder - February 9, 2011)

Rs 59.6 B retired

The retirement of loans under commodity

operation picked up sharply as the procurement agencies retired Rs 59.60 B in July-January period of current FY 2010-11. Sources in banking sector told that a key development was witnessed in banking sector as a massive retirement of commodity financing was made by government owned procurement agencies and other borrowers.

Retirement under commodity financing surged to Rs 59.6 B during first seven months of current FY as compared to Rs 20.5 B in same period of last FY, posting a surge of 190 percent. With the current retirement, the outstanding stock of commodity operation narrowed down to Rs 353.6 B in January 2011 as compared to Rs 413.191 B on June 30, 2010.
(Business Recorder - February 5, 2011)

Increase in Seafood exports

Exports of fish and fish preparations surged by 31.01 % during the first seven months of the current FY over the same period of last year. The fish and fish preparations from the country were recorded at $151.812 M during July-January (2010-11) as against the exports of $115.879 during the corresponding period of last year, Federal Bureau of Statistics reported.

The seafood exports during January 2011 increased by 9.13 %as compared to the exports of same month of last year.

Fish exports during January 2011 stood at $19.923 M against the exports of $18.257 M in January 2010. As compared to the exports of $23.079 M in December 2010, the sea exports during January 2011 witnessed negative growth of 13.67 percent, FBS reported.
(The Nation - February 26, 2011)

Farmers to receive loans

Sindh Bank would provide loans for agriculture, livestock and fisheries on easy terms besides offering other financing facilities, said Adviser to Sindh Chief Minister.

Talking to the media at a complaint cell at the Chief Minister's House, she said "each farmer will be provided with an ATM card, which can be used to withdraw cash up to 20 %of the loan."

Sindh Bank is expected to disburse Rs12 B in loans in the year 2011 to various sectors, while unskilled and semi-skilled workers numbering at least 6,000 will be employed. Fifty branches of the bank will be opened in various business centres in Sindh and other provinces.
(The Express Tribune - January 11, 2011)

Wheat exports resume

Pakistan has resumed wheat exports for the first time in three years, selling cargoes to Bangladesh and Myanmar and more deals are likely as the nation takes advantage of rising global prices and surplus stocks at home, following last year's bumper harvest.

Asia's third largest wheat producer, Pakistan has sold 200,000-500,000 tons mainly to Bangladesh and Myanmar and international traders are taking positions for more deals after Islamabad lifted a ban on overseas sales last month.
(The Nation - January 14, 2011)

MICRO BUSINESS & SME

Islamic microfinance

The speakers at the first National Islamic Microfinance Conference said that Islamic microfinance addressed the limitations posed by interest-based loaning, besides facilitating the poor by Shariah-compliant methods as well as focusing on micro-enterprises. "Islamic microfinance enables us to reach out to millions of people, rendering them skills and providing them economic environment to use their skills in a productive and profitable manner," they observed. The moot was organised by Farz Foundation at LCCI.
(The Nation - January 30, 2011)

MoU inked

The Engineering Development Board and Small and Medium Enterprises Business Support Fund have agreed and MoU is signed to develop and promote the engineering industries of Pakistan to make it more productive and competitive in the local as well as in the international markets.

The objective of the co-operation is to establish a general framework to facilitate cooperation in specific areas in order to promote development of the SMEs in engineering sector of Pakistan.
(Business Recorder - February 12, 2011)

Plan for SMEs development

A Holland-based organisa-tion has announced to voluntarily chalk out a developmental plan for flourishing the Sialkot-based SMEs and modernizing them to enable them to meet the global trade challenges under the WTO regime.

Senior expert of Holland-based said that there was a dire need of putting Sialkot-based SMEs on modern lines. He said that PUM organization of Holland would soon chalk out of multiple developmental plan to flourish the Sialkot SMEs voluntarily.
(The Nation - January 17, 2011)

Rs 78 M micro-grants

The USAID will provide nearly Rs 78 million in micro-grants to farmers, reaching out to over 100,000 dairy animals over the next six months.

Titled 'Khushaal Livestock', the project is in partnership with Engro Foundation and is being implemented by Engro Foods. The flood-relief assistance is part of a long term, enduring partnership between the United States and Pakistan in the economic sector.

The United States is working with Engro Foundation to help over 15,000 dairy farmers in Sindh, who were affected by the summer flooding of 2010, to restore dairy productivity of farm animals to pre-flood levels.
(The Nation - January 30, 2011)

Suroor's acquisitions

The takeover of three commercial banks - Arif Habib Bank, Atlas Bank and MyBank - by Suroor Investment has been followed by acquisition of a microfinance bank in Pakistan.

Suroor Investment, a United Arab Emirates-based group, has acquired a microfinance bank and an announcement in that regard will be made soon, said Summit Bank Senior Vice President in a talk after a press briefing on the re-launch of Summit Bank, formerly Arif Habib Bank.
(The Express Tribune - February 8, 2011)

FINANCIAL SERVICES

Acquisition of house financing portfolio

BankIslami has signed first of its kind deal to acquire Citibank Pakistan's house financing portfolio amounting to Rs 953 M.

