NBP
National Bank of Pakistan

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KEY HIGHLIGHTS FROM SBP ANNUAL REPORT 2015-16 & 2ND QUARTERLY REPORT 2016-17

Key Macroeconomic Targets and Projections

	FY16	FY17	
		Target	Projection
	% Growth		
Real GDP	4.7	5.7	5.0-6.0
CPI (average)	2.9	6.0	4.0-5.0
	Billion US$		
Remittances	19.9	20.2	19.5-20.5
Exports (fob)	22.0	24.7	21.5-22.5
Imports (fob)	40.3	45.2	42.0-43.0
	% of GDP		
Fiscal deficit	4.6	3.8	4.0-5.0
Current a/c deficit	1.2	1.5	1.0-2.0

Key Macroeconomic Indicators

	FY13	FY14	FY15	FY16	
				Target	Actual
Growth in %					
Real GDP	3.7	4.1	4.0	5.5	4.7
Agriculture	2.7	2.5	2.5	3.9	-0.2
Industry	0.7	4.5	4.8	6.4	6.8
Services	5.1	4.5	4.3	5.7	5.7
CPI inflation	7.4	8.6	4.5	6.0	2.9
As % of GDP					
Current a/c balance	-1.1	-1.3	-1.0	-1.0	-1.2
Fiscal balance	-8.2	-5.5	-5.3	-4.3	-4.6
Public debt	61.3	62.4	64.8	*	66.5

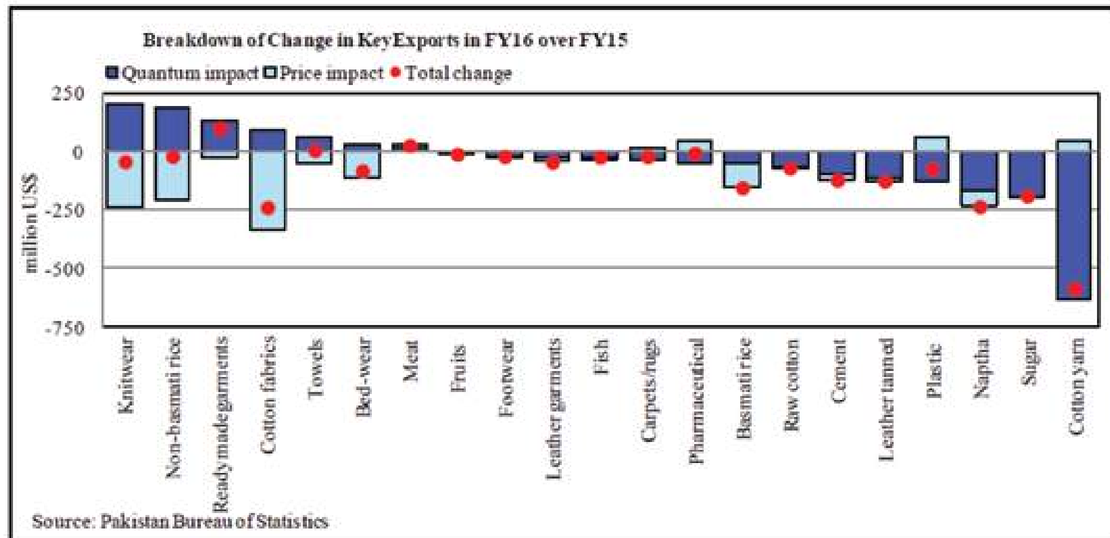
*Public debt target in amended FRDL Act has been set at 60% of GDP for 2017-18, & 50% of GDP for 2032-33.

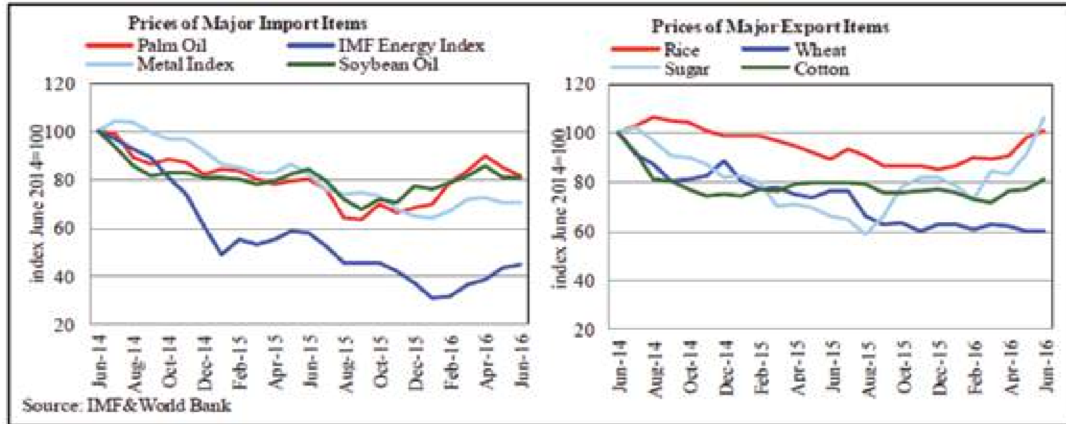
External Sector

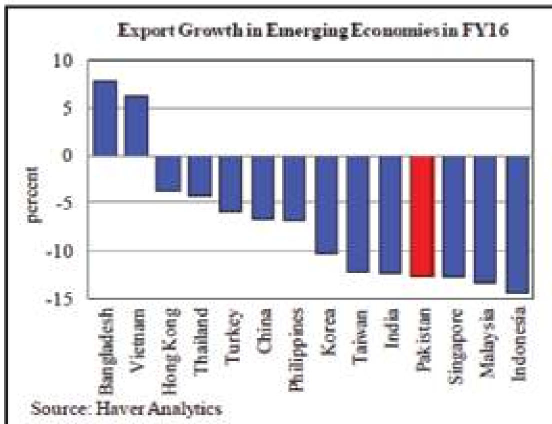
Pakistan's Balance of Payments

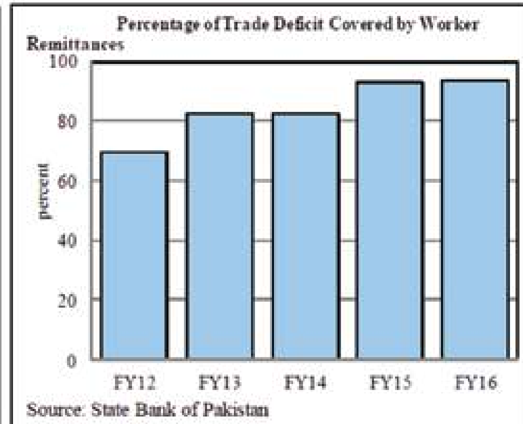
Billion US$

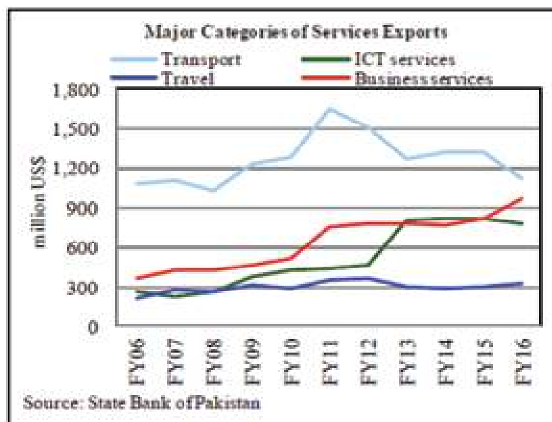
	FY14	FY15	FY16
Current Account Balance	-3.1	-2.7	-3.3
Trade balance	-16.6	-17.2	-18.4
Exports	25.1	24.1	22.0
Imports	41.7	41.3	40.3
Services balance	-2.7	-3.0	-2.9
CSF	1.1	1.5	0.9
Primary income	-4.0	-4.6	-5.3
Repatriations on FDI	2.9	3.3	3.8
Interest payments	0.9	1.1	1.3
Secondary income	20.1	22.0	23.3
Worker remittances	15.8	18.7	19.9
Capital account balance	1.9	0.4	0.3
Financial account balance	-5.6	-5.0	-5.5
Direct investment in Pakistan	1.7	0.9	1.9
Portfolio investment in Pakistan	2.7	1.8	-0.3
Other investment	-1.2	-2.3	-4.1
Net incurrence of liabilities	1.0	2.2	4.2
SBP liquid reserves (end-period)	9.1	13.5	18.1
Total liquid reserves (end-period)	14.1	18.7	23.1




Prices of Major Import Items
Palm Oil
IMF Energy Index
Metal Index
Soybean Oil
index June 2014=100
Source: IMF & World Bank
Prices of Major Export Items
Rice
Wheat
Sugar
Cotton
index June 2014=100

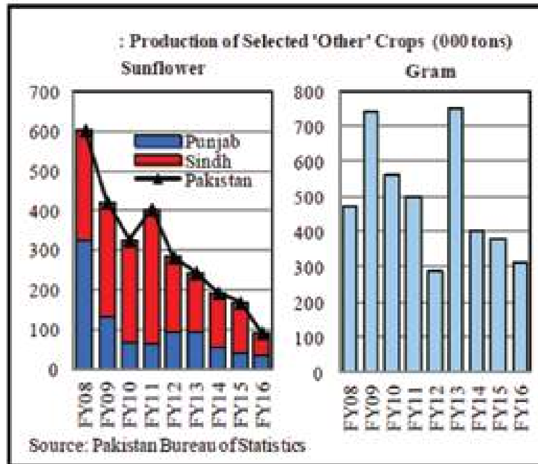

Export Growth in Emerging Economies in FY16
percent
Bangladesh
Vietnam
Hong Kong
Thailand
Turkey
China
Philippines
Korea
Taiwan
India
Pakistan
Singapore
Malaysia
Indonesia
Source: Haver Analytics

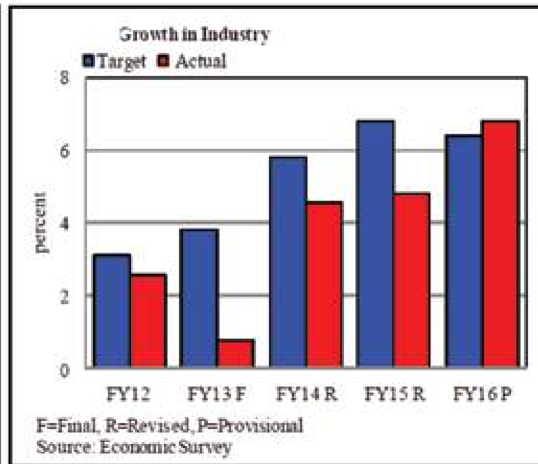

Percentage of Trade Deficit Covered by Worker Remittances
percent
FY12
FY13
FY14
FY15
FY16
Source: State Bank of Pakistan

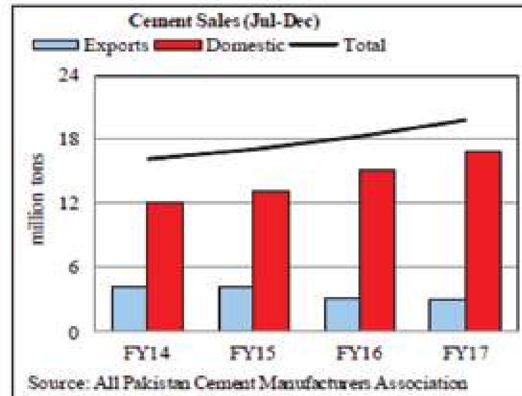

Major Categories of Services Exports
Transport
ICT services
Travel
Business services
million US$
Source: State Bank of Pakistan

Pakistan Trade Performance (as % of GDP)
Exports
Imports
percent
Source: Pakistan Bureau of Statistics

Agriculture and industry







Growth in industry

	Share %	Growth %		Contr. to growth (% points)	
		FY15	FY16	FY15	FY16
Industry	**20.9**	**4.8**	**6.8**	**4.8**	**6.8**
Mining & quarrying	3.3	4	6.8	0.6	1.0
Manufacturing	13.8	3.9	5.0	2.6	3.3
Large scale	11.7	3.3	4.6	1.8	2.4
Small scale	1.2	8.2	8.2	0.7	0.7
Slaughtering	0.9	3.4	3.6	0.2	0.2
Electricity gen & gas distr.	1.4	12	12.2	0.9	1.0
Construction	2.4	6.2	13.1	0.7	1.5

Growth in automobile assembling

	Growth in %			
	FY13	FY14	FY15	FY16
Tractors	5.6	-32.1	41.6	-28.6
Trucks	-26	39.1	51	40.3
Buses	-8.1	7.1	2.9	86.1
Jeeps & Cars	-21.3	-3.5	30.8	17.6
LCVs	-30.6	20.4	61.3	27.1
Scooters/ motor cycle	1.5	3.2	2.8	16.5
Overall	**-12.8**	**-2.6**	**23.5**	**16.1**

FISCAL POLICY STATEMENT 2016–17 – AN OVERVIEW

[Excerpts from Fiscal Policy Statement 2016–17 presented by Debt Policy Coordination Office, Ministry of Finance, Government of Pakistan]

The Fiscal Policy Statement fulfills the requirement of Section 6 of the Fiscal Responsibility and Debt Limitation (FRDL) Act 2005, and is presented by the end of January each year.

The fiscal performance improved considerably during last three years, both in terms of revenue mobilization and expenditure management.

- During 2015-16, total revenue improved to 15% of GDP. The total consolidated revenue of the government during 2015-16 stood at Rs. 4,447 million compared with Rs. 3,931 billion last year. [13% increase] The net revenue receipts of the federal government during 2015-16, after transfers to provinces, stood at Rs. 2,218 billion up from Rs. 2,124 billion last year. The growth can be traced to various tax measures introduced by the government, namely increase in customs duties, change in duty structure of petroleum products, increase in FED on cigarettes, and differential withholding tax rates for filers and non-filers.

- **Total tax revenue witnessed 21% growth in 2015-16 and accounted for 12.4% of the GDP**. FBR tax collections grew by 20% during the fiscal year, and the FBR tax to GDP ratio improved significantly from 9.4% in 2014-15 to 10.5% in 2015-16.

    - Direct taxes contributed Rs. 1,192 billion as against Rs. 1,029 billion in 2014-15, showing a growth of 16%. Direct taxes form one-third of the total FBR collection. **Withholding tax (WHT) amounted to Rs831 billion and was the main contributor in direct taxes with 66% share in gross direct taxes collected in 2015-16** – witnessing a growth of 20% from the previous year's collection of Rs. 691 billion. **WHT constituted 27% of the total FBR tax collection in 2015-16**.

    - **Indirect taxes mainly constituting sales tax, federal excise duties, and custom duties, amounted to Rs. 1,921 billion in 2015-16 and constituted 62% of the total FBR tax collection** during the fiscal year. **Sales tax, constituting 43% of total FBR tax collection, grew by 22% in 2015-16** and amounted to Rs. 1,324 billion during the year. Federal Excise Duty (FED) contributed around 6% and Customs duty 13% in total FBR tax collection during 2015-16.

- Current expenditure was recorded at Rs4694 billion in 2015-16, registering a growth of 6%. Development expenditure and net lending increased to Rs. 1,314 billion in 2015-16 posting a growth of 15% on the back of 20% growth witnessed in Public Sector Development Program (PSDP) .**Total expenditure was recorded at Rs. 5,796 billion in 2015-16 with 7.6% growth, with overall fiscal deficit standing at 4.6% of GDP against 5.3% witnessed last year**.

- Another positive development was shift in financing mix of fiscal deficit, i.e. **around 27% of fiscal deficit was financed from external sources during 2015-16**, which reduced the pressure on the domestic resources, as compared with 12% during 2014-15. Within the banking system, the major source of financing remained commercial banks, most of the debt being obtained in the form of PIBs followed by T-bills, while a portion of borrowing from SBP was retired. The non-bank sources mainly include national savings schemes and private sector investment in government securities.
- Government's economic reforms for revival of public sector enterprises (PSEs) included the following:

- Transactions for the sale of minority shareholding in United Bank Limited, Allied Bank Limited, Habib Bank Limited, and Pakistan Petroleum Limited, and the strategic sale of National Power Construction Company. Through these divestments, the government has raised Rs173 billion, including over US$1.1 billion from foreign investors.

- Financial advisors have been hired for structural public offerings for the distribution companies (DISCOs) and generation companies (GENCOs). The governance of DISCOs, three GENCOs, and NTDC has been transferred to new boards of directors and management.

- Expression of interest has been invited for acquisition of up to 40.25% in the share of KAPCO and the transaction is expected to be completed during 2016-17.

- The State Life Insurance Corporation has been given a corporate status and its public offering is in process along with Marri Petroleum Company Limited.

- The restructuring process of House Building Finance Corporation has been completed.

- Due diligence being carried out for SME Bank by finalizing its transaction structure for approval.

- A roadmap for corporatization of Postal Life Insurance has also been developed for broader institutional and stakeholder approval.

- Restructuring/ reforms of three large PSEs – Pakistan Steel Mills (PSM), Pakistan International Airlines (PIA) and Pakistan Railways (PR) is in process.

Economic activity would benefit from pro-growth policies along with low policy rate which has made funding easier for businesses and consumers. Similarly, growing development spending, despite a planned reduction in fiscal deficit, would continue to support infrastructure-related industries. Therefore, **domestic demand is likely to remain strong, as reflected by leading indicators like credit expansion to businesses, consumer financing, and trade**.

To bolster macroeconomic stability, **the government has made amendments to the Fiscal Responsibility and Debt Limitation (FRDL) Act by defining the ceiling for the federal government budget deficit at 4% of GDP (excluding foreign grants) during the period 2017-18 to 2019-20 and 3.5% of GDP thereafter.** Public debt shall be reduced to 60% of estimated GDP until 2017-18, and thereafter a 15-year transition has been set towards a debt-to-GDP ratio of 50%. At the same time, revenue mobilization should be given priority along with rationalization of current expenditure as envisaged in budget 2016-17.

DEBT POLICY STATEMENT 2016–17 – AN OVERVIEW

[Excerpts from Debt Policy Statement 2016–17 presented by Debt Policy Coordination Office, Ministry of Finance, Government of Pakistan]

The Debt Policy Statement fulfills the requirement of Section 7 of the Fiscal Responsibility and Debt Limitation (FRDL) Act 2005, and is presented by the end of January each year.

- **Gross public debt** was Rs. 19,678 billion as of end-June 2016, while net debt stood at Rs. 17,825 billion. Increase in public debt was higher than financing of fiscal deficit during 2015-16. **Apart from fiscal deficit, increase in the government credit balances with SBP/ commercial banks, debt from the IMF and dual revaluation loss on account of depreciation of US Dollar against foreign currencies as well as depreciation of the Pak Rupee against the US Dollar contributed to the increase in public debt. Gross p**ublic debt stood at Rs. 20,538 billion at end-September 2016, while net public debt was Rs. 18,278 billion.

- **Domestic debt**: Gross domestic debt was Rs. 13,627 billion while net domestic debt was Rs. 11,773 billion as at end June 2016. Gross domestic debt registered an increase of Rs. 1428 billion during the year while government borrowing from domestic sources for financing of fiscal deficit was Rs. 979 billion. The differential is mainly attributed to increase in government credit balances with SBP/ commercial banks.

  Development in domestic debt during 2015-16:

  - The share of **permanent debt** increased to 44% in 2015-16 from 41% in 2014-15, which was only 23% as at end-June, 2013. Around 65% of the total increase in domestic debt stock was contributed by permanent debt in 2015-16.

  - The share of **floating debt** has decreased considerably during last three fiscal years as it stood at 25% and 37% in overall public debt and domestic debt at end-June 2016, respectively, while it was 36% and 55% at the end of 2012-13 respectively.

  - The total share of **unfunded debt** in the government's domestic debt stood at 20% at end-June 2016. The rates on National Savings Schemes (NSS) were revised six times during 2015-16 to align with market rates. Apart from Bahbood Savings Certificates and Pensioner Benefit Account which accounted for around 76% of net inflows in NSS during the year, most of the other schemes either witnessed a decline in inflows, or net retirements.

- **External debt** in US Dollars increased by 13% during 2015-16 due to net external inflows and revaluation loss due to the depreciation of the US Dollar against other foreign currencies. Cumulative growth in external public debt was around 6.2% during last three years (2013/14–2015/16). The average cost of the external loans obtained by present government comes to around 3%, significantly lower than the domestic financing cost even after one builds a margin of capital loss due to exchange rate depreciation.

  In rupees terms, external public debt as %age of GDP declined from 21.4% in 2013 to 20.4% in 2016. Moreover, overall average cost of public debt fell since external public debt is dominated by concessionary lending from multilateral and bilateral development partners. External public debt increased by around US$1 billion during first quarter of 2016-17 and recorded at US$58.7 billion.

- **External debt and liabilities** (**EDL**) stock was US $ 73.1 billion as at end June 2016 compared with US $ 60.9 billion as at end-June 2013, out of which external public debt was US $ 57.7 billion as at end-June 2016 as compared with US $ 48.1 billion as at end-June 2013. EDL include all foreign currency debt contracted by the public and private sector as well as foreign exchange liabilities of SBP. [Out of EDL, external public debt of the government is defined as debt which is serviced out of consolidated fund and debt owed to the IMF.] Apart from net external inflows, public external debt witnessed an increase on account of revaluation loss due to depreciation of US Dollar against other major currencies. **Within external debt, the largest component is the multilateral debt and bilateral debt, constituting around 88% of the public external debt as at end-June 2016.**

- **Servicing of public debt**: Public debt servicing was recorded at Rs. 1,599 billion in 2015-16, against the annual budget estimate of Rs. 1,686 billion. **Public debt servicing consumed nearly 36% of total revenues during 2015-16 against 40% during last year**. This improvement was **contributed by low domestic interest rates and supportive monetary policy.** Factors contributing to reduction in domestic interest cost were downward revision of coupon rates on PIBs during the last two fiscal years, and sharp fall in yields on T-Bills and PIBs due to low interest rate environment and smooth execution of MTDS.

  Domestic interest payments constituted around 72% of total debt servicing owing to increasing volume of domestic debt in overall public debt portfolio. Domestic interest payments witnessed a decline of 5% during 2015-16 as compared with the last fiscal year.

  External public debt servicing declined for the second consecutive year and recorded at US$ 4,340 million during 2015-16 as compared with US$ 4,475 million during the preceding fiscal year. This decline in public debt servicing was mainly due to lower principal repayments made to the IMF.

  Going forward, there is limited pressure from external debt repayments in the medium term:

  - Projected principal repayments to the IMF against Extended Fund Facility (EFF) are stretched over a longer timeframe, starting at US$ 0.2 billion in 2018 and rising to US$ 0.8 billion in 2020, with the final repayment due in 2025.

  - An amount of US$ 0.75 billion due in June 2017 is the only Eurobond maturing until 2019.

  - Repayments for Official Development Assistance from the Paris Club began in 2016, but are for a 23-year period.

- **Public debt management during the last three years**:

  - Government updated its MTDS during 2015-16 to ensure that both the level and rate of growth in public debt is fundamentally sustainable and can be serviced under different circumstances while meeting cost and risks objectives.

  - Conducive economic environment coupled with supportive monetary policy provided opportunity for the government to reduce the interest rates on its wholesales debt instruments, along with aligning the rates on retail debt instruments with the wholesale market yields.

- Government domestic interest expenditure reduced to 26% of total revenue during 2015-16 as compared with 31% during last year.

- Cost of domestic debt reduced to single digit. Cost of the external debt contracted by present government is not only economical but is also dominated by long term funding.

- Government was able to mostly comply with the IMF ceiling on borrowing from SBP and zero quarterly borrowing limit under the amended SBP Act 1956. It was able to fully adhere to these targets in 2015-16.

Going forward, the prime objectives of public debt management include

i. Fulfilling the financing needs of the government at the lowest possible cost, consistent with prudent degree of risk
ii. Broadening the investor base and to have a well-functioning domestic debt capital market
iii. Lengthening of maturity profile of its domestic debt portfolio to reduce the refinancing and interest rate risks
iv. Mobilization of concessional external financing to enhance potential output by promoting efficiency and productivity, thus simultaneously adding to the debt repayment capacity of the country

It is important for the government to adopt an integrated approach for economic revival and debt reduction, which will require trade-offs in the short term, thus implementing structural reforms that boost potential growth which is a key to ensure public debt sustainability.

FINANCIAL POSITION OF SELECTED BANKS (Dec 2016)

[Consolidated from individual Banks' reports]

Key Observations:

Challenging Operating Environment

The challenging operating environment for the banking sector continued during 2016 despite the positive growth in overall GDP because of volatile global economic conditions, periodic fiscal measures, and changing business sentiments. The policy rates were further curtailed to 5.75%, resulting in stress on interest rate margins. The interest rate spread eroded to an all-time low of 5.02% as at end-December 2016.

Reduction in the SBP's policy rate

Reduction in the SBP's policy rate on two instances led to an eventual reduction in the banks' retail rates. This measure, accompanied by a favourable business environment, created demand for bank's credit in FY16. Some of the expansion was aided by a decline in government borrowings from the banking system. Government borrowing stood at Rs. 787 billion in FY16 as compared to Rs. 888 billion in FY15.

Retirement of Government Borrowings

A sizeable net retirement of government borrowing to scheduled banks has helped increase private sector credit. Benefiting from the low interest rates regime, private businesses have been borrowing from the banking sector to upgrade and expand their business processes. As per latest statistics, the private sector borrowed Rs. 375 billion in the first half of FY17, as compared to Rs. 282.6 billion in the corresponding period of last year. Also, loans for fixed investments increased by Rs. 134.1 billion in the first half of FY17, compared to an expansion of Rs. 83.8 billion witnessed in the same period last year.

Growth in Currency

The country witnessed the highest growth in currency in circulation since FY03. A lower preference for deposits was predominately due to the imposition of a withholding tax of 0.4% on non-cash banking transactions (cross-cheques, demand drafts, pay orders, etc.) undertaken by non-filers which led to preference of depositors towards unofficial banking channels; resulting in constrained growth in average core deposit mobilization. While Government and PSE deposits grew by 26.0% and 29.5% respectively, private sector and individual deposits depicted a growth of just 13.9% and 11.2% respectively.

Deposits

Deposits for the banking sector grew by 14.0% during CY16 to reach Rs.11, 798 billion from Rs.10, 389 billion as of CY15 while net advances also gained some strength with a growth of 15.0% in 2016 to reach Rs. 5,499 billion from Rs. 4,816 billion as of CY15.

Advances

Though higher growth in advances to private sector in the CY16 has primarily helped ease the infection ratio, higher recoveries have also played a pivotal role in bringing the gross NPLs down. The gross infection ratio reduced to 11.3% from 11.4% in Dec 15. NPLs to total loans ratio has declined to an eight years' low level of 10.1% in CY16.

Auto financing and house financing dominated the consumer financing portfolio for commercial banks in 2016. Islamic Banking Institutions took the lead for house financing accounting for 54% of the total financing made.

Liquidity Position

The overall liquidity position of the banking sector has remained comfortable. The liquid assets have increased by 1.1% despite decline in banks' investments in federal government securities. The liquid asset to total asset ratio stays at a strong level of 53.7%. In CY16, banking sector has "liquid asset to short-term liabilities" at 107.2% and "liquid assets to deposit" at 72.1%. Further, advances to deposit ratio, has inched up to 46.6% in CY16.

Investments

The banking sector net investments were recorded at Rs.7,509 billion at end-December 2016 as compared to Rs. 4,013 billion at end-December 2015. During the year, maturity of high yielding government bonds of Rs. 1,425 billion resulted in re-profiling of investments from long term PIB's to short term Treasury Bills at the industry level .

Profit After Tax

Low interest rates and reduced banks' investment have impacted the earnings of the banking sector in 2016. Consequently, profit after tax (PAT) of PKR 189.9 billion is 4.6% lesser than the level seen in the last calendar year. The decline in net interest income (2.3%) and non-interest income (6.2%), have contributed to the decline in PAT.

Non-Interest Income

On the other hand, non-interest income has shown a fall due to reduction in other income mostly gain on sale of securities and income from dealing in foreign currency. However, significantly lower provisioning expense of PKR 5.3 billion during CY16 compared to PKR 38.9 billion during CY15 has partially offset the dip in income.

Profitability

Accordingly, profitability indicators have moved downwards such as Return on Asset (before tax) from 2.5% in CY15 to 2.1% in CY16 and Net Interest Margin (NIM) from 4.4% in CY15 to 3.7% in CY16.

Bank-wise statistics reveals a broad based contribution in banking profits as 31 banks have posted profits, while the count for loss making banks is 3 in CY16.

Concentration of earnings has slightly increased as the share of top 5 banks in total profits has increased to 64.0% in CY16 from 61.0% in CY15.

Capital Adequacy Ratio

The Solvency of the banking sector has remained strong. Though, Capital Adequacy ratio (CAR) has reduced to 16.17% in CY16; yet the ratio is well above the minimum required level of 10.65%.

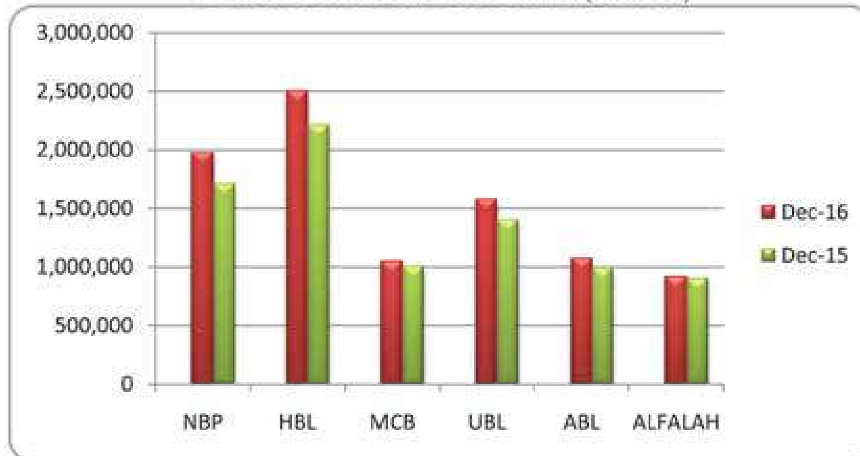
Leverage

Besides CAR, the leverage ratio of the banking sector at 5.14% as of end December, 2016 is well above the required level of 3.0%.

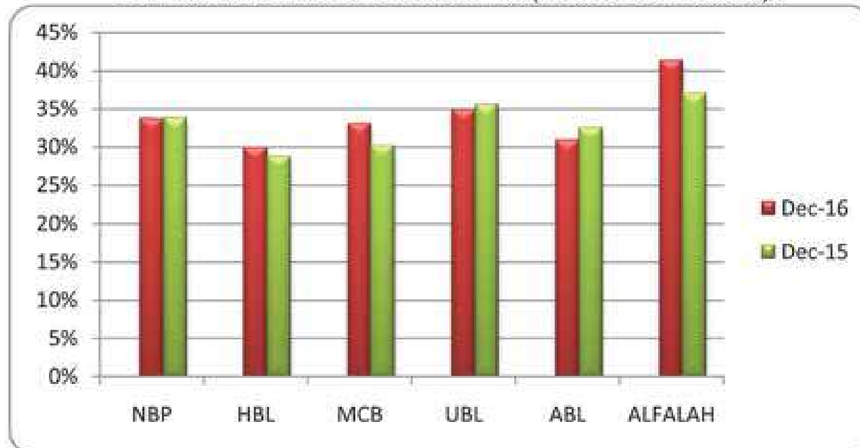
Financial Position of Selected Banks- Key Highlights

[For Detailed Financials see Appendix]

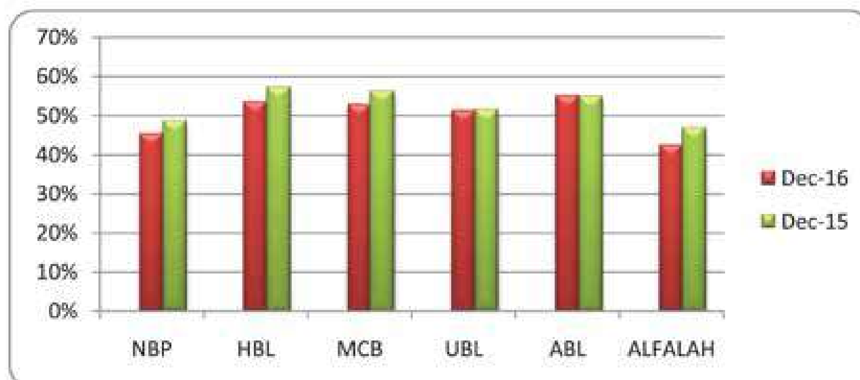
Total Assets of Selected Banks: (Rs. in 000)



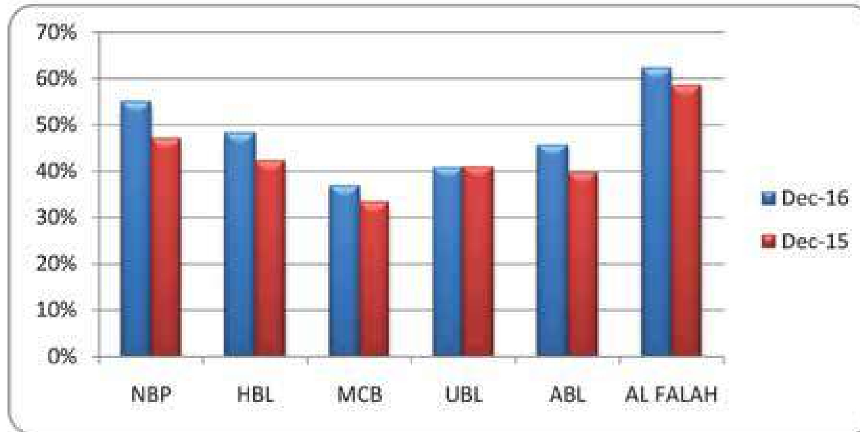
Total Advances of Selected Banks (As % of Total Assets):



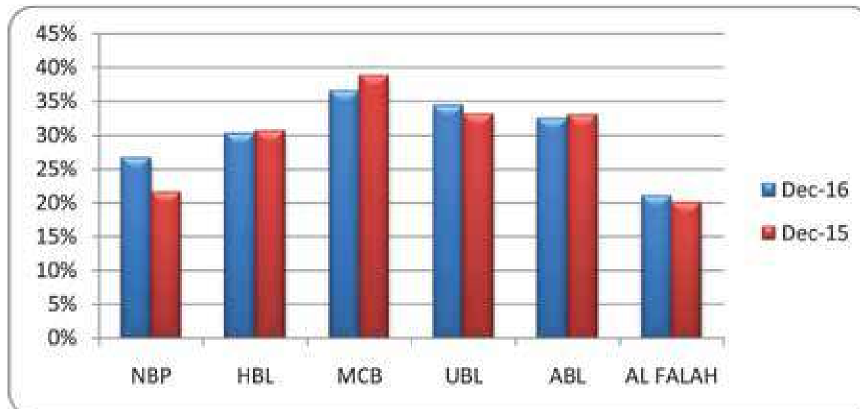
Total Investments of Selected Banks: (as % of Total Assets)



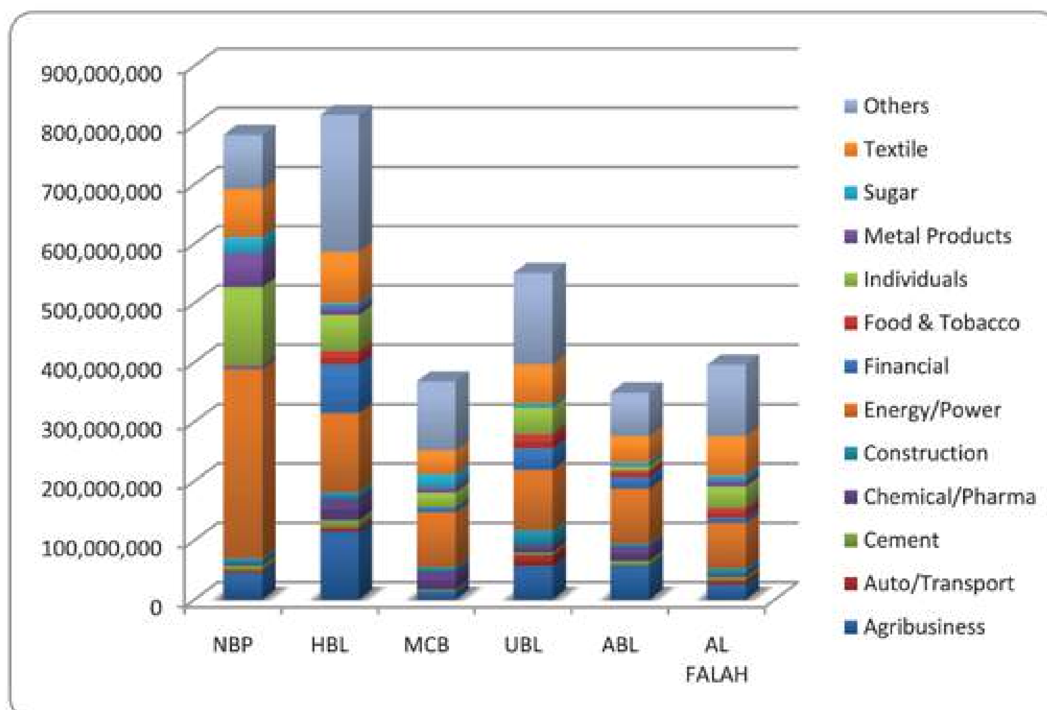
Admn. Expenses of Selected Banks (As % of Total Income Earned)



Profit after Tax of Selected Banks (As % of Income Earned)



Gross Advances of Selected Banks (Rs. in 000)

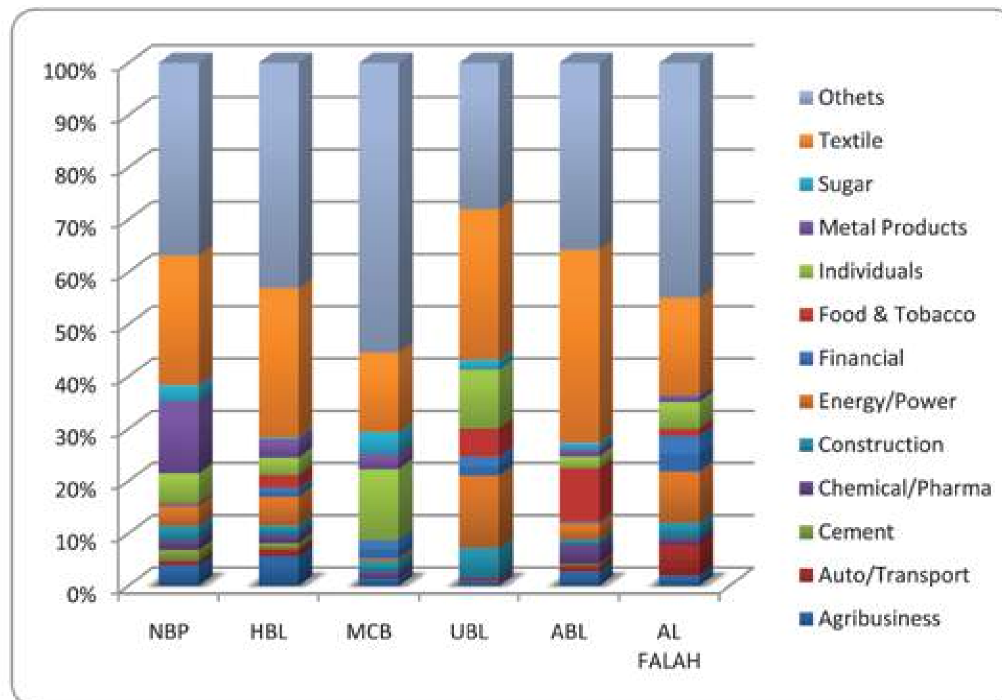


(Details available in appendix)

Gross Advances of Selected Banks (%)

	NBP	HBL	MCB	UBL	ABL	ALFALAH
Agribusiness	5.8	14.0	3.8	10.4	16.3	6.4
Auto/Transport	0.4	0.8	0.0	3.2	0.1	1.7
Cement	1.1	1.6	0.8	0.9	2.4	1.6
Chemical/Pharma	0.4	4.4	8.3	2.0	6.4	1.0
Construction	1.2	1.5	2.0	4.7	1.7	2.6
Electronics	0.6	1.2	0.7	2.7	0.9	1.1
Energy/Power	24.7	11.7	16.3	18.5	26.7	14.7
Financial	0.5	10.0	2.1	6.5	5.5	2.2
Food &Tobacco	0.3	2.8	-	4.3	3.0	4.1
Individuals	16.9	7.4	6.9	8.3	2.4	9.3
Leather	0.1	0.3	0.4	0.4	0.7	0.6
Metal Products	7.2	1.6	2.2	0.0	0.6	2.5
Oil & Gas	15.9	4.6	9.0	-	-	4.7
Sugar	3.5	0.9	6.2	1.2	1.4	2.1
Textile	10.4	10.6	10.9	11.9	12.6	16.9
Traders	3.4	7.3	8.3	3.6	3.3	3.7
Others	7.6	19.4	22.2	21.3	16.0	24.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

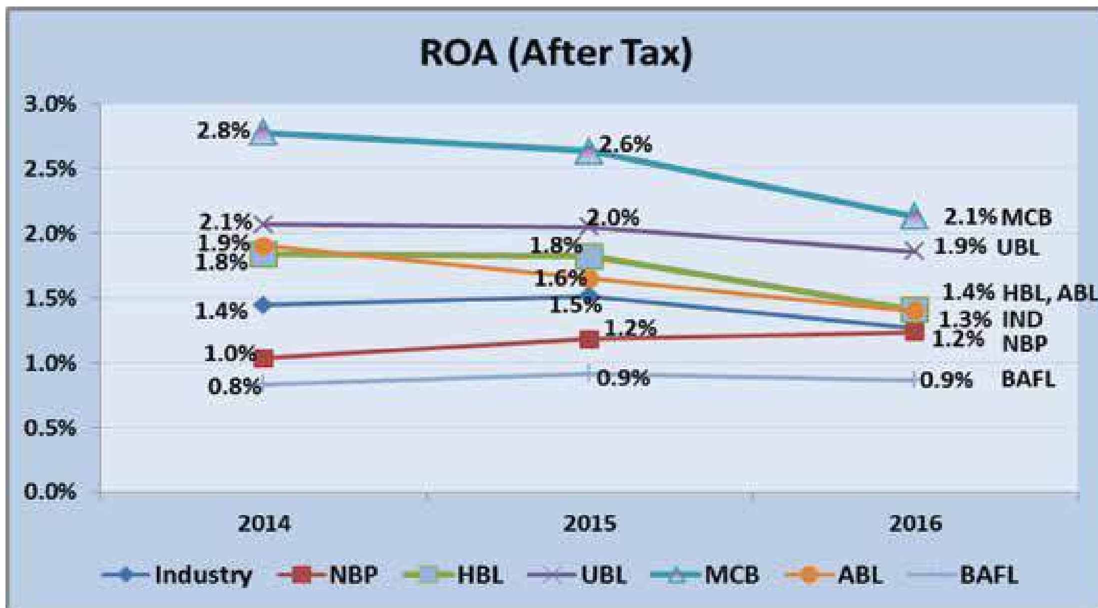
NPLs of Selected Banks (Rs. in 000)

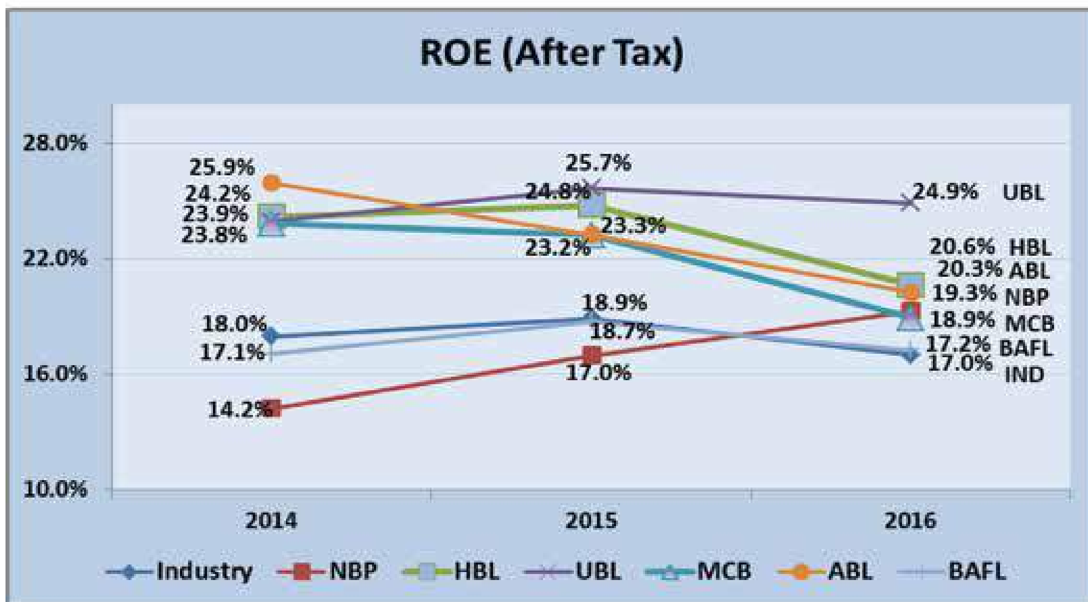


(Details available in appendix)

NPLs of Selected Banks (%)

	NBP	HBL	MCB	UBL	ABL	ALFALAH
Agribusiness	4.0	5.7	1.4	0.9	2.8	2.0
Auto/Transport	0.8	1.4	0.0	0.4	1.1	5.9
Cement	2.1	1.1	-	-	0.3	-
Chemical/Pharma	1.9	1.5	1.2	0.3	3.6	1.2
Construction	2.6	1.8	2.0	5.7	1.0	2.9
Electronics	3.1	4.7	1.3	2.8	6.0	-
Energy/Power	3.6	2.4	0.0	13.8	3.1	0.8
Financial	0.4	1.6	3.5	3.6	0.4	6.9
Food & Tobacco	0.2	2.4	-	5.5	10.2	1.4
Individuals	5.7	3.4	13.6	11.2	2.2	5.2
Leather	0.4	1.2	0.1	1.5	0.6	0.5
Metal Products	13.7	3.4	2.9	-	1.4	1.2
Oil & Gas	0.1	3.1	0.5	-	-	8.9
Sugar	3.2	0.4	4.1	1.9	1.2	0.0
Textile	24.9	28.6	15.3	28.8	37.0	18.7
Traders	8.2	13.4	14.3	7.9	6.2	10.5
Others	25.1	23.7	39.7	15.6	22.9	33.9
Total	100.0	100.0	100.0	100.0	100.0	100.0





[For Detailed Financials see Appendix]

NBP
National Bank of Pakistan

Special Report

ECONOMIC SPOTLIGHT ON BALOCHISTAN

Economy

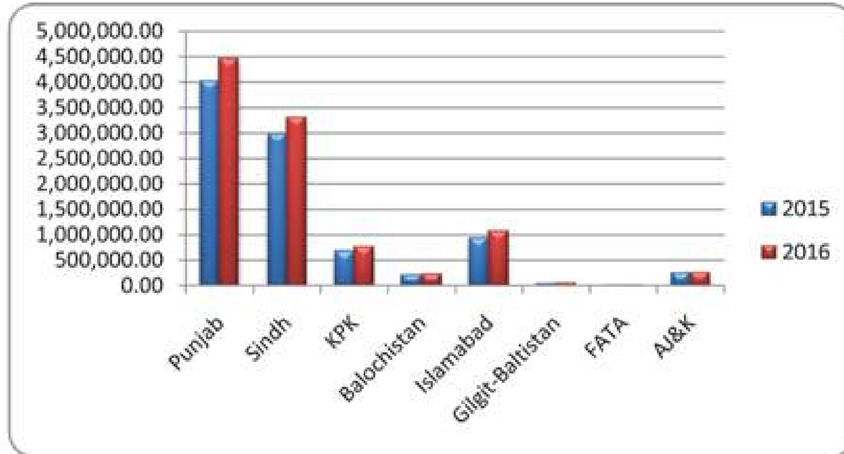
- Balochistan is the largest province of Pakistan in terms of land area, comprising 44% of the national territory. It is, in contrast, the smallest in terms of population.
- Infrastructure outside of Quetta is still in development as is the province as a whole. Most of the population lives in scattered, sparsely populated settlements around water sources amid an arid, inhospitable terrain.
- The economy of the province is largely based upon the production of natural gas, coal and minerals. Over 50 metallic and non-metallic minerals have been found in Balochistan, of which 41 are currently being mined.
- The province's natural resources significantly help to meet the energy needs of Pakistan as a whole.
- Due to the tribal lifestyle of many Baloch and Brahui, animal husbandry gained much significance. **Balochistan province has the world's eighth largest herd of cattle and third largest herd of goats**. Limited farming in the east as well as fishing along the Arabian Sea coastline are other forms of income and sustenance for the local populations.
- The province is the least developed among the four federating units of Pakistan in terms of social and economic indicators. Overall, 56% of Balochistan's population falls in the category of 'multi-dimensionally poor'.