This is the first time a bank has acquired mortgage assets of another bank. It is expected that this transaction will open door for other similar transactions enabling banks to acquire entire business or product lines.
(Daily Times - December 28, 2010)

Branchless banking is future

Governor SBP has said branchless banking is future of the country's financial sector as it opens up great opportunities for banks to tap into the un-exploited potential by bringing the unbanked segment of the society into the financial system.

He said that SBP had been at the forefront in introducing a compact regulatory framework for branchless banking as Pakistan was one of the few countries in the world where branchless banking took off as a result of Branchless Banking Regulations issued by SBP in March 2008.
(Business Recorder - January 21, 2011)

1st report on payments system

According to SBP's 1st Quarterly Report on Payments Systems released, 60 more bank branches have been upgraded to Real Time Online Branches while the number of plastic cards (ie ATM, debit and credit cards) also increased by 5.23% as compared to the previous quarter.

The report said that the value of ATM transactions increased by about 5% o Rs 262,524 M.

According to the report, the number of cross-border transactions increased by 154 %in volume and 19 %in value, however, the large value payments settled through PRISM decreased by 6.51% in volume and 11.35% in value of transactions in comparison with the previous quarter.

It said that the volume and value of paper-based retail payments during the quarter under review were 82.959 M and Rs 35.60 trillion showing a decrease of 9.44% in number of transactions and 12.18% in value of transactions. It also pointed out that the volume and value of e-banking transactions during the quarter reached 52.58 M and Rs 4.7 trillion, respectively.
(Daily Times - December 29, 2010)

Improvement in Islamic banking share

Islamic Banking Industry has sustained growth momentum despite prevailing tenuous economic conditions; and overall share of IBI in the country's banking system also improved to 6.4% in September 2010.

Sources told that the Islamic banking assets, deposits and financing continued exhibit-ting strong growth with total assets increasing to Rs 424 B at the third quarter end (September 2010) from Rs 411 B at the beginning of the quarter; the y-o-y growth in the assets was 31%.
(Business Recorder - January 6, 2011)

Banks showed better performance in 2010

The SBP statistics showed the advances, deposits and investments of the banks grew by 6.9%, 15.8%, and 9.7% respectively in 4Q 2010 with calendar year 2010 growth totaling to 6.8%, 18.5% and 27.8% respectively.

SBP weekly data showed accelerated growth in the asset base of banks, which was up 8.6% in 4Q 2010 alone, leading to the full year growth to 13.4% to reach Rs 6.8 trillion or $ 79 B.

Advances and investments led the way, as both have registered sharp growth in 4Q and up 6.9% and 15.5% to reach Rs 3.5 trillion or $ 40.8 B and Rs 2.1 trillion or $ 24.5 B respectively.

The credit to the private sector has also shown an encouraging trend with Rs 113 B disbursed so far in the current FY11, particularly on account of commodity financing which has further been aided by high commodity prices.

Deposits rose by 9.7% in 4Q to record an 18.5 % rise in the calendar year and reach Rs 5.1 trillion $ 59.8 B. The increased liquidity in the system is due to high monetary aggregate (M2) growth, pushed up by high government borrowing and favorable BOP.
(Daily Times - January 8, 2011)

Increase in MCB's Profit

MCB Bank Limited has completed yet another remarkable year in terms of financial performance and posted a profit before tax of Rs 26 B in the year ended December 31, 2010, with a rise of 13% from 2009, and profit after tax of Rs 17 B with an increase of 9% from last year.

The BoDs of the bank also declared final cash dividend of Rs 3.0 per share and 10% bonus share for the year ended December 31, 2010.
(Business Recorder - February 11, 2011)

Mutual funds sector 18.7% growth registered

The mutual funds industry has registered growth of 18.7% to reach at Rs 238 B during first seven months (July10-January11) of the CFY. "The size of the mutual funds industry witnessed a remarkable performance in this period mainly on account of Islamic income funds and money market funds, which grew by 158% and 95% during the first seven months of the CFY", an analyst at Invest Capital and Securities said.
(Business Recorder - February 23, 2011)

120% growth registered

Pak-Qatar Family Takaful (PQFTL) has recorded 120% growth in its Takaful business in year 2010 which grew to Rs 1.04 B as compared to previous year's Rs 466 M. According to a press release issued

here, the PQFTL recorded 66% growth in its branch network, which increased to 44 branches in 21 cities across the country.
(Business Recorder - February 1, 2011)

Savings scheme for small investors blocked

The ministry of finance has blocked an initiative for mobilizing Rs.80 B public savings through short-term treasury bills with maturity period of three months to one year because of opposition from commercial banks and international lenders.

Sources told that the Central Directorate of National Savings had finalised a scheme to launch three different savings instruments of three months, six months and 12 months at the prevailing market-based interest rates of about 12-13%.