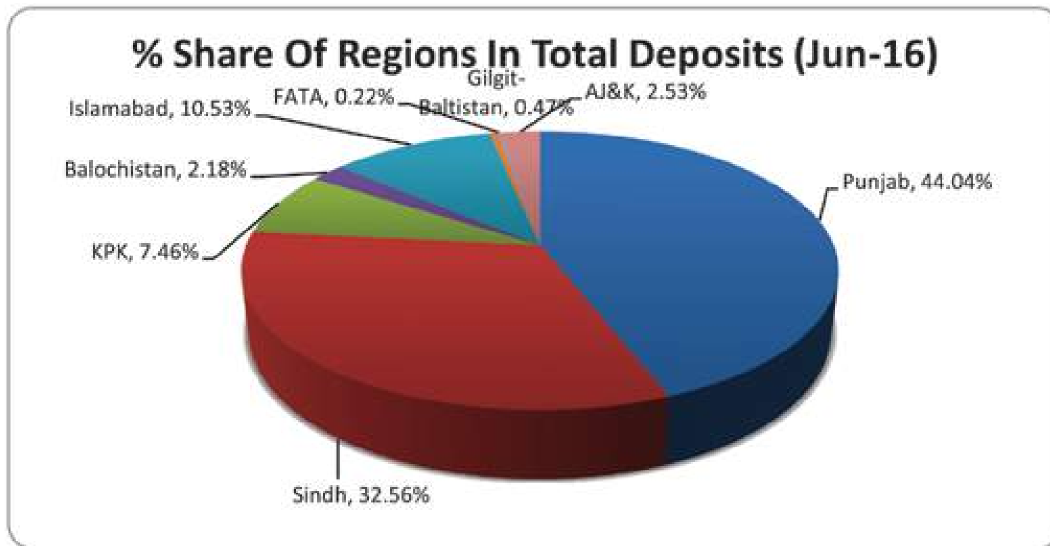
BALOCHISTAN'S CURRENT FINANCIAL SNAPSHOT:

Province/ Region Wise Banks' Deposits:

Rs. In Millions

Province	Jun-13	Jun-14	Jun-15	Jun-16
Punjab	3,098,848.4	3,491,559.1	4,035,043.0	4,473,675.5
Sindh	2,338,702.5	2,641,201.4	2,997,184.7	3,307,697.0
KPK	493,498.1	555,377.3	675,584.8	757,904.6
Balochistan	154,892.9	170,178.8	203,587.8	221,340.8
Islamabad	811,080.2	923,187.0	939,688.8	1,069,848.3
Gilgit-Baltistan	19,104.3	34,952.3	35,250.1	47,639.1
FATA	14,682.1	16,104.2	18,288.4	22,682.5
AJ&K	203,599.7	219,004.8	248,381.4	256,869.1

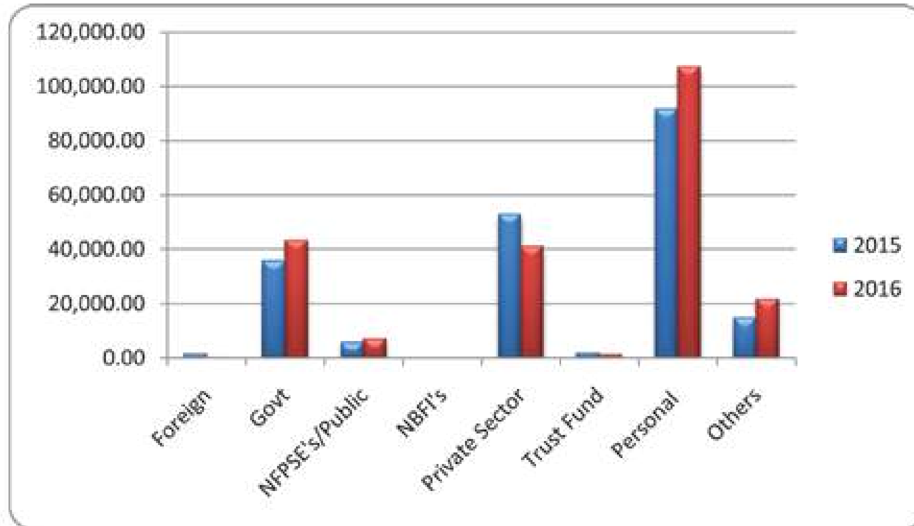




Category of Deposits in Balochistan:

Rs. In Millions

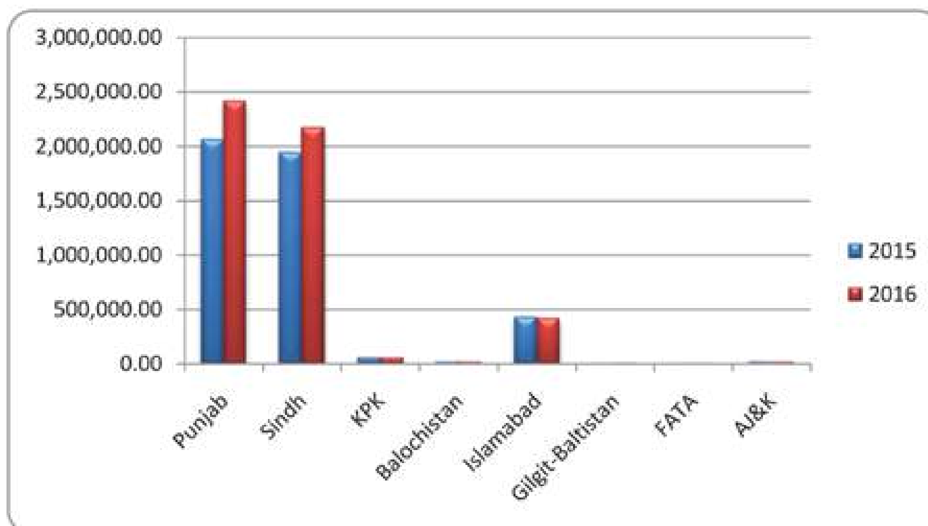
	Jun-13	Jun-14	Jun-15	Jun-16
Foreign	133.8	117.4	1,608.6	119.8
Govt	17,664.9	21,641.6	35,485.2	43,210.6
NFPSE's/Public	6,874.9	3,080.2	5,530.9	6,937.0
NBFI's	54.4	379.8	70.9	45.8
Private Sector	44,914.6	49,988.4	52,652.6	40,900.4
Trust Fund	1,413.7	2,384.7	1,881.4	1,256.3
Personal	68,034.9	78,969.2	91,693.6	107,230.4
Others	15,801.8	13,617.6	14,664.7	21,640.4

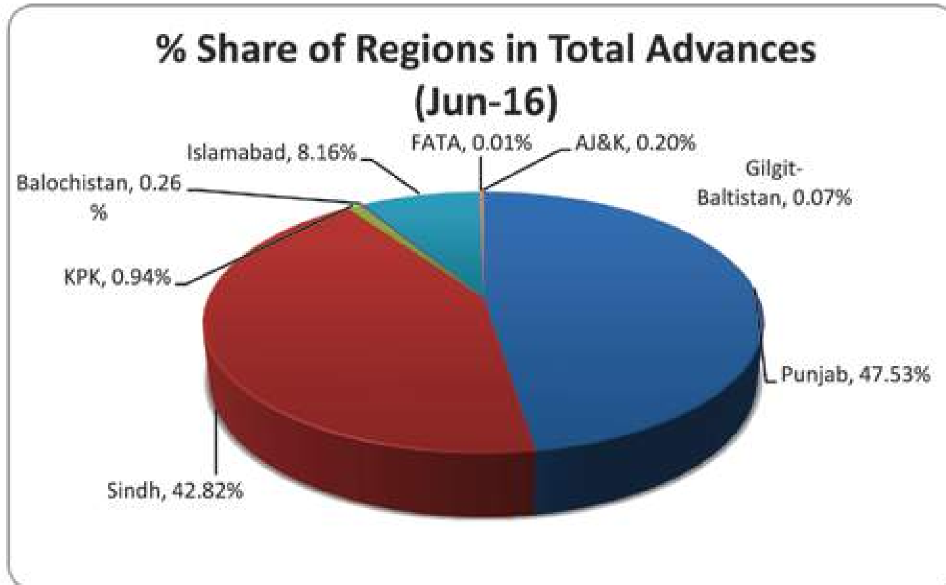


Province/ Region Wise Banks' Advances:

Rs. In Millions

Province	Jun-13	Jun-14	Jun-15	Jun-16
Punjab	1,719,962.8	1,943,065.7	2,058,792.2	2,413,874.8
Sindh	1,635,122.9	1,851,697.3	1,944,993.4	2,174,642.3
KPK	45,466.7	47,461.4	49,900.5	47,784.3
Balochistan	10,923.6	13,125.5	13,390.4	13,410.4
Islamabad	241,852.5	264,865.0	424,072.7	414,446.1
Gilgit-Baltistan	1,378.0	1,977.0	2,479.8	3,355.6
FATA	499.2	730.1	700.0	636.8
AJ&K	9,276.3	10,053.3	9,526.9	10,041.9

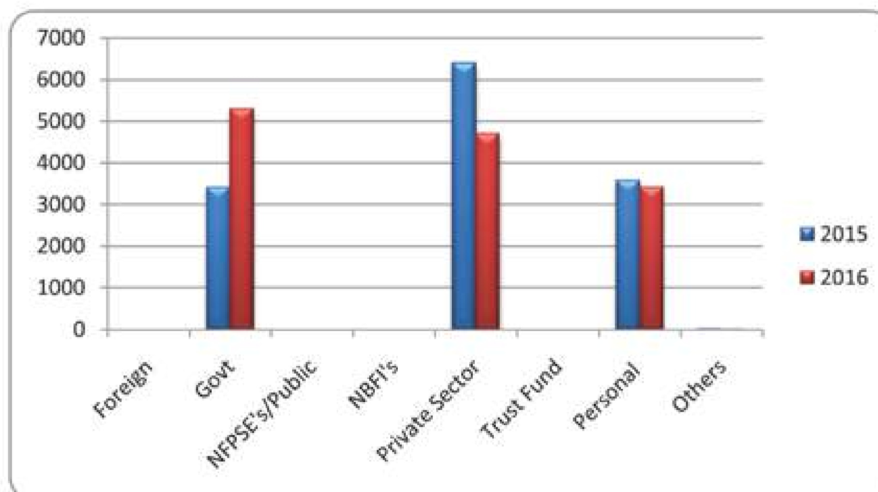




Distribution of Advances in Balochistan:

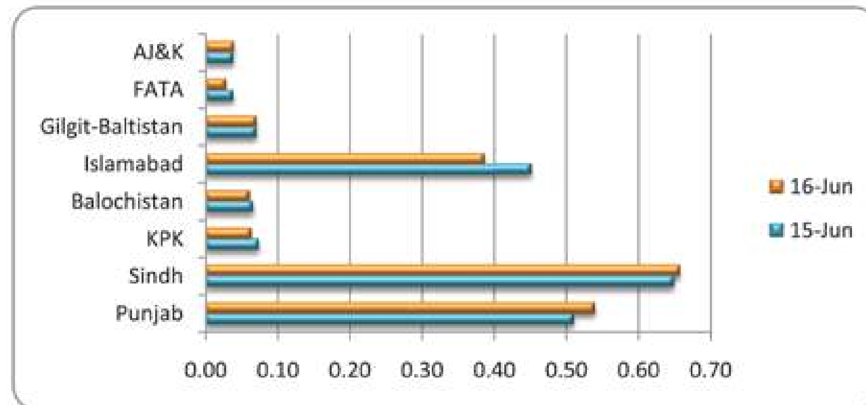
Rs. In Millions

	Jun-13	Jun-14	Jun-15	Jun-16
Foreign	-	-	-	-
Govt	2,526.1	3,000.1	3,411.3	5,304.1
NFPSE's/Public	-	-	-	-
NBFI's	-	-	-	-
Private Sector	5,334.7	6,817.3	6,385.1	4,695.2
Trust Fund	-	-	-	-
Personal	3,044.6	3,284.1	3,575.4	3,408.1
Others	18.3	24.1	18.6	2.9



Advances to Deposits ratio:

Province	Deposits		Advances		ADR	
	Jun-15	Jun-16	Jun-15	Jun-16	Jun-15	Jun-16
Punjab	4,035,043.0	4,473,675.5	2,058,792.2	2,413,874.8	0.51	0.54
Sindh	2,997,184.7	3,307,697.0	1,944,993.4	2,174,642.3	0.65	0.66
KPK	675,584.8	757,904.6	49,900.5	47,784.3	0.07	0.06
Balochistan	203,587.8	221,340.8	13,390.4	13,410.4	0.07	0.06
Islamabad	939,688.8	1,069,848.3	424,072.7	414,446.1	0.45	0.39
Gilgit-Baltistan	35,250.1	47,639.1	2,479.8	3,355.6	0.07	0.07
FATA	18,288.4	22,682.5	700.0	636.8	0.04	0.03
AJ&K	248,381.4	256,869.1	9,526.9	10,041.9	0.04	0.04



Consolidated Position of Agriculture Loan Disbursements, Recoveries and Outstanding
(July-Dec 2016)

Farm-Sector Advances:

Rs. In Millions

Province	No. of Borrowers	Disbursed	Recovered	Outstanding
Punjab	690,672	124,182.0	113,547.4	186,448.7
Sindh	70,251	16,013.5	16,524.1	31,299.0
KPK	15,409	2,754.7	2,363.3	6,255.8
Balochistan	429	141.3	132.3	706.8
Azad Kashmir	360	74.3	66.1	200.6
Gilgit Baltistan	248	40.6	90.1	156.8
All Pakistan	**777,369**	**143,206.4**	**132,723.3**	**225,067.8**

Non-Farm-Sector Advances:

Rs. In Millions

Province	No. of Borrowers	Disbursed	Recovered	Outstanding
Punjab	548,254	144,713.8	144,165.7	127,580.9
Sindh	86,918	10,763.0	8,732.8	13,866.9
KPK	13,140	2,378.0	2,122.9	3,084.9
Balochistan	283	69.2	76.5	74.5
Azad Kashmir	8,988	447.6	543.3	907.4
Gilgit-Baltistan	952	152.9	138.3	643.4
All Pakistan	**658,535**	**158,524.5**	**155,779.5**	**146,158.0**

Development policy

Balochistan's development policy is based on development projects implemented by the provincial government through Public Sector Development Program (PSDP), Federal PSDP, and other federal government programs. Within the above framework, road and irrigation infrastructure, education and health facilities, and agriculture and industrial development get the highest priority so that the socio-economic condition of the masses improves and employment opportunities are created.

Balochistan and CPEC

Balochistan has occupied center stage in the national narrative owing to its centrality in the CPEC. The success of CPEC hinges on the successful development of the Gwadar port. CPEC is not just a game-changer for Pakistan but also for the historically neglected province of Balochistan.

Sorab–Hoshab highway: Lack of basic infrastructure in Balochistan is a major impediment to its development and the foremost grievance of the Baloch people. Sorab–Hoshab highway (N-85) brings the much needed road infrastructure in Balochistan. The 449-kilometre long road, constructed at an estimated cost of Rs 22 billion and inaugurated on 14 December 2016, is an important segment of the western route of CPEC.

The road links Gwadar Port with National Highway network (N-25) near Sorab/ Quetta, and provides the shortest link from Gwadar Port to Afghanistan and other Central Asian countries. There are 16 major and 105 minor bridges constructed on the route. With the completion of this project, the vital North-South road connectivity has also been completed.

Sorab-Hoshab highway (Courtesy: *Times of Islamabad)*

CPEC western route: The western route has been divided into six sections including highways and expressways: Hakla-Dera Ismail Khan (288 KM), Dera Ismail Khan-Zohrab (205 KM), Zohrab-Quetta (331 KM), Quetta-Sohrab (211 KM), Sohrab-Hoshab (449 KM), and Hoshab-Gwadar (193 KM). As the western route passes through the less developed areas of KP and Balochistan, it would bring economic stability to the region. Gwadar-Turbat-Hoshab Road (M-8), built at an estimated cost of Rs 14 billion, was inaugurated in February 2016. Earlier in January 2016, Prime Minister Nawaz Sharif had inaugurated the western route of CPEC in Balochistan's Zhob and laid the foundation stones of two key projects: upgradation of the Zhob-Mughal Kot section of the Dera Ismail Khan-Qila Saifullah Highway (N-50) and the Qilla Saifullah-Waigam Rud Road section of the Multan-Dera Ghazi Khan-Qilla Saifullah Highway (N-70).

Gwadar port city: As part of the China-Pakistan Economic Corridor, and by extension, that of the Silk Route Initiative, Gwadar holds pivotal importance. The port city of Gwadar is a hub of connectivity for the Corridor and an indispensable interchange for the Silk Route. Through its deep-sea port, Gwadar has helped China and Pakistan realize the goal of a 21st Century Maritime Silk Route, which will benefit not only China and Pakistan, but also Central Asia by becoming the region's key entrepôt. The China-Pakistan Economic Corridor, however, plans not to limit Gwadar to a connecting port only, but enriches it as an economic hub that will cater to the local population by improving their livelihoods. Projects planned for the Gwadar Port City aim at capacitating Balochistan to its full economic, social, technical, and energy potential, and closely integrating it within the economic framework of Pakistan and China.

Update – CPEC Gwadar projects

Project	Status
Gwadar Eastbay Expressway (19 km, connecting Gwadar Port to Mehran Coastal Highway)	• Minutes of EAD-MOFCOM signed
Gwadar New International Airport	• Minutes of EAD-MOFCOM signed in Aug.2016 • Grant request being processed by Chinese side
Infrastructure for Gwadar Free Zone	• Groundbreaking done by the PM • 1st phase completion by Dec.2017 • Gwadar Free Zone guidelines published
Gwadar Smart Port City Master Plan	• LOE signed • Name of one consultant received by EAD • Fast track project
Dredging of berthing areas & channels	• Draft business plan has been received from Chinese (COPHCL), under review by MoP&S and GPA.
Necessary facilities for fresh water Treatment, water supply and distribution	• PC-I for 5 MGD RO plant for Gwadar cleared by CDWP in Dec 16 • Draft Framework Agreement shared with Chinese side and likely to be signed soon
Gwadar Pak-China Friendship Hospital Upgradation	• Grant request sent by EAD to MOFCOM • Feasibility study completed by Chinese team to add 100 beds from existing 50, for subsequent extension to 300 beds • LOE to be signed in early 2017
Gwadar Pak-China Friendship Technical and Vocational College	• Chinese technical team expected to visit early this year to conduct feasibility study • MoU likely to be signed soon
Bao Steel Park, petrochemicals, stainless steel and other industries	• Necessary approval process would be completed at the earliest for inclusion as new CPEC Project under Gwadar JWG.
Development of Gwadar University	• Chinese side will identify a leading Chinese university for collaboration with University of Gwadar on marine & maritime related subjects along with other disciplines.

Saindak Copper-Gold project (SCGP)

Saindak Copper-Gold Mine is located near Saindak town in Chagai District of Balochistan. The Saindak project, being run by the Metallurgical Company of China (MCC), a subsidiary of the China Metallurgical Group Corporation, will be handed over to Balochistan after the expiry of the five-year lease agreement in October 2017. According to the terms and conditions of the lease agreement signed in 2012, the provincial government had been receiving 25 per cent share of net profit from the Chinese company. It is said that the Balochistan government, after taking over the project, might either extend the lease agreement with the MCC or float international bids and seek an enhanced share in its profit.

Saindak Copper-Gold mine (Courtesy: DGPR, GoB)

Reko Diq Copper-Gold project (RDCGP)

Reko Diq, a small town in Chagai District, Balochistan, is one of the world's richest deposits of gold and copper with a potential mine life of more than 50 years. Chagai district is part of a belt called the Tethyan Magmatic Arc, which extends thousands of kilometres from Europe into Mongolia. The arc is a known reservoir for rare metals, and Pakistan's share lies underneath the region between Chagai and North Waziristan. Recent estimates by various geological organizations, including the US Geological Survey, put the value of the entire block between one to three trillion dollars.

In 2000, RDCGP stake was transferred to a newly-formed subsidiary Tethyan Copper Company (TCC), incorporated in Australia, later registered as TCC Pakistan. In 2006, Barrick Gold (Canada) and Antofagasta (Chile) acquired TCC.

Reko Diq hills (Courtesy: Daily *Dawn*)

Balochistan Bank and other capacity building measures

Owing to an improvement in the law and order situation, the economic and financial activities and investment is now increasing in the province. In March 2017, Governor State Bank of Pakistan (SBP) met the Balochistan Chief Minister with a delegation of presidents and chief executives of private banks. Besides discussions relating to the establishment of Balochistan Bank, matters relating to promotion of economic and financial activities in the province were also discussed. To enhance capacity building, the Governor said, all banks were directed for evolving a three-year long planning for establishment of more branches of all banks in the province. He further said that to ensure provision of jobs to locals, private banks were directed to impart training and give relaxation to local youth of Balochistan in education, and added that soon cash counters would be set up in Gwadar and Khuzdar. Besides, he informed, Branchless Banking System was also being introduced.

It was decided in the meeting that the provincial government would provide feasibility report to SBP for the formation of Balochistan Bank, while SBP would guide and help out provincial government in this regard.

Area Development Program

This is a community-based development program co-financed by the Government of Balochistan and United Nations Development Program. The objective of the project is to contribute to poverty reduction and food security through increased incomes and productive assets in the target areas. Though phase II of the project was initiated in July 2006, its field activities started in May 2007. It is estimated to conclude in December 2017.

- **Community Mobilization**: 1,069 community based organizations; 644 for men and 408 for women, have been formed. More than 5,938 persons have been trained in the effective management of these community organizations.
- **Crops and Livestock Productivity:** Improved variety of seeds has been provided for 200 acres of land. Around 0.24 million animals have been vaccinated, 7000 persons trained in livestock management and extension services, 481 improved breeds of goats and bulls introduced. Household ownership of small livestock has increased by 10.73% in the project areas.
- **Water Availability:** Rain water harvesting structures at 6272 acres of land built, 268 small projects on water reservoirs and channel lining, 108 schemes for karez rehabilitation, 67 demonstration plots on high efficiency irrigation systems, 624 persons trained on improved irrigation practices.
- **Skills Development:** 440 women trained in embroidery, 347 in tailoring and 1762 in basic health and hygiene. Due to skill training for the women, the annual income of the beneficiaries has increased from PKR 5,880 to PKR 25,200 in embroidery and related skills. Due to project interventions, the female productive skills sets have increased by five% thereby increasing employment and income and saving opportunities for the poorest families.
- **Physical Assets:** Drinking water schemes benefited an estimated 780 households, irrigation schemes more than 2,000 households, and water harvesting structures about 1,500 households. Approximately 1,300 households benefited from improved breeds of poultry, small ruminants and cattle.

World Bank projects in Balochistan

Project title	Project ID	Commitment amount (USs in millions)	Status	Approval date	Closing date
Governance and Policy Program for Balochistan	P156411	16.0	Active	Dec 28, 2016	N/A
PK-Balochistan Integrated Water Resources Management & Development Project	P154255	200.0	Active	June 28, 2016	Oct 31, 2022
National Immunization Support Project	P132308	50.0	Active	Apr 21, 2016	Dec 31, 2021
Water Sector Capacity Building and Advisory Services	P155226	34.95	Active	Dec 21, 2015	N/A
Global Partnership for Education - Balochistan Education Project	P144454	34.0	Active	Mar 18, 2015	Dec 30, 2018

300MW Energy Project In Balochistan:

A "Mutual Agreement" was signed on December 15, 2013 for establishment of USD 700 Million, 300 MW Solar Power Plant at Quetta. The entire investment will be from the CK solar-led Korean Consortium. CK Solar will be the principal developer and will be heading a consortium of Korean group of companies. This project will be the biggest of its kind in Asia. TheGovernment of Balochistan had earmarked 1500 acres of land for the purpose. The power will be added to the National Grid and will help meet the energy shortage. The project will be started by the end of 2014 and will be completed in 2017.

PSDP allocations for Population Welfare Program

The Population Welfare Program was transferred to the provinces in 2010 after 18th Constitutional Amendment and PSDP funding were made till June 2015 as per approved projects. During current financial year FY16, federal government has allocated Rs 5.62 billion for the support of the provincial Population Welfare Programs including AJK, GB and FATA. The detail of PSDP allocation for population welfare in Balochistan for 2015-16 is given in the table below:

PSDP allocation for population welfare projects in Balochistan

Population Welfare Program for Balochistan (2010–15)	Rs. in millions
Approved cost	5,425.792
Estimated expenditure up to 30 June 2015	5,056.070
Allocation for 2015-16	**535.75**
Releases up to March 2016	375.02

The following table presents the detail of expenditures made under population planning program:

Expenditures made under population planning

(Rs in millions)

	FY14	FY15	% change
Punjab	3,230	4,328	34.0
Sindh	4,447	5,602	26.0
KP	1,078	413	-61.7
Balochistan	3,854	3,600	-6.6
Total	**12,609**	**13,943**	**10.6**

It can be seen that an increase in expenditure under population planning is observed in Punjab, and Sindh. On the other hand, declining trends are recorded in KPK and Baluchistan. The overall expenditures however, increased by 10.6% from Rs. 12,609 million in 2013-14 to Rs 13,943 million in 2014-15.

Employment

Provision of employment opportunities depends upon available resources, technological base, advancement, and institutional strategies. Similarly, human resource, skills, and technical competency determine the outcome of employment which contributes in achieving sustained economic growth. In the case of Balochistan the unemployed persons increased from 0.10 million in 2012-13 to 0.13 million in 2014-15 – an increase of almost 0.03 million people as compared to 2012-13. The main reason of increasing unemployment is the lack of availability of proper infrastructure, law and order situation.

Unemployed – Balochistan and Pakistan

	2012-13			2013-14			2014-15		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Balochistan	0.10	0.08	0.02	0.11	0.09	0.02	0.13	0.08	0.05
Rural	0.06	0.05	0.01	0.07	0.06	0.01	0.08	0.05	0.03
Urban	0.04	0.03	0.01	0.04	0.03	0.01	0.05	0.03	0.02
Pakistan	3.73	2.49	1.24	3.58	2.32	1.26	3.62	2.31	1.31
Rural	2.09	1.32	0.77	2.06	1.27	0.79	2.10	1.28	0.82
Urban	1.64	1.17	0.47	1.52	1.05	0.47	1.52	1.03	0.49

Export of manpower

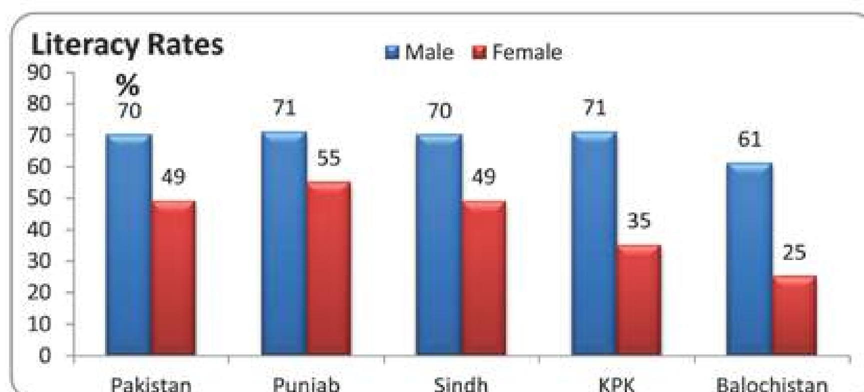
During 2015, the highest number of workers who went abroad for employments were from Punjab 478,646; followed by Khyber Pakhtunkhwa (KPK) 220,993; Sindh 116,935; and Balochistan 7,686. The situation is not encouraging for Balochistan and requires proper attention in terms of establishment of new Skill Development Centers and other institutes to increase the skilled labor force from Balochistan.

Education

According to the province-wise data of Pakistan Social and Living Standards Measurement Survey FY2015, Balochistan has the lowest literacy rate of 44% in Pakistan:

Literacy rates (10 years and above) – Balochistan and Pakistan (%)

	2014-15		
	Male	Female	Total
Balochistan	61	25	44
Rural	54	17	38
Urban	78	42	61
Pakistan	70	49	60
Rural	63	38	51
Urban	82	69	76



Primary Enrolment Rates – Gross and Net Enrolment Rates: Gross Enrolment Rates (GER) referred to the participation rate of children attending primary schools divided by the number of children aged 5 to 9 years. A high GER indicates a high degree of participation, whether the students belong to the official age-group or not. A GER value approaching or exceeding 100% indicates a country in principle able to accommodate all of its primary school-age population. It does not however, indicate the proportion of that population actually enrolled. Balochistan GER witnessed significant improvement to 71% in 2015 as compared to 67% in 2014.

National and provincial GER (%)

	2013-14			2014-15		
	Male	Female	Total	Male	Female	Total
Pakistan	98	81	90	97	81	89
Punjab	106	94	100	101	92	97
Sindh	85	67	76	87	70	79
Khyber Pakhtunkhwa	102	76	89	102	77	90
Balochistan	83	49	67	87	51	71

Net Enrolment Rates (NER) at the primary level refers to the number of students enrolled in primary schools of age 5 to 9 years divided by the number of children in the same age group for that level of education. Balochistan witnessed a significant improvement at 46% in 2015 as compared to 39% in 2014.

National and provincial NER at primary level (%)

	2013-14			2014-15		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Pakistan	60	53	57	60	53	57
Punjab	66	63	64	63	59	61
Sindh	53	43	48	55	46	51
Khyber Pakhtunkhwa	62	46	54	61	51	56
Baluchistan	46	30	39	56	35	46

In Balochistan, female enrolment continues to lag behind that for males across all schooling levels, as shown in table given below. Cultural factors as well as an adverse law and order situation (which discourages parents from sending girls to schools) are both likely in play here.

Female enrolment (% of total enrolment) 2014-15

	Primary	Middle	Upper secondary
Punjab	47	46	47
Sindh	42	44	41
KP	40	34	27
Balochistan	39	36	35
Overall	44	43	41

Expenditure on education: The Government of Balochistan is spending its Annual Development Plan (ADP) on education as given below:

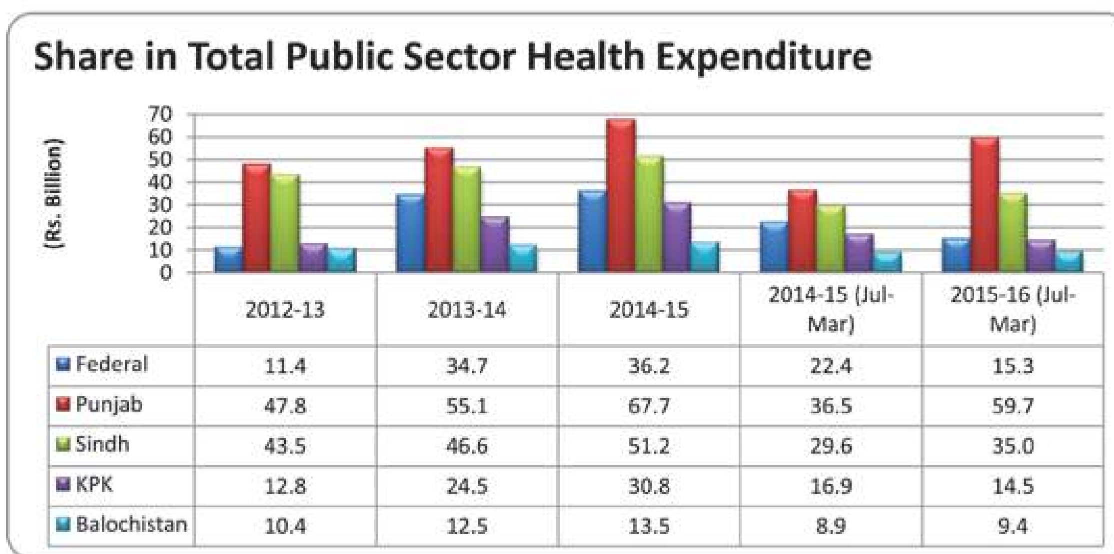
Expenditure on education (Rs. in millions)

Fiscal year	Current expenditure	Development expenditure	Total expenditure	% of GDP
Balochistan:				
2014–15	32,299	8803	41,102	
2015–16 (Jul-Dec, Prov.)	16,280	2923	19,203	
Pakistan:				
2014–15	499,982	98,333	598,315	2.2
2015–16 (Jul-Dec, Prov.)	230,880	32,823	263,703	

Balochistan government has allocated Rs10.20 billion against Rs11.52 billion last year, showing a decline of 11.5% for on-going and new development projects for education, which includes Rs1.94 billion for Primary Education, Rs1.00 billion for Middle/Elementary Education, Rs. 2.87 billion for Secondary Education, Rs. 1.84 billion for College Education, Rs. 1.14 billion for University Education, Rs1.31 billion for General Education and Rs0.15 billion for technical education during FY2016.

Health

The federal and provincial share in total public spending on health shows that Balochistan and KPK are spending the least:



	2012-13	2013-14	2014-15	2014-15 (Jul-Mar)	2015-16 (Jul-Mar)
Federal	11.4	34.7	36.2	22.4	15.3
Punjab	47.8	55.1	67.7	36.5	59.7
Sindh	43.5	46.6	51.2	29.6	35.0
KPK	12.8	24.5	30.8	16.9	14.5
Balochistan	10.4	12.5	13.5	8.9	9.4

Some of the programs and projects funded through the PSDP during FY16 and implemented by the provincial government in Balochistan are given below:

- **Program for Family Planning and Primary Health Care (LHWs program)**: The total population covered under this program is spread over 60% in Baluchistan.

- **Malaria Control Program**: More than 90% of disease burden in the country is shared by 56 highly endemic districts, mostly located in Baluchistan (17 out of 32 districts), FATA (7 agencies), Sindh (12 districts) and Khyber Pakhtunkhwa (12 districts). Malaria is the 2nd most prevalent communicable disease in the country and is a major cause of morbidity in Pakistan.

- **Polio eradication:** In the first half of 2016, nine polio cases were reported countrywide, with only one case from Balochistan. Since the launch of polio eradication initiatives in 1994, Pakistan has succeeded in reducing the number of polio cases from 198 in 2011 to 54 in 2015.

- **Food & nutrition**: Adequate diet provides good nutrition for a healthy and prosperous life. However, according to Pakistan Demographic Health Survey (PDHS) 2013, malnutrition is prevalent in the country. The Districts / agencies which are severely food insecure include Chaghi and Dera Bugti in Baluchistan and Tharparkar in Sindh. Baluchistan Nutrition Program for Mothers and Children (BNPMC) costing Rs1,493 million for seven districts are in the initial stages of implementation. These projects will improve the nutritional status of male and female children under five years and that of pregnant and lactating women in the targeted districts.

The above analysis shows that the task of bringing social uplift in Balochistan still remains challenging, given the existing gaps in the services and the issues that have adversely affected the

province's social indicators. It is also a fact that social development requirements and income distributions across the provinces vary and are not equal. Thus, to bring out a social change, we must recognize the varied pace of regional development, and come out with multiple policies required to tackle multi-dimensional poverty.

Further, investment in human capital in Balochistan should now be a priority. CPEC promises industry and resulting jobs for the people of Balochistan, provided the local population is qualified enough to take advantage of these opportunities. For CPEC to be truly game changer for the people of Balochistan, the government would have to show its intent of delivering more than what CPEC requires of Balochistan.

At A Glance: Investment Opportunities in Balochistan

Competitive advantage	Priority sectors for investment	Main areas for investment
• Availability of raw material • Coastal belt and development of Gwadar deep-sea port • Access to Central Asian countries, Gulf States and other neighboring countries • Hardworking labor • Industrial Zones having all the basic Infrastructure • Flexible government policies	• Minerals • Horticulture • Fisheries • Livestock • Handicrafts	• Fruit processing plants • Apple treatment plants • Date processing plants • Tomato paste manufacturing • Fried/ dried onion plants • Cut-flower business and floriculture • Palm trees – cultivation and processing • Cool chains

KEY INVESTMENT/BANK LENDING OPPORTUNITIES IN BALOCHISTAN:

(i) Minerals
(ii) Horticulture
(iii) Fisheries
(iv) Livestock
(v) Handicrafts

MINERALS:

Investment in exploration of minerals is of economic significance, up till now, 39 minerals are being exploited and efforts are underway for further discoveries.

HORTICULTURE:

Main areas of investment are:

- Fruit Processing Plants
- Apple Treatment Plants
- Date Processing Plants
- Tomato Paste Manufacturing
- Fried/ Dried Onion Plants
- Cut-flower Business & Floriculture
- Plantation of Palm Trees and Processing
- Cool Chains

Fruit Processing

With four agro-ecological zones, Balochistan is endowed with a unique environment for the production of a great variety of quality fruits.

- The province is known as the fruit-basket of the country producing 90 per cent of grapes, cherry and almonds, 60 per cent of peach, pomegranate, apricot, 34 per cent of apple and 70 per cent of date.

Production of fruits (000 Tons)					
	Apple	Apricot	Almonds	Grapes	Dates
2013-14	206.04	106.8	19.8	59.4	420
2014-15	209.78	102.6	19.8	59.4	420
2015-16	209.44	101.4	19.8	59.4	420
Production Area (Hectares)					
	48,329	10,999	12,240	10,999	43,099

- The province produces 130 varieties of date. According to one estimate, Mekran produces about 0.5 million tons of dates annually. Some of the famous date varieties grown in Turbat and Panjgur include Begum Jangi, Kaharaba, Mozawati, Berni, Helini and Sabzo. The province produced over 6,625 tons of mango during fiscal year 2003-04 contributing 0.6 per cent to the total national production.

- Fruit crops are grown over an area of 1,49,726 hectares in the province with a yield of about 0.9 million tons annually.

- The cultivars of apple include the early-season cultivars, mid-season cultivars and late-season cultivars. So far 52 varieties of apples, 22 of grapes, 14 of peaches, 15 of cherry, 30 of plums, 32 of apricots, 11 of olive, five of almond and four varieties each of pistachios and pomegranates have been introduced.

Growing fruit crops has become an expensive venture for local farmers, as they lack the essential facilities and infrastructure in the province to market their products and earn profits.

The small farmers have also no access to bank loans to meet their working capital requirements. For the local farmers, obtaining loans is also a complicated process. They need finance at all stages of crop activity from sowing to spraying and harvesting and for making different types of improvements in the land, farm implements, machinery, tube-wells and so on. Fertilizers are essentially used by the growers of fruit crops, but their prices have soared to 30 to 35 per cent.

Area in Hectares

- Apple is an important crop in Balochistan in terms of the people employed, the value of the output, and the revenue it generates.
- The apple export of Pakistan during the last five years is only on the average: 2,960 tonnes per year constituting just 0.5% of its total production.
- Main Reason for low export volume is the absence of a treatment plants required to treat and pack the fruit according to the International Market Requirements.

Date Processing Plant

- In 1996-97 only, 60,905 tonnes of dates worth US $25 million were exported
- The share of dried dates in this amount being 70%
- 11% of the production was exported in 1997

Oil Palms Cultivation and Subsequent Processing

- Pakistan imported 1.2 metric tonnes of palm oil annually and it was being increased by 16% pa
- Pakistan is totally dependent on imports to cover its demand of palm oil.
- Low cost import substitution product.
- Any potential investment company can provide semi-refined form of palm oil to the local market through an oil expeller unit.

Cool Chains

- To develop Farm-to-Market Infrastructure
- To promote the exports of fresh fruits and vegetables
- To Attain the maximum value for the produce of Balochistan

FISHERIES:

There is a need to expose the fish industry of Balochistan to the improved methods in fish handling/preservation for an end product that is in demand world-wide to enhance exports.

- During 2015-16, total marine and inland fish production was estimated 501,000 m tons out of which 368,000 m tons were marine production and remaining catch came from inland waters.
- A total of 91,965 m tons of fish and fish preparations was exported during 2015-1. Pakistan's major buyers include China, Thailand, Malaysia, Middle East, Sri Lanka and Japan. Pakistan earned US$240.108 million.
- Fish hatcheries at the coastal area is another viable project because of the availability of favorable conditions. Pakistan has a wide variety of fish products with 150 species of commercial importance. Most valuable of them are exported ($324m in 2015-16), while a major part of the total catch is converted into fishmeal for export, as well as for use in the local poultry as feed.
- Shrimp farming is the production of marine shrimp in ponds and tanks with the use of natural and commercial feed.
- Cultured or farmed marine shrimp play an important role in supplying the world's shrimp demand. There are 30 species of marine shrimp in Pakistan waters.

LIVESTOCK

- Layer Farming.
- Eggs being supplied to Quetta from Karachi.
- Climate supporting such an industry.
- Goat/Sheep Farming
- Currently goat/sheep are being exported to Middle Eastern countries
- Cattle Fattening Farm – Dairy
- Cattle/Poultry Feed
- Cattle coming into Balochistan from neighboring provinces
- Export potential to Iran and the Middle East
- Goat/Sheep related processing industry
- Sheep Casing's processing
- Revival of Harnai Woolen Mills through privatization

Balochistan has an estimated sheep population of 14.7 million, with potential value of wool around Rs2.2 billion per year. There are seven districts in Pakistan with sheep populations exceeding one million heads. Six are in Balochistan while one is in Sindh. There are 28 districts with sheep populations exceeding 250,000 heads. These 28 districts have been tentatively selected for inclusion in the National Wool Development Programme. A well-functioning wool value chain in Balochistan will create employment for herders, shearers, wool washers, sorters, graders, balers, spinners, dyers, traders and transporters.

In Balochistan, authorities have recently approved Rs. 108m project for providing mobile animal health and veterinary services to farmers in 20 districts. Another project of Rs61m has also been approved for setting up a research Centre for dairy development in Labella. The provincial government has also approved a third project for establishing a Camel Research Cum Camel Milk Processing Unit in Washuk district at a cost of Rs50m.

SECTORAL UPDATE – KEY SECTORS

1. AUTOMOTIVE ASSEMBLERS/ MANUFACTURERS

PRODUCTION & SALES OF VEHICLES

	PASSENGER CARS		TRUCKS & BUSES		LCVS, VANS & JEEPS		FARM TRACTORS		MOTORCYCLES & THREE WHEELERS	
	Production	Sales	Production	Sales	Production	Sales	Production	Sales	Production	Sales
2010-11	133,972	127,944	3,391	3,457	20,025	18,553	70,770	69,203	838,665	835,455
2011-12	154,255	157,325	3,165	3,003	21,380	21,814	48,120	49,745	828,576	829,893
2012-13	120,332	118,830	2,445	2,458	15,992	15,042	50,859	50,593	819,556	820,217
2013-14	116,605	118,102	3,232	3,240	18,694	18,786	34,521	33,584	771,507	772,046
2014-15	152,524	151,134	4,614	4,680	29,298	28,819	48,883	46,800	765,195	766,733
2015-16	**179,944**	**181,145**	**6,736**	**6,567**	**36,609**	**36,534**	**34,914**	**33,986**	**1,362,096**	**1,358,643**

Recent Developments:

- Indus Motor Company Limited (IMC), a country's leading automaker, unveiled four billion rupees investment plan to expand its annual production capacity by 200,000 units in a bid to capitalize on the growing consumer demand. Currently, IMC holds an annual production capacity of 54,800 units, which are sold under the brand name of Toyota. The planned capacity enhancement would bring the production to 75,000 vehicles a year.

- Nishat mills limited recently announced its entrance in the automobile industry of the country. Now the news is that the business tycoon will be given away 40% of its automobile business stake to a Japanese Group Sojits Corporation.The chairman of Nishat Group is aiming to assemble small cars in the country which will be competing with the Japanese cars currently very popular in the country. He has also shown interest in bringing electric and hybrid cars in Pakistan.

- Just recently, Pakistan's first electric car charging station for hybrid cars was inaugurated, which happened to be the first one in the Middle East, North Africa, Afghanistan and Pakistan. The charging station is available at Emporium Mall in Lahore.