But private banks and some international lenders feared the scheme would lead to a run on their deposits.
(Dawn - February 11, 2011)

Bestway Group invests 230m in UBL

The Bestway Group, UK based conglomerate founded and chaired by Sir Anwar Pervez announced it has increased its shareholding in United Bank Limited UBL to 51.07% by acquiring an additional 20% of shares from Abu Dhabi Group provided fully integrated advisory and financing solutions and acted as sole bank in the deal.

UBL is Pakistan's second largest private bank. In 2002, a consortium consisting of Bestway Group and Abu Dhabi Group acquired 51% of UBL shares together with management rights and control of bank through Government of Pakistan's privatization process. Consortium currently owns 61.37 % of bank with Bestway Group at 31.07 % and Abu Dhabi Group at 30.30 %.
(Daily Times - January 28, 2011)

NIT registers 143% growth

National Invest-ment Trust (NIT) has registered a phenomenal growth of 143 % in net profit excluding unrealised figures during the half year ended on December 31, 2010.

NIT-State Enterprise Fund (SEF) has earned a net profit of Rs 2.061 B translating into earning per unit of Rs 7.04.
NIT-Equity Market Opportunity Fund has earned a net profit of Rs 215 M, translating into a per unit earning of Rs 4.58 whereas the net income of NIT Government Bond Fund stood at Rs 139.2 M which translates into earning per unit of Rs 0.45 and NIT Income Fund (IF) earned a net income of Rs 95.6 M which translated into earning per unit of Rs 0.48.

During 1HY 11, the Fund's NAV increased by 21.22% from Rs 25.92 (ex-dividend) as on June.2010 to Rs 31.42 as on December 31, 2010 against an increase of 23.66% in the benchmark KSE-100 Index.
(Daily Times - February 9, 2011)

PBIT implements REIT tax policy reform

Punjab Board of Investment and Trade (PBIT) has been able to implement Real Estate Investment Trust (REITs) tax policy reform via government of Punjab. REITs are mutual funds that use pooled capital of large number of investors to purchase develop and manage real estate assets. Units of REIT funds are listed/traded on a stock exchange. REIT is an ideal vehicle for small savers and other individuals to invest in real estate while maintaining liquidity and benefits of capital markets. REIT has multiple benefits to economy such as it can bring transparency to real estate transactions, increase participation of general public in profitable real estate projects and kick-start economic activities, eliminate housing backlog and provide quality living, bring standardization and best practices to the construction industry, efficiently channels Foreign Direct Investment and substantially increase government revenues. RIETs can also provide a viable channel to direct foreign investment into the country's housing sector. Assuming an annual incremental shortfall of 370 thousand units, according to an estimate, REITs could trigger additional economy activity of over $4 B by filling this gap.
(Daily Times - January 23, 2011)

ABL's Profit increases

The profit after tax of Allied Bank Limited (consolidated) increased to Rs 8.283 B in the year ended December 31, 2010 as compared to Rs 7.149 B earned in the corresponding period in 2009. The earning per share of the bank has increased to Rs 10.59 in the period under review against Rs 9.14 in the same period a year back.

The board of directors of the bank in its meeting held on Friday at Lahore recommended a final cash dividend for the year at Rs 2.00 per share i.e 20%. This is in addition to interim dividend already paid at Rs 2.00 per share i.e 20 %. The board also recommended issuing bonus shares, by utilizing share premium account, in the proportion of one share for every ten shares held i.e 10 %.
(Business Recorder - February 12, 2011)

Recovery of NPLs

Recovery against NPLs by banks and DFIs has been on a significantly slow pace as it registered a noticeable decline of 43.39% in the quarter ended on September 30, 2010. Sources in banking sector told that NPLs of banking system reached an all-time high level of Rs 508.832 B in September 2010 from Rs 475.946 B in June 2010, mainly due to floods, high interest rates and slow economic activities.

The State Bank said that banks and DFIs recovered Rs 10.650 B in July-Sep 2010 against Rs 18.813 B in a quarter earlier, depicting a decrease of Rs 8.163 B.
(Business Recorder - January 13, 2011)

Banks advised to tackle rising NPLs

The SBP has stressed upon the banks to devise ingenious strategies to deal with the high level of Non-Performing Loans.

SBP's quarterly Performance Review of the Banking System for the quarter ended September 2010 revealed the growth in NPLs, which decelerated during the first two quarters of CY10, grew by 7.4% during the quarter under review reaching Rs 494 B as banks' lending portfolio.

"This coupled with over-the-quarter decline in lending portfolio amplified the deterioration in infection ratios," it said.
(Daily Times - December 28, 2010)

REGULATORY

2nd installment of mark up rate

According to a Circular (SMEFD Circular No. 1) issued, the Ministry of Finance has advised to release 2nd instalment of the subsidy under the Scheme for the period from 01-07-2010 to 31-12-2010 to the beneficiaries of the textile sector.
(Daily Times - January 16, 2011)

Payments to exporters

The SBP announced the offices of SBP-BSC (Bank) will release Export Finance Mark-up Rate Facility to the extent of 8 per cent of total claims against the cases which have been found in order and where 92 per cent reimbursement has already been made to the banks under the scheme.