- Pakistan auto part makers have met with their Thai counterparts in Bangkok to discuss the planned free trade agreement (FTA) and the possibility of joint ventures between the two countries.

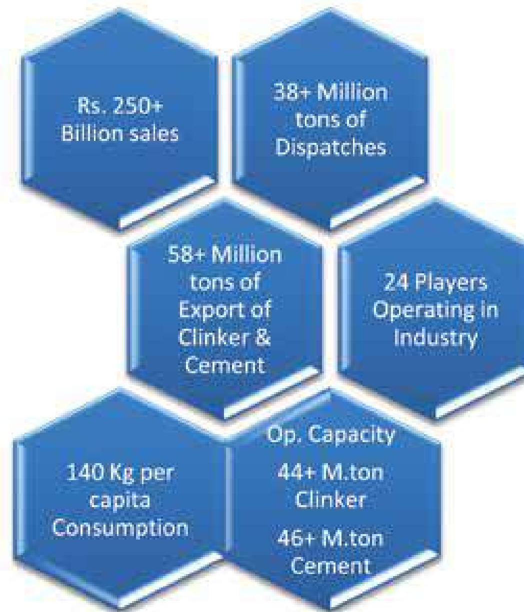
- The quality and technology of Pakistani auto parts has reached the global standards as the country has started exporting fuel tanks of vehicles to Vietnam. Pakistan has made it to global OEM supply chain by exporting Initially 500 fuel tanks made by Metaline Industries Pvt. Ltd. every month to Suzuki Vietnam.

- Pakistan's automobile industry is reaping fruits of economic turnaround as sale of cars has increased by 24% in first seven months of ongoing fiscal year.

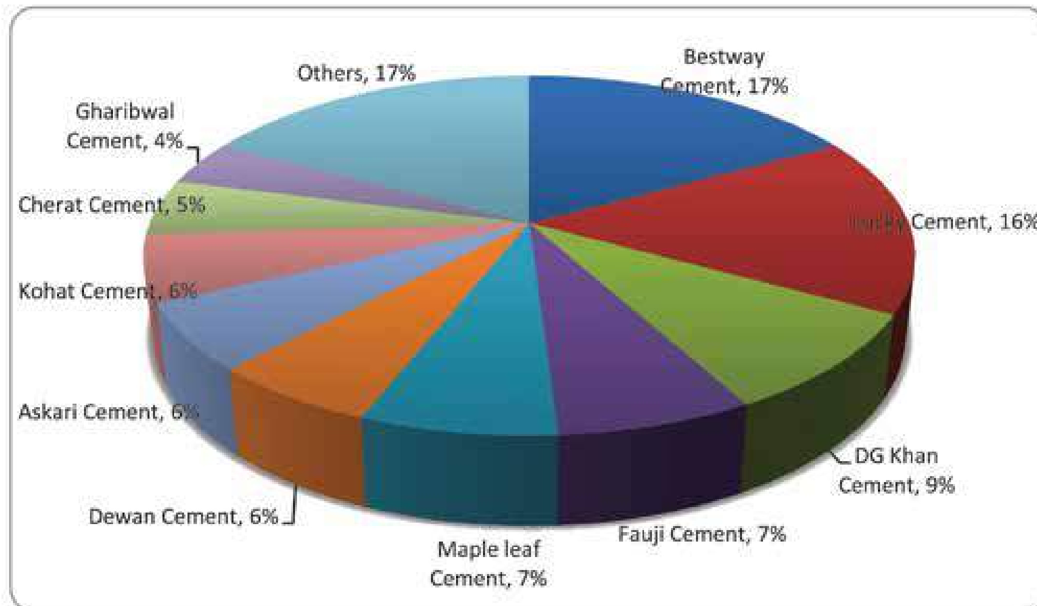
- In the backdrop of surge in passenger car sales, Pakistan's booming car market is attracting global attention as renowned automobile conglomerates from across the globe are pouring investment.

2. CEMENT

Snap Shot of Pakistan's Cement Industry:



Top 10 Players in Cement Industry:



Operational Capacity (2016)	Projected Capacity (2021)
46.9m Tons	72.4m Tons

Capacity Utilization - North			
Year	Capacity (Million Tons)	Total Dispatches (Million Tons)	Capacity Utilization
9MFY16*	37.99	22.49	78.93%
FY15	37.99	27.91	73.47%
FY14	36.99	27.09	73.24%
FY13	36.99	26.45	71.49%
FY12	36.99	25.63	69.28%
*Annualized			

Capacity Utilization - South			
Year	Capacity (Million Tons)	Total Dispatches (Million Tons)	Capacity Utilization
9MFY16*	7.65	5.86	102.1%
FY15	7.65	7.49	97.90%
FY14	7.65	7.19	93.97%
FY13	7.65	6.99	91.35%
FY12	7.65	6.89	90.04%
*Annualized			

Companies' Expansion Plans in Cement Sector:

North:

Company	Existing Capacity	After Capacity Expansion
Bestway Cement	21%	18%
DG Khan Cement	11%	11%
Lucky Cement	10%	11%
Maple Leaf Cement	9%	10%
Kohat Cement	7%	9%
Cherat Cement	6%	8%
Gharibwal Cement	6%	8%
Pioneer Cement	5%	8%
Others	25%	19%

- Current players 14; operational capacity 38m tons
- After expansion: players 14 operational capacity 56m tons
- Additional capacity represents 47% of existing capacity

South:

Company	Existing Capacity	After Capacity Expansion
Lucky Cement	42%	30%
Attock Cement	21%	18%
Deewan Cement	20%	10%
DG Khan Cement	-	16%
Power Cement	11%	20%
Thatta Cement	6%	6%

- Current players 5; operational capacity 8.5m tons
- After expansion players 6; operational capacity 16.4m tons
- Additional capacity represents 93% of existing capacity

Financial Profile of the Sector

- Financial profile of the sector has posted notable improvement across all key parameters including profitability, liquidity and capitalization. Key reasons for the improved performance has been growth in dispatches and improved gross margins.

- Decline in coal and furnace oil prices has also facilitated in improved gross margins. Cost of fuel and power is the single largest component representing around half of cost of sales. Power cost is dependent on efficiency of cement plant, cost of input prices (coal, gas, FO or grid) and capacity utilization.

- With business in the South Zone being undertaken largely on cash basis with major portion of sales to large dealers, working capital requirements are limited for players in the South Zone vis-à-vis the North Zone where sales are largely on credit terms.

- Despite expected increase in borrowings to fund expansion, gearing levels are expected to remain within manageable levels on account of sizeable retained earnings.

Recent Developments:

- Cement dispatches reached historic heights in March 2017 touching almost 4 million tons with capacity utilization crossing 101 % on the strength of robust domestic demand though exports declined by 60 % compared with exports executed in March 2016.

- The Mines and Mineral Department of Khyber-Pakhtunkhwa has approved a new prospecting mining license for limestone and shale clay in Haripur district for setting up a cement plant. This will help future expansion plans for the company in coming years.

- The Khyber Pakhtunkhwa government awarded 14 licenses to the country's various industrial groups to set up cement factories in the province. Among the licensees were the Premier Enterprises, Maharaj Enterprises, Gharibwal Cement, Bestway Cement and CAD International. 44 industrial groups applied for cement manufacturing licenses and 14 of them were given the licenses, while there was a likelihood of six more getting them soon.

- Bestway Cement Limited announced that it has shelved its plan to acquire north plant of Dewan Cement Limited, citing some legal hiccups and clearly leaving a room for other local players or a Chinese entrant to join forces with a key cement maker. Lucky Cement, Fecto Cement, and a Chinese firm have also expressed their interest in Dewan's north plant.

- Pakistan has already lost a major chunk of its market in Afghanistan to Iranian cement. The high energy cost has made the cement more expensive as cement is an energy intensive sector. Secondly, the import of clinker and cement is liable to 10 % and 20 % of customs duty and due to cheap energy cost in neighboring countries; low-grade quality cement is being dumped in the Pakistani market.

3. ENERGY:

- To meet energy needs of the country, government has taken various steps to increase generation capacity. In next two years generation capacity is expected to increase by 12,332 MW. Long term Hydel-electricity projects and thermal projects will add 22,056 MW beyond 2020.

Future Capacity- MWs							
Year	Thermal		Hydel		Alternate	Nuclear	Total
	IPPs RLNG	IPPs Coal	WAPDA	IPPs	IPPs	(Govt.)	
CY17	2,400	2,507	106	147	807	680	6,647
CY18	1,200	1,303	2,501	102	579	-	5,685
CY19	-	595	310	5,098	710	-	1,615
CY20 & beyond	-	4,688	8,070	5,347	-	4,200	22,056
Total	**3,600**	**9,093**	**10,987**		**2,096**	**4,880**	**36,003**

Coal Power Projects

- Pakistan is producing only 0.1% of its electricity from coal. However, worldwide 46% of electricity is produced from coal. Pakistan has total coal reserves of 185 billion tonnes. The Thar coal field in Sindh has 175 billion tonnes of coal. To cater the energy needs of the country the government is pursuing coal power projects in the country. Currently the plants are being installed both on imported and local coal basis. NEPRA has issued different tariff for local coal and imported coal which is also dependent on size and capacity of the plant.

Upcoming Coal Based Power Plants				
Location	**Company**	**Capacity**	**Coal**	**Expected Completion**
Sahiwal	Huaneng Shandong Ruyi	1,320	Imported	2017
Port Qasim	Sinohydro Resources	1,320	Imported	2017
Thar	Thal Energy Ltd.	330	Thar	2018
Thar	Thal Nova Power Ltd.	330	Thar	2018
Thar	Engro PowerGen Thar Ltd	660	Thar	2019
Port Qasim	Grange Power Ltd.	163	Imported	2019
HUB	Hub Power Company	1,320	Imported	2020
Port Qasim	Siddiqsons Ltd.	350	Thar	2020
Thar	Shanghai Electric	1,320	Thar	2020
Port Qasim	Lucky Electric power	660	Thar	2020
Thar	Oracle Coal Fields	1,320	Thar	2021
	TOTAL	**9,093**		

Hydel -Electricity Generation

- Pakistan has the Potential of 40,000 MW of hydel-electricity generation. With Installed capacity of 7,116 MW. Most (97%) of the installed hydro power capacity is owned by Pakistan Water and Power Development Authority (WAPDA) while only 3% is owned by private sector. The Hydel electricity generation is currently contributing 31% to the total national capacity. KPK government -PEDO is in the process of constructing 350 micro dams which will generate 3000MW. Currently 105MW electricity is produced under PEDO.

WAPDA Installed Capacity (MW)					
Sr. No.	Project	Share	June-16	June-15	June-14
1	Tarbela	50%	3,478	3,478	3,478
2	Ghazi Barotha	21%	1,450	1,450	1,450
3	Mangla	14%	1,000	1,000	1,000
4	Warsak	4%	243	243	243
5	Chashma	3%	184	184	184
6	Dubair Khwar	2%	130	130	130
7	Allai Khawar	1%	121	121	121
8	Jinnah	1%	96	96	96
9	Khan Khawar	0%	72	72	72
10	Rasul	0%	22	22	22
11	Jabban	0%	22	22	22
12	Dargai	0%	20	20	20
13	Gomal Zam	0%	17	17	17
14	Nandipur	0%	14	14	14
15	Shadiwal	0%	14	14	14
16	Chichoki	0%	13	13	13
17	Kurram Garhi	0%	4	4	4
18	Renala	0%	1	1	1
19	Chitral	0%	1	1	1
	TOTAL	**100%**	**6,902**	**6,902**	**6,902**

IPPs Installed Capacity (MW)				
Project	Share	June-16	June-15	June-14
Laraib	39%	84	84	84
Malakand	38%	81	81	81
Jargan	14%	30	30	30
Pehur	8%	18	18	18
Garm Chashma	0%	1	1	1
TOTAL	**100%**	**214**	**214**	**214**

WAPDA Projects Under Construction				
Sr. #	Project	Location	Capacity (MW)	Expected Completion
1	Golen Gol	Golen River, Chitral, KPK	106	2017
2	Neelum Jhelum	Neelum River, AJ&K	969	2018
3	Tarbela 4th Extension	Indus River, Tarbela, KPK	1,410	2018
4	Keyal Khawar	Indus River, Kohistan, KPK	122	2018
5	Mangla Upgradation	Jehlum River, Punjab	310	2019
6	Dasu I	Indus River, Kohistan, KPK	2,160	2021
7	Tarbela 5th Extension	Indus River, Tarbela, KPK	1,410	2021
8	Diamer Bhasha	Indus River, Chilas, KPK	4,500	2024
	TOTAL		**10,987**	

Upcoming IPPs				
Sr. #	Project	Location	Capacity (MW)	Expected Completion
1	Patrind	Kunhar River, AJ&K	147	2017
2	Gulpur	Poonch River, AJ&K	102	2019
3	Karot	Jehlum River, Rawalpindi	720	2021
4	Sehra	Poonch River, AJ&K	130	2021
5	Sukhi Kinari	Kunhar River, AJ&K	870	2022
6	Kohala	Jehlum River, Kohala, AJ&K	1,100	2023
7	Azad Pattan	Jehlum River, KPK	640	2024
8	Chakothi Hattian	Jehlum River, AJ&K	500	2024
9	Kaigah Hydropower	Kaigah Indus River, KPK	548	2024
10	Mahl Hydropower	Jehlum River	590	2024
	TOTAL		**5,347**	

Pakistan | Bagasse Production & Upcoming IPPs

- Pakistan being the fifth largest sugarcane producer in the world has the potential to generate more than 2,000 MW electricity through Co-Generation. Pakistan's total bagasse production for 2015 is 16 mln tonnes. Expected bagasse requirement for upcoming IPPs is 1.9 mln tonnes.

Electricity Production by Bagasse	
	Capacity (MW)
JDW-I	26
JDW-II	26
RYK	24
CPL	62
TOTAL	**139**

Upcoming Bagasse Based Projects			
Company	Location	Capacity (MW)	Milestone
Hamza Sugar Mills	Khanpur, Punjab	15	LoS Issued
Alliance Sugar Mills	Rasheedabad, Sindh	19	LoI Issued
Layyah Sugar Mills	Karoor Road, Punjab	41	LoI Issued
Safina Sugar Mills	Sargodha Road, Punjab	20	LoI Issued
Almoiz Sugar Mills	Adda Hameed Kot, Punjab	36	LoI Issued
Etihad Sugar Mills	Mouza Karamabad, Punjab	67	LoI Issued
Shahtaj Sugar Mills	Mandi Bahauddin, Punjab	15	LoI Issued
Chanar Energy Ltd.	District Faisalabad	22	LoI Issued
TOTAL		**235**	

Circular Debt Build-up over the Years:

Receivables (PKR bln)							
	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Jun-14
PSO	191	180	173	165	174	181	175
OGDCL	114	111	127	123	129	121	101
PPL	57	57	57	57	57	59	50
Attock Petroleum & Shell	10	9	5	5	9	9	16
TOTAL	**371**	**357**	**362**	**350**	**312**	**370**	**342**

Recent Developments:

Thar Coal Field

- In the dusty scrub of the Thar Desert, Pakistan has begun to dig up one of the world's largest deposits of low-grade, brown, dirty coal to fuel new power stations that could revolutionize the country's economy. The project is one of the most expensive among an array of ambitious energy developments that China is helping the country to build as part of a $55 billion economic partnership. A $3.5bn joint venture between the neighbors will extract coal to generate 1.3 giga watts of electricity that will be sent across the country on a new $3bn transmission network.

- Minister for Planning, Development and Reforms said some 3,600 megawatt (MW) electricity would be added to the national grid by next month. Total 10,000 MW electricity would be added to the grid by May 2018 bridging total gap in demand and supply.

- The Pakistan Atomic Energy Commission (PAEC) and China Power International Holding Ltd. (CPIH) have signed a Memorandum of Understanding (MOU) under which, PAEC and CPIH will develop extensive of collaboration on the power sector in Pakistan. (*CPIH is a core subsidiary of State Power Investment Corporation (SPIC), one of the top five State-owned Power Groups in China. CPIH mainly engages in the development and operation of power projects, including coal-fired, hydro, natural gas, wind, solar energy, biomass, waste-to-energy, CHP, as well as coal and electricity consortium projects. By end of 2016, the total installed capacity of CPIH is 28 GW, in addition, 20 GW projects are under development.*)

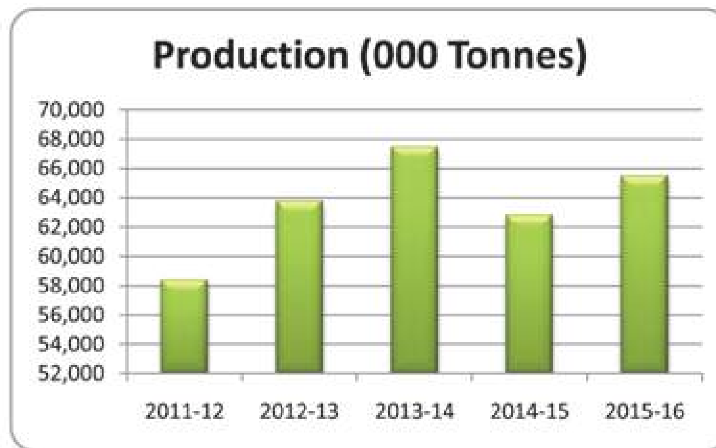
- Around 20,000 houses will be shifted to solar energy under the Roshan Pakistan Scheme in order to exploit alternative energy resources to overcome power crisis in the country.

- Liquefied natural gas (LNG) terminal had helped enhance gas supply to different sectors including fertilizer and textile. For the past 16 to 18 months gas was supplied without interruption to the textile sector as it was the main contributor to exports of the country.

4. SUGAR

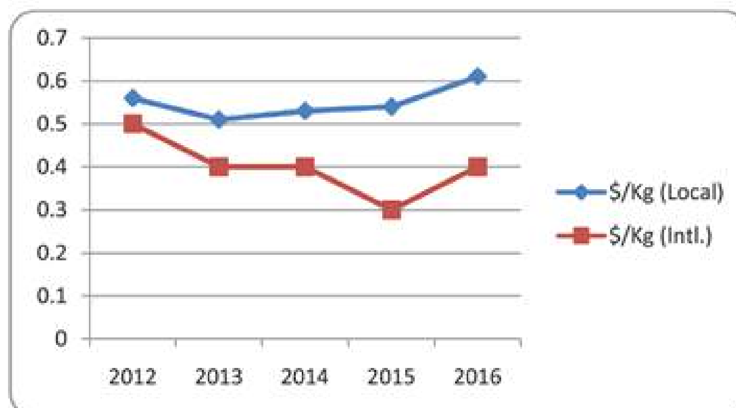
Area, Production & Yield of Sugarcane

Year	Area		Production		Yield	
	(000 Hectare)	% Change	(000 Tonnes)	% Change	(Kgs/Hec)	% Change
2011-12	1,058	-	58,397	-	55,196	-
2012-13	1,129	6.7	63,750	9.2	56,466	2.3
2013-14	1,173	3.9	67,460	5.8	57,511	1.8
2014-15	1,141	-2.7	62,826	-6.9	55,062	-4.3
2015-16	1,132	-0.8	65,475	4.2	57,840	5.05



Year	Retail Rs/kg (Domestic)	Wholesale Rs/kg (Domestic)	$/kg* (Domestic)	$/kg* (Global)
2012	57.16	43.33	0.56	0.5
2013	57.25	39.12	0.51	0.4
2014	53.97	37.59	0.53	0.4
2015	56.37	29.54	0.54	0.3
2016	62.30	42.17	0.61	0.4
2017**	60.19	44.79	0.60	0.4

Relation between domestic & international sugar prices



Recent Developments:

- After a gap of seven months — sugar exports resumed from Feb 2017 with export of 15,885 tonnes fetching $8.7 million foreign exchange. Between July-Jan 2016-17, there were nil exports. In July-Feb 2015-16, sugar exports stood at 166,532 tonnes worth $75m.

- The sugar industry was not satisfied with the approval of 225,000 tonnes for exports by the government in the last week of Dec 2016 based on stocks of 1.23m tonnes in the country. The millers urged the govt. to allow exports of the one-million-tonnes surplus stock. However, despite permission for export of 225,000 tonnes in Dec 2016, sugar industry failed to export any quantity in Jan 2017.

- With a monthly consumption of around 400,000 tonnes, the available stocks are enough to meet consumers' demand till March.

- Country's sugar production rose by 22 per cent in July-January 2016-2017 to 2.893m tonnes as compared to 2.366m tonnes in the same period last fiscal. Sugar cane crushing season got underway from Oct-Nov 2016. However, the bumper cane crop has put excessive financial pressure on mills which now have to make even greater payments to crop farmers. Stuck with a surplus stock of one million tonnes, the industry is finding itself in a serious cash liquidity crunch.

- Imports of sugar fell to 8,136 tonnes ($3.4m) in July-Feb 2016-17 as compared to 9,098 tonnes ($4.7m) in corresponding period 2015-16.

- The SBP came out with a number of conditions to make the exports possible. For instance, exporters now have to obtain a clearance certificate from the cane commissioner. They also have to obtain an export contract to carry out the procedure through banks. Banks, will ensure receipt of a minimum 15% of total contract value as advance payment or obtain an irrevocable letter of credit from the buyer. All exports including those destined for Afghanistan and Central Asian Republics will also be subject to receipt of export proceeds by wire transfer through banking channel

5. FERTILIZER

With almost one-fourth of Pakistan's Gross Domestic Product (GDP) contributed by the agricultural sector, there is significant dependence on agrarian products in the country's economy. Traditionally, Pakistan's fertilizer production capacity is over 6 million tons per year, little over the national demand. Over the past years, this sector has been facing several challenges due to insufficient gas supplies, high gas tariffs and heavy taxation.

Urea

- Urea industry created a new production benchmark of 5,996 thousand tonnes, recording an increase of 13% over 2015, resulting in no urea import during the year. Off-take for major part of the first half of 2016 remained suppressed while the post subsidy period recorded an increase of around three and a half times in off-take over the first half, with aggregate urea off-take of 5,500 thousand tonnes for the year 2016, in line with last year. However, the industry carried the highest ever inventory of 1,038 thousand tonnes into 2017, on account of higher production during the year.

DAP

- Lower international prices and favorable domestic market resulted in slightly higher DAP imports of 1,280 thousand tonnes compared to last year, which in combination with the subsidy scheme, resulted in highest ever industry off-take of 2,241 thousand tonnes, showing an improvement of 22% over last year, with a closing inventory of 111 thousand tonnes, 60% lower than last year.