Banks should immediately pass on this additional reimbursement to the concerned exporters, said SMEFD Circular Letter No. 07 of 24th February, 2011 issued to the Presidents / CEOs of all banks.
(The Nation - February 25, 2011)

Opening of dedicated Home Remittance Payment Centres

The SBP has allowed all the banks to open dedicated Home Remittance Payment Centres with immediate effect. This decision has been taken by the State Bank keeping in view the rising trend in the home remittances and their importance for the economy. According to a Circular (BPRD Circular No. 2) issued.
(Daily Times - January 16, 2011)

Glass manufacturing industry eligible under LTFF

The SBP has announced that glass manufacturing industry producing exportable goods is eligible for financing under the SBPs' Long Term Financing Facility (LTFF). According to a Circular (SMEFD Circular Letter No 2) issued, financing for plant, machinery & equipment to be used by the export oriented projects in glass sector for producing exportable goods shall also be eligible under the LTFF Scheme.
(Business Recorder - January 21, 2011)

Banking Companies FBR Amendment bills passed

The National Assembly passed 'The Banking Companies (Amendment) Bill, 2010 and The Federal Board of Revenue (Amendment) Bill, 2010' unanimously. (Business Recorder - February 25, 2011)

Banks can buy up to $250000 bills from exporters

The SBP allowed all banks/DFIs to purchase/discount bills upto $250,000 from exporters without rating restrictions. Earlier, only "A" rating banks/DFIs were allowed purchasing/discounting of bills, however on the banks' request the State Bank allowed purchase and discount of upto $250,000 bills from any exporter without any rating restrictions.
(Business Recorder - February 24, 2011)

Third party fund transfer through PRISM allowed

According to a Circular (PSD Circular No 2) issued , all participating banks of PRISM are allowed to send individual 3rd party fund transfers (using MT 103) through PRISM System for amounts of Rs 10 million and above. "This, limit, however, will not be applicable to National Clearing Company of Pakistan Ltd.(NCCPL) request for Fund Transfers in PRISM System," the Circular added.
(Daily Times - February 12, 2011)

ASBP amends regulation for MFBs to maintain transaction records

The SBP has amended Prudential Regulation No 17 for Microfinance Banks with immediate effect to introduce minimum requirements to maintain records of transactions and identification data in a systematic manner.
(Daily Times - January 2, 2011)

SBP extends waiver up to June 30

The SBP has decided to extend waiver up to June 30, 2011 for availing financing under the Export Finance Scheme (EFS) to those exporters whose export proceeds were overdue. The extension in waiver has been granted through a Circular (SMEFD Circular Letter No 6) issued to the Presidents/ CEOs/Country Managers of all banks.
(Business Recorder - February 25, 2011)

Limit fixed

The SBP has directed banks and DFIs to ensure that overall credit card and personal loan limits availed by a person from all banks/DFIs in aggregate should not exceed five million rupees. For implementation, the SBP has amended certain provisions of Prudential Regulations for Consumer Financing with immediate effect, in this regard a Circular (BPRD Circular No 1) has been issued.
(Business Recorder - January 7, 2011)

Loan write offs procedure

According to a Circular, (SMEFD Circular No. 1), the SBP has announced a procedure for reimbursement of write off of loans outstanding as of December 31, 2009 against the borrowers of Malakand, Swat, Buner and Chitral districts under the Prime Minister's Fiscal Relief Package to rehabilitate Economic Life in Khyber Pakhtunkhwa, Federally and Provincially Administered Tribal Areas.
(The Nation - February 3, 2011)

SBP lifts ban on cash export

In a major move to increase foreign inflows the SBP allowed Exchange Companies to export cash in three major currencies UK Pound Sterling, Euro and UAE Dirham and import equivalent dollar against export. Ban on the export of these currencies was imposed by the SBP on May 9, 2008, when Pak rupee against the dollar was rapidly

depreciating.
(Business Recorder - January 20, 2011)

SBP raises SLR for Islamic banks

According to the SBP Circular, in exercise of the powers conferred upon the SBP under section 36 of the SBP Act, 1956, and section 29 of the Banking companies Ordinance, 1962, it has been decided to increase the Statutory Liquidity Requirement (SLR) for Islamic Banks and Islamic Banking Branches.
(Business Recorder - February 24, 2011)

SBP sets 10 refinance rate under EFS

The SBP has set 10 percent per annum the rate of refinance under the EFS from January 1, 2011.

"It has been decided rate of refinance under the EFS applicable from January 1, 2011 and onward till further instructions shall be 10.00 percent per annum."
(Daily Times - January 1, 2010)

Release of mark up rate subsidy instalment

The SBP has advised banks, DFIs and microfinance banks (MFBs) to submit claims for second installment of mark-up rate subsidy with respect to Fiscal Relief Package of the Government of Pakistan for the beneficiaries of eligible sectors other than textiles in Khyber Pakhtunkhwa, Federally and Provincially Administered Tribal Areas.

According to a Circular (SMEFD Circular Letter No. 3) issued.
(Daily Times - January 29, 2011)

Revision of investment policy for pension funds

The SECP has revised the investment limits for pension funds under the Voluntary Pension System. A statement issued by the Commission said that investment limits were revised in view of re-composition of sectors by the KSE. The re-composition led to over-exposure of pension funds' investments in some of the merged sectors.
(Business Recorder - January 22, 2011)

Concessional tax regime for REITs

The SECP has successfully secured concessional rates of stamp duty and registration fee for Real Estate Investment Trust properties in Punjab and Sindh.

In Punjab, the stamp duty on REIT property purchases has been reduced from 2% to 0.5%. On REIT property sales, the duty has been cut from 2% to 1%. In Sindh, the stamp duty on purchases has been reduced from 3% to 0.5% and on sales it has been brought down from 3% to 1%. In both provinces, the registration free on purchases has been completely waived on sales and has been reduced from 1% to 0.5% on sale.
(Daily Times - January 23, 2011)

Service charges on RISM System imposed

The SBP announced to impose service charge of Rs 200 per transaction in PRISM System from all direct participants. PRISM System, as a part of Payment Systems reforms, was implemented in July, 2008, by SBP with a significant initial investment in the project.
(Business Recorder - February 6, 2011)

MACRO ENVIRONMENT

Agriculture disbursement - 46% target achieved

Commercial and specialised banks have achieved 46% of target of agricultural credit by disbursing over Rs 124 B credit in 1st 7 months of CFY. Sources told that an indicative agricultural disbursement target of Rs 270 B was set by the SBP for CFY 2010-11 (FY-11).

During the initial months of CFY agricultural credit disbursement by commercial and specialised banks was weakened and posted a decline of some 4.38% 1st half (July-Dec 2010). However, in the first month of second half, credit disbursement witnessed improvement and in January, 2011 alone banks disbursed Rs 23.3 B, which was Rs 5.4 B or 30% higher than Rs 17.9 billon disbursed during January, 2010.
(Business Recorder - February 24, 2011)

Average 7.46% Banking sector spreads

The banking sector spreads have averaged at 7.46% for the year 2010 as compared to 7.47% in 2009, a mere decline of 1bps. The average lending rates for the year stood at 13.39% in 2010, compared to 13.98% in 2009; while average deposit rates stood at 5.93% in 2010, as against 6.51% in 2009.
(Business Recorder - January 28, 2011)

$81 M C/A deficit

Pakistan C/A deficit narrowed to $81 M in the seven months of CFY 2010-11 from $3.052 B of the corresponding period of last FY, SBP figures showed. Analysts said the higher exports, increase in inflows of remittances and foreign direct investment have kept C/A deficit under-control despite imports of service sand goods have been showing increase in the CFY.
(Daily Times - February 19, 2011)

Growth in Corporate profits

After 4 years of flat earnings, listed companies' profits are likely to post earnings growth of 20 % in 2011 experts said.

They were of the view that other than taxes, oil prices would remain the key risk factor. If oil prices increase to average $85 per barrel in FY11 corporate earnings growth will be 23% while earnings growth will reduce to 18% if oil price stays at average $75 per barrel. Similarly any change in interest rates will also affect corporate earnings' marginally.

Experts believe that earnings growth in FY11 will be robust at 20 % which will continue in FY12 and FY13 albeit at a lower pace due to below average GDP growth and non resolution of the circular debt issue.
(The Nation - January 13, 2011)

Surge in CPI inflation

The CPI inflation surged by 14.19 % in January 2011 over the corresponding period of the last year with prices of perishable food items soaring to 44.39 %, according to Federal Bureau of Statistics

Official figures of CPI inflation released by the FBS showed a decline of 1.30 % in inflation which was largely attributed to the change in base effect.

According to official data CPI July-January 2010-11 remained at 14.55% as compared to the same period last fiscal. Compared to January 2010, the SPI increased 18.80% and WPI increased by 22.60% on the y-o-y basis. The main commodities, which showed an increase in prices during January 2011 over December, 2010 are as under:
(Business Recorder - February 9, 2011)

Increase in Debt and liabilities

Pakistan' total debt and liabilities stocks have recorded an 8% increase reaching new peak level of Rs 11.054 trillion by the end of December 2010 because of expansion in fiscal deficit followed by rising security, subsidies and current expenditure.

The SBP revealed that the country's total debt and liabilities (domestic and external) stocks are rising gradually and posted an increase of Rs 833.6 B in first six months (July-Dec) of CFY. With current surge, the overall stocks of debt and liabilities have crossed the Rs 11 trillion mark and reached Rs 11.054 B as on December 31, 2010 as compared to Rs 10.221 B on June 30, 2010. This increase mainly originated from the rise in government domestic and external debt, as domestic debt posted a surge of some 14%and external debt 24.5% during first half.
(Business Recorder - February 18, 2011)

Economic indicators show dim performance

Apart from the fiscal deficit, the main four economic indicators showed deteriorated performance in the first five months (July-Nov) of the CFY against the same period of last year, as all of them remained in negative zone.