Annual fertilizer production (excluding opening stock of inventories)

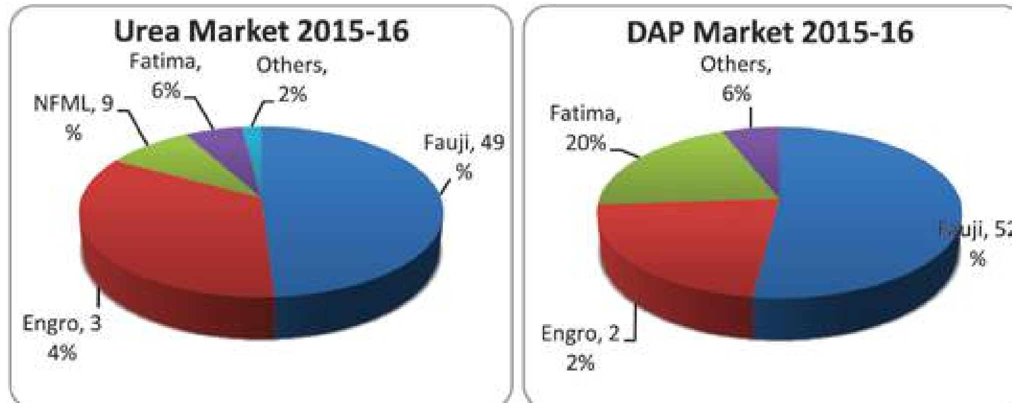
Domestic Production (000 tonnes)	9MFY16	FY15	FY14
Urea	4,497	5,285	4,896
DAP	579	769	702
SSP	48	83	86
NKPs	56	76	71
NP	456	681	464
CAN	456	670	479
Total	**6,092**	**7,564**	**6,698**

Annual Fertilizer off-take

Domestic Consumption (000 tonnes)	9MFY16	FY15	FY14
Urea	3,678	5,936	5,747
DAP	993	1,801	1,623
Nitrogen	2,067	3,308	3,184
Phosphate	575	975	880
Potash	17	32	23
Total	**7,330**	**12,054**	**11,459**

Market Share of Industry Players

- Nine companies operate in the fertilizer sector of Pakistan, with **Fauji Fertilizer** and Engro Fertilizer collectively accounting for a total share of 83% in the Urea market. Moreover, these two companies also contribute almost three-fourth of the DAP market.



Recent Developments:

- The government of Pakistan took a great decision in allowing the export of 300,000 tons of surplus urea till the 28th of April 2017. This could have helped in bridging the yawning gap between exports and imports while also earning foreign exchange. Unfortunately, it has not been executed due to the short time-frame allowed. The international fertilizer market has some specific dynamics, where the importers seek long-term commitments for trading bulk quantities through regular supplies – which is not possible with the small quantities allowed by EEC in spite of ever rising inventory of 1.3 million tonnes.

- This urea export policy was based on the sugar export policy and has inherent flaws and procedural delays, leading to a tight window of only 45 days for export. The lengthy process discourages the producers to export competitively, because they cannot promise sizeable and timely deliveries to the foreign buyers.

- The unfavorable geo-political situation on Pak-Afghan Border has also discouraged urea exporters as Afghanistan happens to be the major destination for bagged urea.

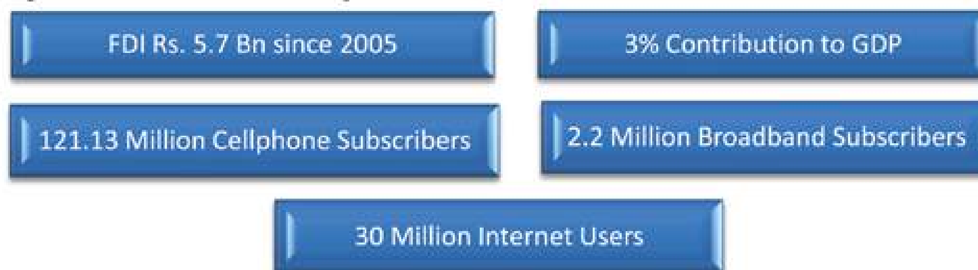
- Despite better capacity utilization in 2016 owing to better gas availability, industry off-take during the first half of the year remained severely pressurized due to poor farm economics, delay in implementation of subsidy mechanism and weak commodity prices. Government's announcement of subsidy of Rs 156 per bag on urea and Rs 300 per bag on DAP towards the end of June, provided a much needed stimulus for the industry with second half of the year showing a marked improvement in off-take.

- Government has released the second tranche of the long-awaited subsidy amount promised on fertilizers in the National Budget 2016-17. Over Rs 27 bn had been allocated in the budget for the fertilizer subsidy besides reduction of the GST on fertilizers from 17% to 5%.

- There is a dire need to bring down the cost of inputs and ensure availability of gas to enable the domestic industry in long term to sustain prices of locally produced fertilizers. The upward trend in international prices has already rendered the sale of DAP at present prices unviable.

6. TELECOMMUNICATION

Snapshot of Telecom Industry:



Investment Growth Potential

- Emerging technologies (3G, 4G/LTE) coupled with transparent and liberal licensing policy provides a good launching pad for new investment in the sector.
- Pakistan ranks 4th globally in terms of broadband growth and has only 2.2 million broadband subscribers out of an estimated population of 180 million, i.e., broadband penetration of 1.22% provide a largely unaddressed market and a blue ocean opportunity for investors.

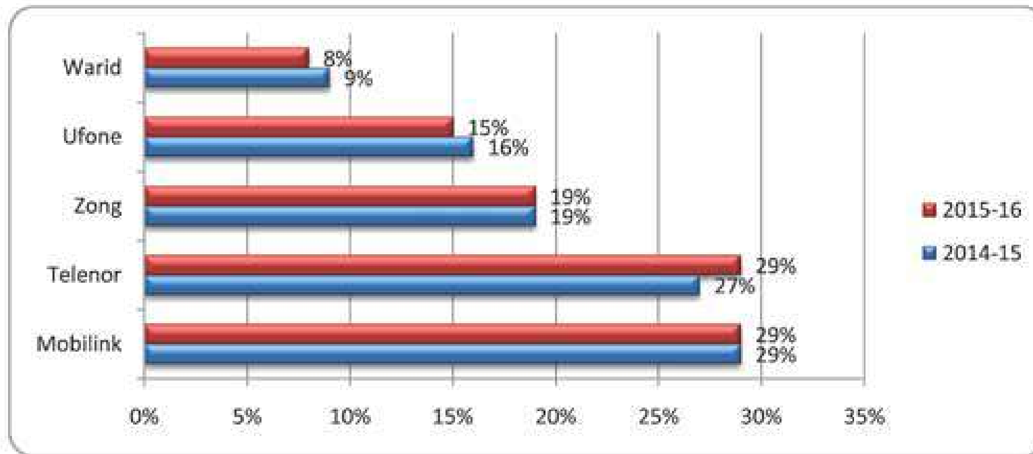
Foreign Investment in the Telecom Sector

Following the development of liberalizing policies to deregulate the telecoms sector in Pakistan, foreign investment in the sector has rapidly expanded. The Pakistan Board of Investment (BOI) currently offers the following incentives to foreign companies investing in the information technology & telecom sectors:
• Special GOP permission (other than regulatory requirements) is not required;
• 100% foreign equity is allowed;
• Remittance of capital, profits and dividends is allowed;
• 0-5% custom duty on imports of plant, machinery and equipment;
• Initial depreciation allowance is 50% of plant, machinery and equipment Cost; and
• Payments of royalty / technical fees are allowed up to current State Bank of Pakistan foreign exchange limits.

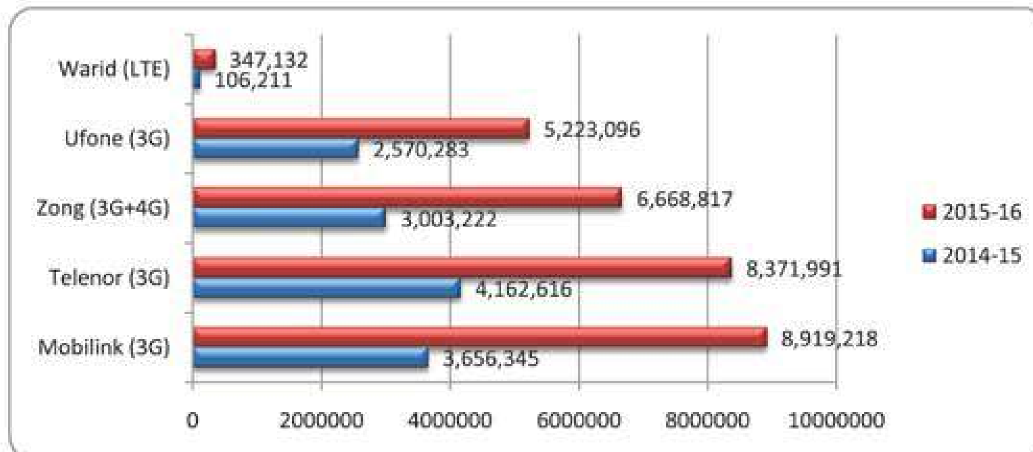
Foreign Direct Investment in Telecom Sector *(US $ million)*		
	Description	**Amount**
2012-13	Inflow	160.8
	Outflow	564.9
	Net FDI	(404.1)
2013-14	Inflow	904.6
	Outflow	474.7
	Net FDI	429.9
2014-15	Inflow	948.0
	Outflow	882.2
	Net FDI	65.7
2015-16	Inflow	377.9
	Outflow	131.1
	Net FDI	246.8

Market Share of Industry Players

		Annual Cellular Subscribers					
		Mobilink	Ufone	Zong	Telenor	Warid	Total
2014-15	No. of Subscribers	33,424,268	17,809,315	22,102,968	31,491,263	9,830,620	114,658,434
	%Share	29%	16%	19%	27%	9%	100%
2015-16	No. of Subscribers	39,118,521	19,833,670	25,251,329	38,020,771	11,017,174	133,241,465
	%Share	29%	15%	19%	29%	8%	100%



3G/4G Subscribers									
Operator	*CMPak (Zong)*		*PMCL (Jazz)*		*Telenor*		*PTML (Ufone)*	*Warid*	*Total*
Technology	*3G*	*4G*	*3G*	*4G*	*3G*	*4G*	*3G*	*LTE*	
2014-15	2,898,094	105,128	3,656,345		4,162,616		2,570,283	106,211	13,498,677
2015-16	5,988,197	680,620	8,919,218		8,371,991		5,223,096	347,132	29,530,254



Recent Developments:

- National Bank of Pakistan (NBP), Telenor Pakistan (TP) and Telenor Microfinance Bank Ltd. (Formerly Tameer Microfinance Bank Ltd.) formed a strategic alliance to further financial inclusion in Pakistan. The strategic alliance is in continuation of the coalitions to promote financial inclusion that now cover almost the entire telecom industry of Pakistan. Under the ambit of this arrangement, multiple services will be leveraged upon including Telenor USSD Channel, Agent Network of Easypaisa, and NBP's transaction base, to fulfill the needs of banked as well as the unbanked population of Pakistan including facilitation of P2G and G2P transactions. With this joining of hands between one of Pakistan's largest Government-owned banks and one of the Pakistan's leading telco operators along with its microfinance bank, the dynamics of the Digital Financial Services are sure to reach the next milestone.

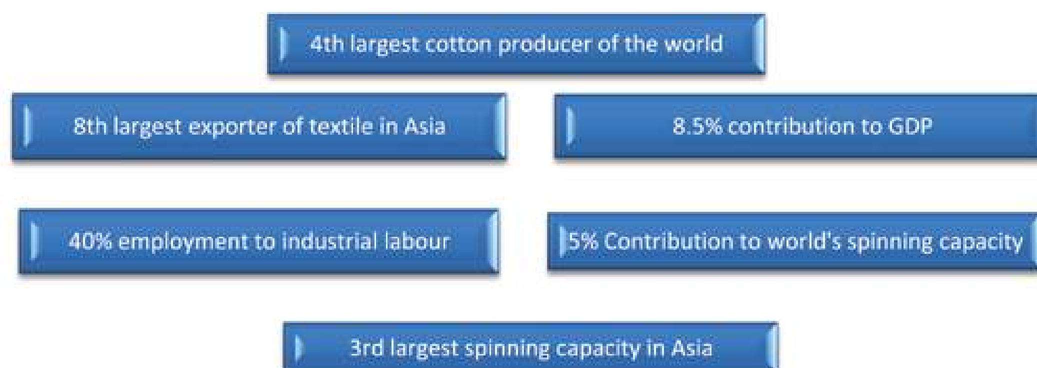
- Overseas Investors Chamber of Commerce and Industry (OICCI), representing the foreign businesses and telecom companies, in its budget proposals, said the imposition of multiple taxes on SIMs and handsets directly restricts investment in the telecom sector.

- Currently, the government imposes 18.5 % federal excise duty and 14 % advance tax on telecom services and the taxes are significantly higher as compared to other countries.

- The officials of Federal Board of Revenue (FBR) are planning to propose legislation in Financial Bill 2017 to exempt mobile phone subscribers—who do not fall under the tax network—from payment of withholding tax. This was disclosed by FBR while briefing Senate Standing Committee on Information Technology and Telecommunication about the federal budget for 2017-18.

- 10th 'Pakistan Telecommunication Conference' to be Held on 18th May, 2017. This year the theme of the TELECON 2017 will be "Pakistan in the Wake of Revolutionary Technologies & Solutions". Delegates from across the Pakistan and some from abroad will attend the day-long annual conference to be organized in collaboration with Ministry of IT, PTA, PTCL, PSEB, P@SHA, Internet Service Providers Association of Pakistan (ISPAK) etc. the format of TELECON 17 will be a series of insightful sessions aimed at gaining competitive advantages and optimizing the benefits of emerging technologies.

7. TEXTILE



Investment Growth Potential

- Despite being 4th largest cotton producer in the world, Pakistan's comparative advantage is marginalized by low value added exports as reflected in the country's 12th rank in global textile exports by value.
- Significant opportunities exist in setting up value addition units, such as apparel lines to build strong sector base.
- The textile sector has primarily been outward looking i.e. export focused, however with rising quantity and quality of domestic consumption, the industry would need to expand capacity to meet local demand and thus provide investment opportunities.

Financial Risk of the Textile Sector

Textile Sector Loans					
	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16
Total Loans	3,994	4,178	4,662	5,061	5,703
Textile Loans	632	682	720	708	749
Textile Share in Total Loans	16%	16%	15%	14%	13%

Textile- Non Performing Loans					
	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16
Total NPLs	635	617	595	630	635
Textile NPLs	201	210	202	201	197
Textile Share in Total NPLs	32%	34%	34%	32%	31%

Textile- Infection Ratio					
	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16
Total Infection Ratio	16%	15%	13%	12%	11%
Textile Infection Ratio	32%	31%	28%	28%	26%

Regulatory Structure

- **Spinning**: 15% import duty on cotton yarn | Effective Nov. 1, 2015 Including custom duty: 5%, regulatory duty: 10%
- **Weaving & Processing**: 15% import duty on greige and processed fabric | Effective Nov. 1, 2015 Including custom duty: 5%, regulatory duty: 10%
- **DTRE System** (Duty and Tax Remission for export): Benefit to value-added segment as import made under DTRE is exempted from regulatory duty
- **Reduced rate of LTFF** (Long Term Finance Facility) and ERFF (Export Refinancing Facility)
- **Expected bailout package of over PKR 175bln for the textile industry to support declining exports**: Package mainly relates to (i) concessions in taxes, duties and tariffs in addition to offering duty drawback to the exporters, and (ii) modernize technology for value addition in textile products in addition to massive infrastructural modernization of the industry

Key Challenges

- **Volatility in cotton crop production** leading to higher reliance on imported cotton and yarn
- **Declining Exports**
- **High cost of doing business** on the back of obsolete technology, low productivity, reduced competitiveness, shortage of energy, poor governance, internal security concerns

Recent Developments:

- All Pakistan Textile Mills Association (Aptma) Chairman said Pakistan has opportunities for Chinese investors to enter into joint ventures or relocation of their industry and avail duty free market access under the GSP Plus facility. Prime Minister has offered a package to the exporting industry with an added attraction of 12 to 15 % for producing and manufacturing in Pakistan.

- The Pakistan National Assembly Standing Committee on Textile Industry has given directions to the textiles ministry to make the Trade Cooperation of Pakistan (TCP) operational, to facilitate cotton growers. The committee also recommended that incentives should be provided to stakeholders in the cotton industry, to enable further development of the sector.

- The polyester staple fibre industry is in trouble because its gross margins continue to be under pressure owing to a variety of factors like cheaper and under-invoiced imports from China, and volatility in raw material prices.With almost a third of the country's total annual installed capacity of around 800,000 tonnes already closed, the industry is struggling for its survival.

- Domestic PSF producers also enjoy 7pc duty protection against imports in addition to anti-dumping duty imposed by the National Tariff Commission last year. But manufacturers contend that the impact of duty protection and anti-dumping duty is nullified because of under-invoicing and smuggling of PSF imports from China.

- The value-added textile exporters are exposed to heavy financial losses as they have passed on the benefit of cut in cost to the international buyers immediately after the announcement of PM incentive package to the export-oriented industry but not a single penny has been released so far in this regard.

PRIVATIZATION UPDATE

The privatization plan supports the government's efforts to improve the performance of loss-making public sector organizations as well as reducing the burden of fiscal deficit. Privatization efforts began in earnest after the creation of Privatization Commission on January 22, 1991. Although the Privatization Commission mandate was initially restricted to industrial transactions, by 1993 it had expanded to also include Power, Oil & Gas, Transport (aviation, railways, ports and shipping), Telecommunications, and Banking and Insurance. During January 1991 to September 2015, the Commission completed 172 transactions for Rs 648.954 billion.

We are giving below an update regarding the privatization of some major state-owned enterprises (SOEs) and other institutions:

1. **Pakistan Steel**: According to news reports, the decision regarding privatization was deferred indefinitely by the Cabinet Committee on Privatization (CCoP) on 27 January 2017. The privatization board had earlier decided that the entire land of PSM would remain with the government while its plant and machinery would be handed over to the new company for a maximum of 30 years. The board has now decided that no asset of the country's largest industrial complex would be sold.

   However, according to the Privatization Commission (PC), the information on the proposed plan is still being worked out, and a proposal would be placed for the consideration of the CCoP in due course of time. The Privatization Commission added that it was fully devoted to make PSM functional as soon as possible in order to reduce the fiscal burden on the government resources and the hardships being faced by its employees.

2. **OGDCL**: The 5% divestment of the government residual shareholding in the Oil & Gas Development Company (OGDCL) has been put on hold by the CCoP. The OGDCL transaction was earlier postponed due to political pressure and significant drop in global oil prices, but later, it was announced that the privatization of OGDCL would be taken on fast track basis and completed in June 2017.

   It is said that CCoP has deferred the divestment of 5% OGDCL shares on the national stock exchange until its share price is more attractive. This is because over the course of the past few months, the oil and gas sector is relatively stable and there are no expectations of a significant change in the global oil prices. Moreover, OGDCL's share price has also fairly recovered. OGDCL has been on the privatization list since May 29, 1997, when it was approved for privatization, along with other state-owned entities by the Council of Common Interests (CCI).

3. **KAPCO:** The government plans to set up a 600MW coal-based plant as an extension to Kot Addu Power Company Limited (KAPCO) at Kot Addu. While the local community has expressed its apprehensions owing to environmental concerns, liquidity damages amounting to Rs27 billion that appears on KAPCO's financial statements, is also causing bottlenecks in its privatization. Moreover, according to the Privatization Division, financial advisors have proposed assurances from the government on the renewal and extension of major agreements expiring in 2021 including Power Purchase Agreement (PPA), generation license, gas supply agreement, fuel supply agreement, and facilitation agreement. The Privatization Commission Board was unanimously of the view that without provision of adequate comfort to the

investors on the matter of renewal, extension of PPA, and resolution of liquidity damages, the bidding price for the transaction might be significantly impacted.

The cabinet committee has directed the Privatization Division and Ministry of Water and Power to immediately finalize the comfort letter after settling all the issues regarding terms and conditions, timelines of extensions, and other modalities.

4. **GEPCO**: On 27 January 2017, the CCoP approved to initiate the process for listing of Gujranwala Electric Power Company (GEPCO) shares on Pakistan Stock Exchange through an IPO (initial public offer).

5. **Mari Petroleum**: On 27 January 2017, the cabinet committee on privatization also approved the divestment of government stake in Mari Petroleum Company Limited (MPCL). Consequently, the government served transfer notices to both OGDCL and Fauji Foundation, seeking their buying intent. Fauji Foundation holds 40% shareholdings in MPCL, followed by OGDCL (20%) and government (18.39%). Remaining 21.61% shares are owned by public. The government offered the joint-venture partners Fauji Foundation and OGDCL the shares at a 7.5% discount to the MPCL's closing stock price on January 27. The share value stood at Rs1427/share. The government was expected to generate Rs26.28 billion through the divestment.

   MPCL is the country's leading oil and gas exploration and production company, operating at Mari field located in Ghotki, Sindh. A profitable company, MPCL's profit surged 46% to Rs2.765 billion for the first quarter ended 30 September 2016 over the same quarter a year earlier.

6. **TIP**: The PC Board in its meeting held on 11 July 2016 approved to initiate the privatization of Telephone Industries of Pakistan (TIP), subject to provision of TIP accounts till June 2015. However, the same are still awaited and the privatization process is yet to be initiated for this reason. The deadline for accomplishing this transaction is still unknown. Telephone Industries of Pakistan is a private limited company working under administrative control of the Ministry of Information Technology. The government of Pakistan has a 100% stake in the company with 896,193 ordinary shares of Rs1000 each. The challenges faced by the company include obsolete machinery and plants, an old skill base, intense competition in the telecom sector, especially in vendor market, and a heavy burden of labor. Its sales were only Rs20 million in financial year 2014-15.

7. **IDBL**:The government has planned to sell its stakes in the loss-making Industrial Development Bank Limited (IDBL). The first financial institution in Pakistan for development financing, the role of IDBL is very important for the large-scale industrialization in the country. In collaboration with the World Bank and other international lending agencies, it has financed several projects. The bank has been reporting losses and negative equity since 2013.

   The bank was set up in 1961 under the IDBP Ordinance, 1961 as a scheduled bank for extending credit facilities to industrial sector. The IDBP (Reorganization and Conversion) Act, 2011, was enacted on 14 May 2011, for reorganization and conversion of IDBP into a public limited company. The entity (IDBL) was added in the privatization program pursuant to the decision of the CCoP dated 7 May 2016.

8. **HBFCL and FWBL**: On 27 January 2017, the CCoP also recommended inclusion of House Building Finance Corporation Limited (HBFCL) and First Women Bank Limited (FWBL) in the 'Privatization Program for Early Implementation'.

9. **SME Bank**: The CCoP in the above-noted meeting also approved a proposal allowing divestment of government's strategic equity stake in SME Bank in line with the guidelines of the State Bank. The government aims to complete the privatization process of the organization before the end of the current fiscal year. The bank is reported to have been receiving considerable interest from numerous domestic and foreign businesses, and more than 10 investors are said to have expressed interest in acquiring up to 93.88% stake in the loss-making state-owned bank. The Privatization Commission also extended the deadline for the submission of the expression of interests for the SME Bank in an attempt to attract more investors.

   SBP will have a minimum paid-up capital requirement of Rs 6 billion over five years for the buyer of SME Bank. The central bank, through the national financial inclusion strategy, aims to provide credit facilities to some 300,000 SMEs and increase the proportion of SMEs lending to the private sector from 7% to 15% by 2030.

10. **Reforms in PIA:** The government has started to restructure all the administrative and operational matters of the Pakistan International Airlines (PIA) to ensure the best services of this national airline including safety measures, management of flight delays, and purchase of new airplanes. The Advisor to the Prime Minister on Aviation on 7 April 2017 turned down the speculations regarding the privatization of the PIA and stated that the government had decided to modernize and upgrade PIA on commercial basis, and it was striving hard to uplift its standards. According to him, the financial deficit of last year was Rs 36 billion.