The fiscal deficit has already surged to 3.3 % in the 1st half (July-Dec.) of 2010-11 against the target of 2.3% for the said period, which is an alarming situation for the government, as the Central Bank chief has already hinted for 6% deficit of the GDP which would be covered by borrowing more than Rs 1000 B.
(The Nation - January 8, 2011)

Exports to touch 22 B mark

The country is facing a worsening but manageable economic situation, which requires a new economic strategy to overcome crisis, said Federal Minister for Finance and Economic Affairs while talking to media persons at the head office of SBP.

He said country's exports in the last 6 months had increased by 20% and hoped that exports would cross $22 B by end of 2011. More than $10 B remittances were also expected this year, he added. He said that the task of economic recovery was not so easy, but the government was making all out efforts to achieve the target. He hoped that the GDP growth target for the year would be achieved.
(Business Recorder - January 23, 2011)

Exports to US cross 2bn mark

USA remained the top importer of Pakistani products by importing over $2 B worth of goods in the first half of the CFY.

Although, Pakistani authorities made numerous initiatives to diversify its export markets and even managed to achieve some success in this regard, however USA retained its position as the top importer of Pakistan products over the years. During July-December of this fiscal, Pakistan exported $2.018 B worth of goods against $1.744 B in the corresponding period of previous year, the official statistics suggest.
(Daily Times - January 28, 2011)

Rise in External debt / liabilities

External debt and liabilities increased to $58.4 B during first three months (July-September 2010) of the on-going FY - an alarm for the economic managers, according to Pakistan Debt Policy Statement 2010-11.

A rise of $2.8 B in the first quarter of the year at a time when IMF inflows dried up has been at the back of translational loss (USD vs other foreign currencies), meaning thereby that slow moving inflows govern the outstanding EDL stock.

On the other hand, Public and Publicly Guaranteed (PPG) debt stood at $44.9 B as of end September 2010 consequent to addition of $1 B and $884 M in respect of multilateral and Paris Club debt. The Bank of China deposits witnessed another $100 M repayment in the first quarter of 2010-11.
(Business Recorder - February 6, 2011)

Fiscal deficit may reach 6% of GDP

Governor SBP has said that 6 %budget deficit for the CFY would mean government has to borrow Rs 1 trillion from the banking sector, which could hurt the private sector and increase the cost of credit.

He said that "at the current rate based on first quarter, the fiscal deficit could reach to 6 %of the GDP." The financing of fiscal deficit through the SBP would push up inflation, he added.
(Business Recorder - January 5, 2011)

Surge in Food exports

Food exports form the country witnessed increase of 33 % in January and 12.95 % during the first seven months of CFY.

Overall food exports were recorded at $ 2.035 B during July-January (2010-11) as against the exports of $ 1.801 B during July-January (2009-10), according to the data of Federal Bureau of Statistics.
(Daily Times - February 22, 2011)

Foreign debt servicing

Pakistan's external debt servicing stood at $2.169 B during first quarter (July-September) of ongoing FY, according to Pakistan Debt Policy Statement 2010-11. During July-September 2010, Pakistan's servicing on external debt was recorded at $2.169 B. Out of the grand total, principal repayments were $1.436 B and interest payments were $233 M.

The SBP has already warned that the

total debt and liabilities services increased to one trillion rupees in 2009-10. *(Business Recorder - February 6, 2011)*

2.6% GDP growth

Pakistan's GDP growth has been projected at 2.6 % during 2011 and 3.8 % in 2012. The WB's flagship report 'Global Economic Prospects (GEP) 2011' projected. GEP 2011 said that in Pakistan a standstill on policy implementation, severe disruption tied to massive flooding and continuing security problems have constrained economic activity. Pakistan's currency exchange rate depreciated by 34 % since January 2007 partly tied to large and persistent structural macroeconomic imbalances. *(Daily Times - January 13, 2011)*

Project Approval

The government approved 70 projects worth Rs170 B in a meeting called to approve schemes for the Balochistan Package to address the grievances of the most neglected province amid a financial crunch.

Out of the 70 projects, half were for the Balochistan Package with a total cost of Rs31 B. The government also gave the go-ahead to 35 other schemes amounting to Rs139 B, which was more than four times the value of Balochistan projects. *(The Express Tribune - January 22, 2011)*

Government's struggle

Likewise other economic targets, the government is also struggling to achieve annual export target of above $20-B in the FY 2010-11, chiefly due to the ongoing power crisis and high mark-up rate. "The industry is facing worst power and gas loadshedding, besides other issues, which crippled the economic activities that is affecting exports. Therefore, the government has to struggle to achieve the annual export target set for the ongoing FY," an official told.

The government had set $21.5 B export target for the CFY, however, later it was revised to around $20 B after the unprecedented floods, which destroyed the main export items of the country. Meanwhile according to the figures of Federal Bureau of Statistics, the country exported goods worth of $8.883 B in the first five months (July-November) of the CFY.
(Business Recorder - January 5, 2011)

Rs.401 B borrowing

The central government's borrowing from the banking system for budgetary support has increased to Rs401 B during July-January FY11 from Rs148 B in the same period last year.

From July 01 until January 8, 2010, overall government's sector borrowing to finance deficit financing surged to Rs347.3 B while the inflationary borrowings from the central bank also stood higher at Rs154b, compared with Rs23 B during the equivalent months of past FY. *(The Nation - January 20, 2011)*

Highest exports

On the heels of last months' export data, Pakistan forged ahead with its exports record breaking spree, achieving the highest ever monthly exports figure of $2.329 B January 2011. Pakistan's exports during January, 2011 were valued at US $2.329 B which was 38.2 % higher than the level of US $1.685 B during January, 2010.
(Business Recorder - February 9, 2011)

IMF sets terms

Welcoming wider political engagements on economic policies, the IMF has set three pre-conditions for tangible progress on its $11.3 B standby programme with Pakistan that practically stands suspended since May 2010.

The IMF wants the authorities to move forward with a better macroeconomic framework and sustainable budget deficit, focus on structural items like introduction of reformed general sales tax within the CFY coupled with addressing losses in the energy sector and strengthening central bank role in limiting government borrowing to start with. Mainly because of these issues, according to visiting IMF mission, the fiscal deficit remains very large more likely to be six % of GDP or even more than that as against 4.7 % agreed to by the two sides after devastating floods. *(Dawn - February 2, 2011)*

Inflation soars

Inflation jumped 14.55 % high during (7 months) July-Jan 2010-11 over the corresponding months of the last year, Federal Bureau of Statistics (FBS) reported. Driven by food and fuel prices, the headline inflation, which is based on consumer price index (CPI), rose to 39.47% and 19.39% respectively in the last 7 months 2010-11 than 2009.

The monthly comparison of January 2010 with January 2011 witnessed an increase in inflation by 14.19 %and the indices CPI, SPI and WPI have increased by 14.91%, 18.80% and 22.60% respectively. *(Daily Times - February 9, 2011)*

Double investment in gold

The volatile gold prices in the country witnessed a 100 % increase in the number of investors besides doubled the investment in 2010, metal analyst said.

"Comparing 2009, the number of investors and investment in gold remained on the higher side as the yellow metal has always been considered a safe haven for investors in terms of safer investment all over the world," Pakistan Gems and Jewellery Development Company (PJGDC) Director said. *(Daily Times - December 28, 2010)*

Japan pledges soft loan

Government of Japan has pledged a soft loan amounting to 19.7 B Yen (approximately US $233 M) to Pakistan in a bid to promote the economic stabilisation and development efforts. The notes were signed and exchanged between, Ambassador of Japan to Pakistan and Secretary Economic Affairs Division (EAD).

"The Government of Japan is fully committed to support Pakistan in its endeavours to fight against terrorism and, at the same time, to create a strong and sustainable economic foundation," the Japanese Ambassador said adding, we look forward to the ownership of the government of Pakistan in leading the mid-to long-term rehabilitation and reconstruction as well as its mobilisation and effective use of domestic resources. *(Business Recorder - January 22, 2011)*

LSM growth down

The LSM sector witnessed a negative growth of 1.57 % during July-December 2010, when compared to the same period last year.

Data released by the Federal Bureau of Statistics (FBS) showed that LSM production in December grew by 2.96 %compared with December 2009.

Analysts highlighted that large-scale manufacturing and infrastructure development in the country took a hit due to severe rains and flooding in 2010. Successive cuts in funds allocated for development projects in the federal budget had also taken the steam out of the LSM sector during the previous calendar year.
(The Express Tribune - February 23, 2011)

Monetary expansion not in control

Monetary expansion in the first seven months of the CFY as reported by the SBP grew at an alarmingly high rate of 8.6 per cent, reflecting uninterrupted government borrowing from banking system and the central bank.

The SBP reported that both net domestic asset (NDA) and net foreign asset (NFA) of the banking system were higher than last year, pushing the broad money (M2) to expand at a bigger pace.

Higher monetary expansion, while reflecting the deteriorating fiscal discipline, is also a sharp catalyst for acceleration in inflation. The January inflation slightly slipped to 14.19 % compared to over 15% in December. *(Dawn - February 16, 2011)*

Growth in NFA

The net foreign asset (NFA) of the banking system expanded to Rs 69 B in Jul-Dec 2010, reflecting surplus in the country's external balance with the support of International Monetary Funds' assistance and foreign exchange inflows.

The SBP report said the NFA of the banking system expanded by Rs 69 B during Jul-Dec FY11 compared with Rs 55.3 B in the corresponding period last year. The improvement in overall NFA came from both, the central bank and scheduled banks as the inflows from the IMF under the Emergency Natural Disaster Assistance (ENDA) in Sep 2010 reversed the fall in the central bank's NFA seen in the first two months of CFY.

In addition to institutional inflows and grants, net purchases of foreign exchange in the inter-bank market also contributed to the rise in SBP NFA during Jul-Oct FY11, SBP quarterly report stated. *(Daily Times - February 3, 2011)*

Exports to China increased

From Jan-Dec 2010, Pakistan's exports to China increased by nearly US $ 500 M and their overall growth rate was 37.4%.