    On 27 January 2017, the Minister for Planning and Development chaired the second meeting of the special committee formed by the Economic Coordination Committee (ECC) to bring structural reforms to the PIA. The meeting stressed the need for revenue maximization, cost rationalization, and growth based on improved services and end-to-end envisioned business plan for the revival of PIA. The ECC of the Cabinet on 18 January 2017 had approved enhancing the guarantee limit for PIA by Rs10.5 billion to meet the immediate financial needs of the national flag carrier.

11. **Three major airports:** The federal government has decided to privatize the three important airports of Pakistan, as Civil Aviation Authority (CAA) has released an advertisement to hand over the administrative and operational matters of the airports to private companies. It is said that under the new policy of CAA, Jinnah International Airport Karachi, Allama Iqbal International Airport Lahore, and the new Islamabad International Airport will be privatized. After these airports, the CAA will have small and non-profit airports under its authority, in addition to other departments as all operations, including take-off and landing of airplanes, are now being outsourced. The CAA is one of the profitable organizations of Pakistan that earns around Rs 50 billion in a year.

12. **Delisting of Shalimar Recording Company**: Ministry of Information and Broadcasting's request for delisting of Shalimar Recording and Broadcasting Company Limited from the privatization program was accepted by the CCoP in its meeting held on 27 January 2017.

Upcoming Transactions – Privatization Commission list

Sr. No	Entities	Divestment strategy
Oil & Gas (upstream and mid-stream)		
1.	Divestment of GoP shareholding in Oil & Gas Development Co. Ltd (OGDCL)	International / domestic capital market offering
Power		
2.	Heavy Electrical Complex (HEC)	Divestment with management control
3.	Faisalabad Electric Supply Co. Ltd (FESCO)	IPO-Listing of Shares in Stock Exchange
4.	Northern Power Generation Co. Ltd. (NPGCL-GENCO-III) - Thermal Power Station – (TPS) Muzaffargarh(1350 MW)	Divestment of GoP shares
5.	Lahore Electric Supply Company Limited (LESCO)	Divestment of GoP shares
6.	Islamabad Electric Supply Company Limited (IESCO)	IPO-listing of shares in Stock Exchange
7.	Quetta Electric Supply Company Limited (QESCO)	Divestment of GoP shares
8.	Lakhra Power Generation Company Ltd. LPGCL (GENCO-IV)	Divestment of GoP shares
9.	Peshawar Electric Supply Company Limited (PESCO)	Divestment of GoP shares
10.	Central Power Generation Company Ltd – CPGCL (GENCO – II)	Divestment of GoP shares
11.	Multan Electric Power Company Limited (MEPCO)	Divestment of GoP Shares
12.	Hyderabad Electric Supply Company Limited (HESCO)	Divestment of GoP Shares
13.	Sukkur Electric Power Company (SEPCO)	Divestment of GoP shares
14.	Jamshoro Power Generation Company Ltd – JPCL (GENCO- I)	Divestment of GoP Shares
Industries, Transport & Real Estate		
15.	Pakistan International Airlines Corp (PIAC)	Restructuring followed by divestment of 26% GoP equity stakes to strategic partner with management control
16.	Pakistan Steel Mills Corp (PSMC)	Divestment with management control

INTERNATIONAL ECONOMIC OUTLOOK

[Excerpts from IMF Economic Outlook-April 2017]

RECENT DEVELOPMENTS AND PROSPECTS

World Economy Gaining Momentum

Economic activity gained some momentum in the second half of 2016, especially in advanced economies. Growth picked up in the United States as firms grew more confident about future demand, and inventories started contributing positively to growth (after five quarters of drag). Growth also remained solid in the United Kingdom, where spending proved resilient in the aftermath of the June 2016 referendum in favor of leaving the European Union (Brexit). Activity surprised on the upside in Japan due to strong net exports, as well as in euro area countries, such as Germany and Spain, as a result of strong domestic demand.

Economic performance across emerging market and developing economies has remained mixed. Whereas China's growth remained strong, reflecting continued policy support, activity has slowed in India because of the impact of the currency exchange initiative, as well as in Brazil, which has been mired in a deep recession. Activity remained weak in fuel and nonfuel commodity exporters more generally, while geopolitical factors held back growth in parts of the Middle East and Turkey.

Indicators of Economic Activity

In the second half of 2016, the stronger global momentum in demand—investment in particular—resulted in marked improvements in manufacturing and trade, which were very weak in late 2015 and early 2016.

Production of both consumer durables and capital goods rebounded in the second half of 2016. A number of factors contributed to these developments: a gradual global recovery in investment, supported by infrastructure and real estate investment in China, reduced drag from adjustment to lower commodity prices, and the end of an inventory cycle in United States. **Forward-looking indicators, such as purchasing managers' indices, suggest continued strength in manufacturing activity into early 2017.**

Commodity Prices and Markets

Alongside the pickup in economic activity, commodity prices have also strengthened:

- **Oil prices** increased by some 20 % between August 2016 and February 2017, in part due to theagreement by the OPEC and other producersto cut oil production. Stronger activity and expectations of more robust future global demand alsocontributed to strengthening oil prices since theirtroughs in early 2016. Following some weakening inrecent weeks, oil prices stood at about $50 a barrelas of end-March, still some 12 % stronger thanin August 2016.

- **Natural gas prices** have increased—as of February2017 the average price for Europe, Japan, andthe United States was up by about 19 % relativeto August 2016. In Europe, natural gas priceshave risen following higher oil prices. While pricesin Asia and the United States initially rose becauseof expectations of strong winter demand, a fairlymild winter led to subdued demand for gas-firedpower generation and helped contain gas prices.

- **Coal prices** have rallied, with the average of Australianand South African prices in February 2017more than 20 % higher than in August 2016.That rally has followed government-led

reductions in coal production in China and production andshipment outages in Australia.Among nonfuel commodities, metal prices haveincreased by 23.6 % and agricultural commodityprices by 4.3 %.

- **Metal prices** have been supported by higher realestate investment and capacity reduction efforts inChina and the anticipated fiscal policy easing in theUnited States.
- Among **agricultural commodities**, food prices rose by4.9 % as excess supply eased, especially for grainsand vegetable oils. Prices have increased for mostitems, except for a few, including rice and cocoa beans.

POLICY ASSUMPTIONS

After providing mild support to economic activity in 2016, **fiscal policy at the global level is projected to be broadly neutral in 2017 and 2018.** The overall neutral stance masks substantial variation across countries and important changes relative to the October 2016 WEO assumptions. Among advanced economies, the fiscal stance (measured by the fiscal impulse) in 2017 is forecasted to be expansionary in Canada, France, and Germany; contractionary in Australia, Korea, and the United Kingdom; and broadly neutral in Japan and the United States.

On the monetary policy front, the forecast assumes a less gradual normalization of policy interest rates in advanced economies than projected in the October 2016 WEO, particularly in the United Kingdom and the United States. With the anticipated widening of the U.S. fiscal deficit, monetary policy is projected to be moderately less accommodative than previously expected because of stronger demand and inflation pressure. The U.S. policy interest rate is projected to rise by 75 basis points in 2017 and 125 basis points in 2018, reaching a long-term equilibrium rate of just below 3 % in 2019. In other advanced economies, the forecast assumes that monetary policy will remain very accommodative. **Short-term rates are projected to remain negative in the euro area through 2018 and close to zero in Japan over the forecast horizon**. The assumed monetary policy stances across emerging market economies vary, reflecting these economies' diverse cyclical positions.

GLOBAL OUTLOOK FOR 2017–18

World growth, estimated as in the October 2016 WEO, at 3.1 % in 2016, is projected to increase to 3.5 % in 2017 and 3.6 % in 2018—an upward revision of 0.1 %age point for 2017 relative to October. Together with the modest change in the forecast for the overall global growth rate, projections of the strength of economic activity across country groups have also shifted. In line with the stronger-than-expected pickup in growth in advanced economies and weaker-than-expected activity in some emerging market economies in the latter half of 2016, the forecast for 2017–18 envisions a rebound in activity in advanced economies that is faster than previously expected, while growth in 2017 is forecast to be marginally weaker in emerging market and developing economies relative to the October 2016 WEO. These revisions notwithstanding, the broad story remains unchanged: **over the near and medium term, most of the projected pickup in global growth will stem from stronger activity in emerging market and developing economies**.

OUTLOOK FOR ADVANCED ECONOMIES:

Economic activity in advanced economies as a group is now forecast to grow by 2.0 % in 2017 and 2018, 0.2%age point higher than expected in October 2016. The stronger outlook in advanced economies reflects a projected cyclical recovery in global manufacturing, signs of which were already visible at the end of 2016, and an uptick in confidence, especially after the U.S. elections, which are expected to fuel the cyclical momentum. As also noted in the January 2017 *WEO Update*, this forecast is particularly uncertain in light of potential changes in the policy stance of the new U.S. administration and their global spillovers.

OUTLOOK FOR EMERGING MARKETS & DEVELOPING ECONOMIES:

Growth in the group of emerging market and developing economies is forecast to rise to 4.5 % and 4.8 %, respectively, in 2017 and 2018, from an estimated outturn of 4.1 % in 2016. This projected upturn reflects, to an important extent, a stabilization or recovery in a number of commodity exporters, some of which underwent painful adjustments following the drop in commodity prices, and strengthening growth in India, partially offset by a gradual slowdown of the Chinese economy. Nevertheless, as emphasized in previous WEOs, the outlook for emerging market and developing economies remains uneven and generally below these economies' average performance in 2000–15. A variety of factors weigh on their outlooks, including China's transition to a more sustainable pattern of growth that is less reliant on investment and commodity imports; a protracted adjustment to structurally lower commodity revenues in some commodity exporters; high debt levels everywhere; sluggish medium-term growth prospects in advanced economies; and domestic strife, political discord, and geopolitical tensions in a number of countries.

GROWTH OUTLOOK FOR THE MEDIUM TERM:

Global growth is forecast to increase marginallybeyond 2018, reaching 3.8 % by 2022. Thispickup in global activity comes entirely from developmentsin emerging market and developing economies,where growth is projected to increase to 5 %by the end of the forecast period. These economies' impact on global activity is further boosted by theirrising world weight. This forecast assumes continuedstrengthening of growth in commodity exporters,albeit to rates much more modest than in 2000–15; an acceleration of activity in Indiaresulting from the implementation of important structuralreforms; and a successful rebalancing of China'seconomy to lower, but still high, trend growth rates.Advanced economies' more modest medium-termgrowth rates reflect the structural headwinds they faceonce output gaps have closed: diminished growth ofthe labor force as population's age, and persistentlylow productivity growth, barring significant structuralreform efforts.

RISKS

1. Disruption of Global Trade, Capital Flows, and Migration:

Most economists agree that raising barriers to trade would reduce aggregate output and lower well-being. A country that hikes tariffs can expect to see its price level rise and output fall, especially if its trading partners retaliate. The analysis also shows that a broad based increase in import costs caused by heightened global trade protectionism would put a dent in global output. The damage could be even higher in light of the increasing fragmentation of production processes across countries. Higher import costs could do particular harm to the purchasing power of lower-income groups in advanced economies, whose consumption baskets tend to skew toward heavily

traded goods. Further to such immediate adverse effects on demand, a persistent, protection-induced reduction of trade could also harm supply-side potential. As competitive pressures to innovate weaken, and the cross-border diffusion of new technologies slows, productivity growth would suffer over time. Similarly, **curbing immigration flows would hinder opportunities for skill specialization in advanced economies, limiting a positive force for productivity and income growth over the long term**.

2. Financial Deregulation

The post crisis reform agenda has strengthened oversight of the financial system, raised capital and liquidity buffers of individual institutions, and improved cooperation among regulators. A wholesale dilution or backtracking on important steps taken since the global financial crisis in enhancing the resilience of the financial system would raise the probability of costly financial crises in the future. Deregulation in one country may also lead to deregulation in others in the highly interconnected international financial system. **A failure to complete the global reform agenda and allowing regulatory fragmentation across borders would also hurt countries outside the central standard- setting bodies, in particular emerging market economies,** which rely heavily on a strong global standard to level the playing field and support financial stability at a time when threats to their domestic financial stability have risen.

3. Risks from Continued Rapid Credit Expansion in China

Chinese authorities are expected to maintain emphasis on protecting macroeconomic stability in the run-up to the leadership transition later this year. Progress with demand-side rebalancing and reducing excess industrial capacity has continued, but so has the **reliance on stimulus measures to maintain high rates of growth and the Chinese economy's dangerous dependence on rapidly expanding credit,** intermediated through an increasingly opaque and complex financial system. Recent months have seen a return of capital outflows, reflecting market expectations of renminbi depreciation against the dollar and narrowing yield differentials as global interest rates increased.

ThoughChinese equity markets have remained tranquil, in stark contrast to the turmoil of August 2015 and January 2016, bond markets have seen bouts of turbulence. **Efforts by the People's Bank of China to tighten short term liquidity pushed up repurchase arrangement rates in late 2016, causing losses for leveraged bond investors and pushing up bond yields sharply**.

4. Vulnerabilities in Other Emerging Market and Developing Economies

Compared with past episodes of capital inflow slowdowns, emerging market economies have seen fewer financial sector problems in recent years, despite entering the episode with highly leveraged corporate sectors and, in some cases, experiencing sharp losses in earnings driven by adverse shifts in their terms of trade. The improvement in emerging market economies' ability to cope with external volatility is testimony to better macroeconomic policy management and in particular the beneficial role of exchange rate flexibility in smoothing shocks. Credit booms are waning in many economies (with the key exception of China), and corporate leverage, in most cases, has peaked and continues to decline from a high level. But underlying fragilities remain, and in some cases, corporate sector buffers could be wearing thin after a period of macroeconomic strains and financial volatility. More generally, **reduced profitability, still-elevated corporate debt**, **limited policy space, and, in some cases, weak bank balance sheets suggest that some emerging market economies remain potentially exposed to tighter global financial conditions, capital flow reversals, and the adverse balance sheet implications of sharp currency depreciations.**

5. Weak Demand and Balance Sheet Problems in Parts of Europe

One common theme running through several recent WEO reports has been weak demand in a number of advanced economies and its possibly pernicious and long-lasting effects on inflation and supply potential. These effects could, in principle, work through three channels:

- A downshift in inflation expectations, higher expected real interest rates, debt service difficulties, and negative feedback to demand
- Weak investment and slower adoption of capital embodied technological change, lower productivity growth, and weaker expected profitability, reinforcing the sluggishness in investment
- A prolonged period of high unemployment leading some job seekers to drop out of the workforce or become unemployable as a result of skill erosion

With a slightly firmer outlook for demand in advanced economies, fears of such debilitating cycles have receded somewhat. Steepening yield curves have also alleviated some of the concerns about the profitability of banks and other financial intermediaries and their ability to support the recovery. Nevertheless, in parts of Europe, the cyclical recovery in output, employment, and inflation remains incomplete under a large burden of nonperforming loans, and banking system profitability is challenged by structural features, such as high costs and overbanking. In the absence of a more concerted effort to clean up balance sheets, consolidate and raise the cost effectiveness of banking systems, maintain demand, and enact productivity-enhancing reforms, these economies will continue to confront weak inflation dynamics and investment and remain susceptible to the danger of self-reinforcing adverse feedback loops. **As growth and core inflation prospects in core euro area economies strengthen, there is also a risk that euro area monetary policy tightens, weighing on the recovery in countries with high unemployment and large output gaps**. A sluggish recovery in incomes can, in turn, fuel pressures for an inward turn in policies and the adoption of protectionist measures, further harming demand both at home and abroad.

6. Noneconomic Factors

Geopolitical tensions as well as domestic strife and idiosyncratic political problems have been on the rise in recent years, burdening the outlook for various regions. **Most notable are the civil wars and domestic conflicts in parts of the Middle East and Africa, the tragic plight of refugees and migrants in neighboring countries and in Europe, and acts of terror worldwide**. For many of the severely affected countries, the baseline scenario assumes a gradual easing of tensions.

However, these episodes may turn out to be more protracted, holding back recovery in these countries. **Weak governance and large-scale corruption can also undermine confidence and popular support, taking a heavy toll on domestic activity.** Other noneconomic factors weighing on growth include the persistent effects of a drought in eastern and southern Africa and the spread of the Zika virus. If these factors intensify, the hardship in directly affected countries, especially smaller developing economies, would deepen (IMF 2016). **Increased geopolitical tensions and terrorism could also take a toll on global market sentiment and broader economic confidence.**

GEO-POLITICAL AND GLOBAL ECONOMIC PERSPECTIVES

Key incisive excerpts from insightful articles that shed light on how things will be shaping up over the next few years. These have been bunched under:

1. **GLOBAL GEOPOLITICS**
2. **GLOBAL ECONOMY**
3. **THE EUROZONE CRISIS**
4. **OIL**
5. **MIDEAST**
6. **PAKISTAN/ CPEC & INDIA**

GLOBAL GEOPOLITICS:

Whistling Past the Geopolitical Graveyard
May 8, 2017; Nouriel Roubini; Project Syndicate

With Emmanuel Macron's defeat of the right-wing populist Marine Le Pen in the French presidential election, the European Union and the euro have dodged a bullet. But geopolitical risks are continuing to proliferate. **The populist backlash against globalization in the West will not be stilled by Macron's victory, and could still lead to protectionism, trade wars, and sharp restrictions to migration.** If the forces of disintegration take hold, the United Kingdom's withdrawal from the EU could eventually lead to a breakup of the EU – Macron or no Macron**. At the same time, Russia has maintained its aggressive behavior in the Baltics, the Balkans, Ukraine, and Syria.** The Middle East still contains multiple near-failed states, such as Iraq, Yemen, Libya, and Lebanon. And the Sunni-Shia proxy wars between Saudi Arabia and Iran show no sign of ending. In Asia, US or North Korean brinkmanship could precipitate a military conflict on the Korean Peninsula. And China is continuing to engage in – and in some cases escalating – its territorial disputes with regional neighbors. **Despite these geopolitical risks, global financial markets have reached new heights**. So it is worth asking if investors are underestimating the potential for one or more of these conflicts to trigger a more serious crisis, and what it would take to shock them out of their complacency if they are. There are many explanations for why markets may be ignoring geopolitical risks. [...]Moreover, markets have trouble pricing such "black swan" events: "unknown unknowns" that are unlikely, but extremely costly. [...]A confrontation between the US and North Korea could also turn into a black swan event, but this is a possibility that markets have happily ignored. [...]But there are other possible scenarios, some of which could turn out to be black swans. Given the risks associated with direct military action, the US is now alleged to be using cyber weapons to eliminate the North Korean nuclear threat against the US mainland. This may explain why so many of North Korea's missile tests have failed in recent months. But how will North Korea react to being militarily decapitated? One answer is that it could launch a cyber-attack of its own. North Korea's cyber-warfare capabilities are considered to be just a notch below those of Russia and China, and the world got an early glimpse of them in 2014 when it hacked into Sony Pictures. [...]Would an escalation on the Korean Peninsula be an opportunity to "buy the dip," or would it mark the beginning of a massive market meltdown? It is well known that markets can price the "risks" associated with a normal distribution of events that can be statistically estimated and measured. But they have more trouble grappling with "Knightian uncertainty": risk that cannot be calculated in probabilistic terms.

The Key to North Korea Is Russia
May 18, 2017; Leonid Bershidsky; Bloomberg

The idea of a grand bargain between the U.S. and Russia is less popular in Washington than ever before. And yet one of the biggest foreign policy problems for the U.S. -- that of North Korea -- cannot be resolved without Russia's participation. [...]**Putin's Russia never does anything for free, and it can't hope to get any economic benefits from North Korea on a scale that might interest its oligarchy or its mammoth state companies.** Like China, it's making political investments in a country seen as a buffer state separating it from the U.S. military bases in South Korea. **No matter what Putin says about nuclear proliferation, he wants North Korea to be militarily strong. [...]Since 2014, Putin has tried to build a stock of things to sell to the U.S. in exchange for a free hand in the former Soviet Union, including Ukraine.** He has leverage on the Syrian regime and the North Korean one, leverage in Iran and Libya. [...] avoiding a deal with him means trouble with his clients; unless the U.S. wants to risk using force in North Korea, it needs Putin's cooperation in resolving the crisis.

The Age of Hyper-Uncertainty
December 14, 2016; Barry Eichengreen; Project Syndicate

The golden age of stability and predictability that was the third quarter of the twentieth century seemed to have abruptly drawn to a close, to be succeeded by a period of greatly heightened uncertainty. [...] That's how things looked in 1977, anyway. Viewed from the perspective of 2017, however, the uncertainty of 1977 seems almost enviable.

The Year That Ended an Epoch?
December 21, 2016; Javier Solana; Project Syndicate

As 2016 comes to an end, the outlook for 2017 is shrouded in uncertainty. Tensions in the Middle East are rising, and populist movements have appeared in Europe and the United States. [...] Trump's incoming administration is full of unknowns, but there can be no doubt that his rejection of multilateral institutions will endanger international efforts to cooperate on solutions to the world's biggest problems. This holds peril for US-EU relations. [...] After a turbulent 2016, and with little positive news in international politics, 2017 is shaping up to be a year of challenges and uncertainty**. But the biggest uncertainty of all is whether this is simply the end of another year, or the end of a geopolitical epoch.**

Goodbye to the West
December 5, 2016; Joschka Fischer; Project Syndicate

The new course Trump will chart for the US is already discernible; we just don't know how quickly the ship will sail. Much will depend on the opposition. [...] But **we should not harbor any illusions: Europe is far too weak and divided to stand in for the US strategically; and, without US leadership, the West cannot survive. Thus, the Western world as virtually everyone alive today has known it will almost certainly perish before our eyes.** [...] So what comes next? China, we can be certain, is preparing to fill America's shoes. And in Europe, the crypts of nationalism have been opened; in time, they will once again release their demons upon the continent –and the world.

China is bent on world domination — but not in the way you think
May 7, 2017; Fred Hiatt; Washington Post

China is bent on world domination — not with its missiles and aircraft carriers, but by controlling solar energy, cloud computing and other industries of the future. That is an only slightly exaggerated version of a warning coming from the American chamber of commerce in China. It sent a delegation to Washington last week to warn that **"China's aggressive mercantilist policies are one of the most serious threats facing the future of U.S. advanced technology sectors,"** as their policy paper says — and that the U.S. government isn't doing enough to counter the threat. [...] The Communist regime still wants economic growth and market mechanisms, in other words, but without subjecting its economy to open competition from outside. [...]China has a well-developed, long-term industrial strategy, the chamber says. It limits U.S. firms' access to its market; demands that American companies share their advanced technology to get even that limited access; buys foreign companies that possess technology it needs while preventing U.S. firms from investing in China; shovels resources to Chinese companies as they ramp up; and then, once those Chinese firms have fattened on the vast and protected Chinese market, sends them out to compete in the world. [...] Our systems are fundamentally different. We follow process. . . . **China is focused on outcomes**. [...] "The solution has to be some combination of offense and defense. China has to face some consequence."