According to the figures released by China Customs, the total Pakistani exports to China last year were US $ 1.7 B compared to US $ 1.2 B in 2009. *(Dawn - February 4, 2011)*

Green room status

Ahead of presenting Pakistan's case for a decisive debate on its request for more access to enhance its exports to European market on January 31, the European Commission has allowed Pakistan to sit in the 'green room' where the member countries take important decisions.

As a result of the new status, Pakistan's ambassador on WTO and the Commerce Minister will have permission to sit in the 'green room' where executive committee members of EU take decisions on key trade issues. It is a very special status for a developing country.

In the long run, this will provide Pakistan a good opportunity to interact with any EU member country's representatives and lobby for grant of special concessions to the member countries on important issues.
(Business Recorder - January 27, 2011)

Review free trade agreement

The federal government has decided to review the free trade agreement with Malaysia and the Federal Board of Revenue has been asked by the ministry of commerce to prepare a presentation on the duty and taxation structure under the agreement.

This paper will come under discussion in a meeting expected to be held between representatives of the two countries by the end of January in Kuala Lumpur, sources said.

Pakistan imports palm oil costing $1 B annually and due to a 15% concessional duty given to Malaysian palm oil its share in total palm oil imports has risen to 70% from 55% whereas palm oil imports from Indonesia have come down to 30 % from 45%.
(The Express Tribune - January 6, 2011)

Real GDP may grow to 3%

Pakistan's real GDP is likely to grow up to 3% in the CFY (FY11) according to the 1st Q Report of the SBP on the State of the Pakistan's Economy which was released.

According to the Report, performance of the commodity producing sectors of the economy is expected to improve in months ahead due to expected better contribution by the services sector and improvement in the performance by the commodity producing sectors. *(Dawn - February 2, 2011)*

Food import bill rises 75%

A phenomenal growth of 75 % was recorded in the import of food products during the first half of the CFY mainly on the back of increase in import of sugar and palm oil.

The food import bill swelled to $2.708 B in July-Dec of the CF against $1.547 B in the same period of the last FY, statistics released.

The main contributors to the ballooned food import bill sugar and palm oil registered 368 % and 60 % increase, respectively in their import and having the high import figure in absolute term mainly led the food products import record such a high growth.
(Daily Times - January 20, 2011)

Policy rate unchanged at 14%

The SBP has decided to leave its key policy rate unchanged at 14 % for the subsequent two months, SBP Governor said.

The previous three consecutive rate rises sought to discourage government borrowing, but they proved ineffective in weaning Islamabad off State Bank funding.

SBP last raised the rate by 50 basis points to 14 %on Nov. 29.
(The News - January 29, 2010)

Little dividend from EUs trade concessions

The lack of innovative and latest techniques and inability of the export sector to meet huge orders would be "impeding factors" to realise full potential of European Union's trade concession offered to Pakistan, says SBP.

"The evidence suggests that Pakistan export sector lacks modern technology, designing techniques and inability of the exporters to meet large orders are the major impeding factors", SBP's quarterly report on SBP's economy indicated.

EU offered trade concessions to Pakistan on 75 items mostly related to textile sector. After legal modalities i.e. approval from EU governments and European parliament, tariff concessions would come into effective.
(Daily Times - February 4, 2011)

Revision in inflation forecast

The SBP chided the government for "excessive budgetary borrowing, particularly from the central bank" because it is increasing overall demand and also diluting the effect of the measures to contain inflation, while revising its inflation estimate for the CFY from 13.5-14.5 %to between 15 and 16 per cent.

The estimate, contained in the central bank's State of the Economy report for the first quarter of the CF, was released.
(The Express Tribune - February 3, 2011)

Trade deficit touches $9.32 B

Pakistan's exports increased to $2.328 B in January 2011, up by 9.51 %over $2.126 B over the previous month, according to Federal Bureau of Statistics. According to provisional trade figures released by the FBS country's trade deficit reached $9.32 B during July-January 2010-11, on account of $13.23 B exports and $22.55 B imports.

The trade deficit for the same period of last year was $8.530 B last year with $10.78 B exports and $19.32 B imports. Analysis of the data showed that export witnessed a growth of 22.66% during the 1st 7 months of the CFY and imports by 16.73% over the corresponding period of the last FY. Analysts attributed increase in exports to the per unit price increase instead of increase in the quantity.
(Business Recorder – February 10, 2011)

Table: Risk & Opportunity Trends

(Based on Current Development)

SECTOR	RISK	OPPORTUNITY
Textile	◀▶	◀▶
Oil	◀▶	◀▶
Power/Energy	◀▶	◀▶
Sugar	◀▶	◀▶
Cement /Construction/Steel	◀▶	◀▶
Automotive	◀▶	◀▶
Telecommunication	◀▶	◀▶
Other Industries	◀▶	◀▶
Agriculture	◀▶	▲
Micro Business & SME	◀▶	◀▶
Financial Services	◀▶	▼
Regulatory	◀▶	◀▶
Macro Environment	▲	▼

* ▲ Up ▼ Down ◀▶ No Change