How Trump gave China's 'Belt and Road' scheme a boost
May 08, 2017; Cary Huang; South China Morning Post

Chinese President Xi Jinping's 'Belt and Road' trade development initiative, always ambitious, has been given a boost by American counterpart Donald Trump's protectionist trade agenda and isolationist diplomacy. [...] **Trump's protectionism could help the belt and road scheme gain legitimacy as a countervailing force promoting international trade in the region. China could develop a role as an economic leader, and fill the void left by US protectionism in the international market. [...] That could also increase China's soft power and mark a turning point in its international influence**. [...] Analysts said **Xi's plan aimed to kill three birds – economic, political and diplomatic – with one stone.** Economically speaking, the plan is seen as promoting free trade, investment and economic globalization by reducing trade barriers and increasing opportunities for investors. [...] Politically, as the world's last major communist-ruled nation, China needs friends and political allies to offset its post-cold-war ideological isolation following the collapse of the Soviet Union and Soviet client states in Central and Eastern Europe in the early 1990s. [...] Diplomatically, **China aims to use its rising economic clout to expand its regional and global influence so that it rivals that of the United States, the world's sole superpower, thus restoring China's historic position as a global center of trade, culture and politics.** [...] Unlike other current and former great powers, such the US and Britain, which relied heavily on control of maritime sea lanes for global clout, China's geographic position means its supply network will be largely land-based.

Europe's China Pivot
April 28, 2017; Robert Manning; Real Clear World

In a letter to leaders of the 27 EU member states earlier this year, European Council President Donald Tusk described Trump, along with an assertive China and an aggressive Russia, as one of three external threats to Europe's future. Tusk argued that "[w]e should use the change in the trade strategy of the U.S. to the EU's advantage by intensifying our talks with interested partners, while defending our interests at the same time. [...]The United States, European Union, and Japan have all rejected Beijing's claim in a rare pursuit of parallel policies. Similarly, there is growing unease in the United States and the European Union about Chinese direct investment: Beijing targets tech companies in the West to accelerate its efforts to make a leap in advanced manufacturing while blocking reciprocal access for Western firms. [...]In a slow-growth Europe, attracting investment is a priority, and clearly many EU nations are responding to China's economic opportunities. [...]China's growing trade with and investment in Europe has economic and strategic implications for the United States. **EU-China economic ties heighten competition for U.S. firms in what has historically been a close transatlantic relationship. But over time, it could presage a decreasing European reliance on the United States and a fragmenting West with an economically integrated Eurasia shifting power and influence away from the United States and toward China.**

Donald Trump's dangerous China illusions
February 12, 2017; Jeffrey D. Sachs; Boston Globe

Trump is following a game plan that has characterized US "grand strategy" against major rivals dating back to World War II. Each time America has had a rival for global leadership, the United States has aimed to cut the rival down to size and to subordinate it to US power. For a while it worked, at least to a point. More recently, it has failed badly. And with China, any attempt to pursue such a course will fail disastrously for the United States, not to mention the world. [...] Rather than let China catch up, the primacists say, the United States should badger and harass China economically, engage the Chinese in a new arms race, and even undermine the one-China policy that has been the basis of US-China bilateral relations, so that China ends up in economic retreat, retracing the steps of the British Empire, the Soviet Union, and Japan. Such an approach toward China would be profoundly misguided and very dangerous. [...]Even worse, an American effort to weaken China is doomed to fail. [...]China, by contrast, has a larger economy, is four times more populous, and is America's creditor, not its debtor. **China has strong and growing trade, investment, and diplomatic relations with other countries all over the world that would likely be strengthened, not weakened, by US belligerence. It's also important to remember that China's proud history as a unified nation is 10 times longer than America's, around 2,250 years compared with around 225 years.** [...]America's well-being depends on the maturity of judgment to cooperate with China as a major global power that can and should share the responsibilities to promote global peace and sustainable development.

"America First" and Global Conflict Next
January 02, 2017; Nouriel Roubini; Project Syndicate

Donald Trump's election as President of the United States does not just represent a mounting populist backlash against globalization. It may also portend the end of Pax

Americana. [...] If Trump is serious about putting "America first," his administration will shift US geopolitical strategy toward isolationism and unilateralism, pursuing only the national interests of the homeland. [...] When the US pursued similar policies in the 1920s and 1930s, it helped sow the seeds of World War II. [...] A US turn to isolationism and the pursuit of strictly US national interests may eventually lead to a global conflict. Even without the prospect of American disengagement from Europe, the European Union and the Eurozone already appear to be disintegrating. In 2017, extreme anti-Europe left- or right-wing populist parties could come to power in France and Italy, and possibly in other parts of Europe. [...] An aggressively revanchist Russia will step in by reasserting its influence in the former Soviet bloc countries, and supporting pro-Russia movements within Europe. [...] **Trump's proposals also threaten to exacerbate the situation in the Middle East. And he has maintained his position that Islam itself, rather than just radical militant Islam, is dangerous.** This view, shared by Trump's incoming National Security Adviser, General Michael Flynn, plays directly into Islamist militants' own narrative of a clash of civilizations. [...] if the US no longer guarantees its Sunni allies' security, even more deadly conflict will ensue. **China is quickly strengthening its own economic ties in Asia, the Pacific, and Latin America through its "one belt, one road" policy, the Asian Infrastructure Investment Bank, the New Development Bank (formerly known as the BRICS bank), and its own regional free-trade proposal to rival the TPP**. [...]If the US gives up on its Asian allies such as the Philippines, South Korea, and Taiwan, those countries may have no choice but to prostrate themselves before China; and other US allies, such as Japan and India, may be forced to militarize and challenge China openly. Thus, an American withdrawal from the region could very well eventually precipitate a military conflict there. [...] As in the 1930s, when protectionist and isolationist US policies hampered global economic growth and trade, and created the conditions for rising revisionist powers to start a world war, similar policy impulses could set the stage for new powers to challenge and undermine the American-led international order. The historical record is clear: protectionism, isolationism, and "America first" policies are a recipe for economic and military disaster.

Trumpian Uncertainty
January 9, 2017; Joseph E. Stiglitz; Project Syndicate

The Republican/Trump agenda, with its Trump might like to repeal the ordinary laws of economics, as he goes about his version of voodoo economics. But he can't. Still, as the world's largest economy leads the way into uncharted political waters in 2017 and beyond, it would be foolhardy for a mere mortal to attempt a forecast, other than to state the obvious: the waters will almost certainly be choppy, and many – if not most – pundit ships will sink along the way.

GLOBAL ECONOMY:

Xi Jinping Positions China at Center of New Economic Order
May 14, 2017; Jane Perlez and Keith Bradsher; New York Times

President Xi Jinping of China at the opening ceremony on Sunday for the Belt and Road forum in Beijing. He pledged more than $100 billion for development banks in China that he said would spearhead vast spending on infrastructure across Asia, Europe and Africa. President Xi Jinping of China delivered a sweeping vision of a new economic global order on Sunday, positioning his country as an alternative to an inward-looking United States under President Trump. [...]**The**

program, based on Chinese-led investment in bridges, rails, ports and energy in over 60 countries, form the backbone of China's economic and geopolitical agenda. [...]Mr. Xi stressed the differences between the United States system of alliances and his notion of commerce under China.[...]Prime Minister Narendra Modi of India did not turn up, concerned about the significant infusion of Chinese money into its rival Pakistan. Prime Minister Nawaz Sharif of Pakistan, for his part, whose country has been a longtime ally of China, said he was proud to stand "shoulder to shoulder" with Beijing.

Behind China's $1 Trillion Plan to Shake Up the Economic Order
May 13, 2017; Jane Perlez and Yufan Huang; New York Times

The initiative, called "One Belt, One Road," looms on a scope and scale with little precedent in modern history, promising more than $1 trillion in infrastructure and spanning more than 60 countries. [...]**Mr. Xi is aiming to use China's wealth and industrial know-how to create a new kind of globalization that will dispense with the rules of the aging Western-dominated institutions. The goal is to refashion the global economic order, drawing countries and companies more tightly into China's orbit**. The projects inherently serve China's economic interests. With growth slowing at home, China is producing more steel, cement and machinery than the country needs. So Mr. Xi is looking to the rest of the world, particularly developing countries, to keep its economic engine going. [...]Mr. Xi is rolling out a more audacious version of the Marshall Plan, America's postwar reconstruction effort. Back then, the United States extended vast amounts of aid to secure alliances in Europe. **China is deploying hundreds of billions of dollars of state-backed loans in the hope of winning new friends around the world, this time without requiring military obligations**. Mr. Xi's plan stands in stark contrast to President Trump and his "America First" mantra. The Trump administration walked away from the Trans-Pacific Partnership, the American-led trade pact that was envisioned as a buttress against China's growing influence. "Pursuing protectionism is just like locking oneself in a dark room," Mr. Xi told business leaders at the World Economic Forum in January. [...] **Despite projects on its turf, India is uneasy because Chinese-built roads will run through disputed territory in Pakistan-occupied Kashmir. But it is impossible for any foreign leader, multinational executive or international banker to ignore China's push to remake global trade**. [...] Each nation in Mr. Xi's plan brings its own strategic advantages. The power plants in Pakistan, as well as upgrades to a major highway and a $1 billion port expansion, are a political bulwark. By prompting growth in Pakistan, China wants to blunt the spread of Pakistan's terrorists across the border into the Xinjiang region, where a restive Muslim population of Uighurs resides. It has military benefits, providing China's navy future access to a remote port at Gwadar managed by a state-backed Chinese company with a 40-year contract. [...] **China is making calculations that the benefits will outweigh the risks**.

Exporting the Chinese Model
January 12, 2016; Francis Fukuyama; Project Syndicate

A historic contest is underway over competing development models – that is, strategies to promote economic growth – between China, on the one hand, and the US and other Western countries on the other. Although this contest has been largely hidden from public view, the outcome will determine the fate of much of Eurasia for decades to come. [...]One Belt, One Road represents a striking departure in Chinese policy. For the first time, China is seeking to export its development model to other countries. [...]One Road is different: its purpose is to develop

industrial capacity and consumer demand in countries outside of China. Rather than extracting raw materials, China is seeking to shift its heavy industry to less developed countries, making them richer and encouraging demand for Chinese products. **China's development model is different from the one currently fashionable in the West. It is based on massive state-led investments in infrastructure – roads, ports, electricity, railways, and airports – that facilitate industrial development. American economists abjure this build-it-and-they-will-come path, owing to concerns about corruption and self-dealing when the state is so heavily involved. In recent years, by contrast, US and European development strategy has focused on large investments in public health, women's empowerment, support for global civil society, and anti-corruption measures.Laudable as these Western goals are, no country has ever gotten rich by investing in them alone.** [...]The big question for the future of global politics is straightforward: Whose model will prevail? If One Belt, One Road meets Chinese planners' expectations, the whole of Eurasia, from Indonesia to Poland will be transformed in the coming generation. China's model will blossom outside of China, raising incomes and thus demand for Chinese products to replace stagnating markets in other parts of the world. Polluting industries, too, will be offloaded to other parts of the world. Rather than being at the periphery of the global economy, Central Asia will be at its core. And China's form of authoritarian government will gain immense prestige, implying a large negative effect on democracy worldwide. But there are important reasons to question whether One Belt, One Road will succeed. Infrastructure-led growth has worked well in China up to now because the Chinese government could control the political environment. This will not be the case abroad, where instability, conflict, and corruption will interfere with Chinese plans. [...]The US used to build massive dams and road networks back in the 1950s and 1960s, until such projects fell out of fashion. Today, the US has relatively little to offer developing countries in this regard. President Barack Obama's Power Africa initiative is a good one, but it has been slow to get off the ground; efforts to build the Fort Liberté port in Haiti have been a fiasco. The US should have become a founding member of the AIIB; it could yet join and move China toward greater compliance with international environmental, safety, and labor standards. **At the same time, the US and other Western countries need to ask themselves why infrastructure has become so difficult to build, not just in developing countries but at home as well. Unless we do, we risk ceding the future of Eurasia and other important parts of the world to China and its development model.**

The Limits of Economic Optimism
April 22, 2017; Kemal Dervis; Project Syndicate

Until recently, most macroeconomic indicators were regularly leading to downgrades in growth projections. Now, the opposite seems to be happening. **The IMF's recent flagship report raised its projection for world GDP growth for 2017 from 3.4% to 3.5%, compared to the estimated rate of 3.1% for 2016. [...]But growth remains vulnerable to the as-yet-unresolved issues that kept dragging down previous forecasts**. One of those issues is slowing productivity growth, which has held back global economic performance, to varying degrees, for the last two decades, with no sign of reversal in sight. Another is economic inequality, which seems largely to be worsening, as wealth becomes increasingly concentrated at the top of the income distribution. [...]There is one more prerequisite for sustainable growth: relative peace and security. This demands a strong international governance framework in which conflicts are resolved by negotiation and compromise, though strong defenses – both traditional and non-traditional (for example, cyber security) – will also have an important role to play in guarding against major threats. [...]None of this is to say that the 2017 projections for GDP growth will be proved wrong. On the contrary, it is possible that the world will experience even-faster-than-expected growth

this year, with growth forecasts being revised upward again this summer. But these gains are likely to be short-lived, **unless policymakers seize the opportunity that they provide to address the deep-seated structural challenges that, if left unresolved, will undermine growth in the longer term.**

Trump's Low-Growth Trap
May 08, 2017; Robert Samuelson; The Washington Post

We are eight years into the recovery from the Great Recession, the unemployment rate has dropped to 4.4 percent, the stock market is pushing record highs, and consumer confidence seems robust. And yet, **the economy doesn't feel as good as it looks. Anxieties lurk.** [...]**This doesn't feel like a typical business cycle recovery, because it isn't. We have entered a new era of low economic growth and high political disappointment**. Our democratic system requires strong-enough economic growth to raise living standards and support activist government. These expectations, present in most advanced democracies, are no longer realistic, because **the global economy has changed in ways that reduce growth. [...]The causes of the current slowdown can be summed up as the Three Ds: depopulation, deleveraging and deglobalization**. Between the end of World War II and the financial crisis of 2008, the global economy was supercharged by explosive population growth, a debt boom that fueled investment and boosted productivity, and an astonishing increase in cross-border flows of goods, money and people. Today, all three trends have begun to sharply decelerate: families are having fewer children ..., banks are not expanding their lending [as before] ..., and countries are engaging in less cross-border trade. [...]Many governments are still trying to push their economies to reach unrealistic growth targets. Their desperation is understandable, for few voters have accepted the new [economic] reality either. ... This growing disconnects between the political mood and the economic reality could prove dangerous. ... Some leaders [are] scapegoating foreigners or launching military adventures [to] divert the public's attention from the economy. [...] Protective social institutions -- widely called the "welfare state" elsewhere and the "social safety net" in the United States -- shielded against economic upsets and personal misfortune. Democracy mitigated capitalism's worst excesses. The system's victims and critics could be bought off. But the model required -- and most people took for granted -- a dynamic economy that could boost living standards and expand welfare benefits. This assurance has now gone missing. **At best, the model desperately needs repair; at worst, it is busted.**

Inconvenient Truths About the US Trade Deficit
April 25, 2017; Martin Feldstein; Project Syndicate

The United States has a trade deficit of about $450 billion, or 2.5% of GDP. **[...]**The smaller trade deficit would help US exporters and firms that now compete with imports. But a decline in the trade deficit would leave Americans with less output to consume in the US or to invest in the US to produce future consumption. [...]Trade experts estimate that reducing the US trade deficit by one percent of GDP requires export prices to fall by 10% or import prices to rise by 10%. A combination of these price changes is about what it would take to shrink the current trade deficit by 2% of our GDP, bringing the US close to trade balance. But, because **US exports and imports are 15% and 12% of GDP, respectively, a 10% decline in export prices would reduce average real (inflation-adjusted) income by 1.5%, while a 10% rise in import prices would reduce real incomes by an additional 1.2%.** [...]So changes in America's saving rate hold the key to its

trade balance, as well as to its long-term level of real incomes. **Blaming others won't alter that fact.**

The Risks to America's Booming Economy
March 29, 2017; Martin Feldstein; Project Syndicate

After a long and slow recovery from the recession that began a decade ago, the United States economy is now booming. The labor market is at full employment, the inflation rate is rising, and households are optimistic. Manufacturing firms and homebuilders are benefiting from increasing activity. The economy is poised for stronger growth in the year ahead. We no longer hear worries about secular stagnation. [...]But, although the economy currently is healthy, it is also fragile. The US has experienced a decade of excessively low interest rates, which have caused investors and lenders to seek higher yields by bidding up the prices of all types of assets and making risky loans. The danger is that overpriced assets and high-risk loans could lose value and cause an economic downturn. The price-earnings ratio of the Standard & Poor's 500 Index is now nearly 70% above its historic average. A return of the price-earnings ratio to its historic average would cause share prices to decline by 40%, implying a loss of more than $9 trillion, an amount equal to nearly half of total GDP. [...] This will be a major challenge to the US Federal Reserve and the Trump administration in the year ahead.

EUROZONE CRISIS:

How the EU lost its way
March 25, 2017; Giulio Tremonti And Theodore Roosevelt Malloch; Politico

Over the last 20 years, the EU has failed to understand and manage major political and economic phenomena, as it pushed ahead with its plan to transform an entirely economic body into a political one. First, Brussels missed the chance to manage globalization. It was caught unprepared, too busy perfecting an internal market to compete with various types of economies. First, a financial crisis, then an economic crisis, and finally, a political crisis. Each evinced a decreasing faith in the project and left Europeans increasingly anxious. [...] the EU and its allies should call for a return to the sanity and legitimacy of that original treaty and its vision for Europe. In the process, intermediary institutions, where people actually lived their lives and flourished in the past, were thrown on the proverbial ash heap of history. All the while, immigration transformed Europe's nations and the very definition of European identity. [...]**Today, the EU is in a deep crisis. Now, it finds itself at a crossroads: let the project erode or centralize even more. Neither option is attractive. [...]There is, however, a viable alternative. Europe could return to the original Treaty of Rome, to the very model of confederation that was so laudable 60 years ago. Uniting on only essential matters, such as defense, security and cooperation on a customs area, it would leave the rest to its members.**

Italy on the Brink
December 8, 2016; Philippe Legrain; Project Syndicate

Italian voters' rejection of constitutional reforms in a referendum has not only led Prime Minister Matteo Renzi to resign; it has dealt another blow to a crisis-ridden European Union. **In the near**

term, Italy's ongoing banking crisis could flare up again and threaten European stability; in the longer term, Italy may have to leave the Eurozone, which would put the single currency itself at risk. [...] The immediate problem is Italy's zombie banks, which are inadequately capitalized, insufficiently profitable, and saddled with bad loans. These banks need to raise fresh capital, which was already proving difficult before the referendum, and now may be impossible.

European Disunion; Germany's Dilemma
February 17, 2017; Andrew A. Michta; The American Interest

Germany is struggling with the question of Europe's future because national politics have punched a big hole in what used to be a confident, if at times stodgy, European sense of self.[...]Germany's immigration policy is being contested not just on the eastern flank of the European Union, but also increasingly from the north. On economic issues, Germany's Eurozone policies continue to come under fire from Europe's south. [...] Developments in France will be essential—even more so than the waxing political chaos in Italy—to Germany's position in Europe and its ability to shape the future of the European Union. [...]Germany's choice today, therefore, is either a "two-speed" Europe of core and periphery, or a radical restructuring of the European Union into a zone of loose confederation. To put it differently, the Eurozone must integrate to save itself, but deepening the integration of a German-led core will inevitably make the outlying areas of the EU peripheral while also reordering the periphery's ability to influence the overall course of the European Union. To assume that such a new European Union, running at two distinct speeds, could still be run from the center is at best a dubious bet. [...]The fate of Germany's post-Lisbon EU vision of both a wider and more integrated Europe will depend on the outcome of this year's elections. The volatility of German politics today, with the rise of the SPD and growing support for the anti-immigration AfD party, makes it a mug's game to try to predict how all this will turn out. We will all just have to wait for the German electorate to speak in September.

Europe must pull its weight if 'the West' is to survive
February 21, 2017; Sholto Byrnes; The National

It is clear that one part of that collective entity – most of Europe, and a collection of other nations generally settled by or semi-populated by Europeans and their descendants – has long relied far too much on the United States. Europe in particular has a history of trying to have it both ways. While the US spends 3.6 per cent of GDP on defence, only five Nato countries meet the 2 per cent of GDP threshold all member states are supposed to commit. [...]Europe has continued to rely on America: not just during the decades of the Cold War, but more recently in the Anglo-French led intervention that toppled Colonel Qaddafi when, as the then US defence secretary Robert Gates pointed out, only 11 days into the mission "many allies are beginning to run short of munitions, requiring the US, once more, to make up the difference. [...] When it comes to the crunch, Europe always expects the US cavalry to ride to the rescue. Relations with Russia are another case in point. **For all that it is still a great power, Russia, shorn of its former Soviet republics and the Eastern Bloc, is a country of only 146 million. The European Union contains over 500 million. But when Mr Putin says "boo", Europe rushes to clutch America's skirts. The new US administration has, however, made clear that its appetite for being the eternal protector of a continent that refuses to fend for itself is limited**. Many – especially critics of

what they see as American imperialism – will applaud that. But it means that the idea of the West as it exists in Europe will have to be more self-supporting.

The Eurozone is Still Vulnerable
March 22, 2017; Benedicta Marzinotto; Project Syndicate

Despite recently experiencing an overall economic uptick, the Eurozone remains fragile and uninsured against the risk of another crisis. And a major reason is that it is still vulnerable to asymmetric boom-and-bust cycles. Simply put, while all Eurozone members can benefit during good times, some suffer far more than others during busts. This means that whenever the next crisis hits, safety-conscious investors will flee from fiscally weak countries toward fiscally strong ones that have a proven track record of generating economic growth.**When the economic calculus reverses, we can expect to experience a sense of *déjà vu*. Each country's gain will entail another country's loss, which will undermine inter-Eurozone cooperation and fuel political tensions.** [...]A formal debt restructuring is often offered as an alternative to ineffective supranational and national fiscal frameworks. In this scenario, market supervision would replace political supervision. But, because some countries are still clearly more vulnerable than others, introducing a debt-restructuring program now would scare investors away from those countries, thereby doing more harm than good. In the short term, policymakers should explore other avenues for solving the public-debt overhang. [...] Meanwhile, the ECB would need to play a different and more distant role than it has. And independent authorities – such as the European Commission or even an entirely new institution – would need to ensure that savings were put to productive use in each country.

China in Central and Eastern Europe: 4 Myths
Debunking four myths about China's "16+1" platform with Central and Eastern Europe.
June 16, 2016; Dragan Pavlićević; The Diplomat

China aims to develop relationships with some or all of the CEE countries to such an extent that the importance of their relationship with China will overshadow the respective countries' relationship with the EU. [...]This view, however, underestimates the strength of intra-European political and economic integration. [...] Chinese policymakers must have surely concluded that the road to get Brussels to do what Beijing wants is much more likely to lead via governments in Berlin, London, or Paris than those in Budapest, Warsaw, or Belgrade. [...]In a positive version of this myth, CEE is a bridge to Europe in both geographical and metaphorical sense. [...] Cooperation between China and CEE, particularly on developing the region's transportation infrastructure, will both enable physical connectivity and promote economic integration between China and Europe, including the EU. The negative version of this myth, adopted by many in the EU, including in official circles, views the CEE as China's Trojan horse, which will provide Beijing with access to the inner workings of the EU and influence on the EU's policymaking as the region becomes increasingly dependent on the economic exchange with China. [...]China has many more cooperative mechanisms with the EU, and much more intense exchange on most aspects of bilateral relationships with the non-CEE members of the EU, including much larger trade volumes and dramatically higher flows (both ways) of investment, than it has with the CEE countries. **[...] China does not need either a "bridge" or a "Trojan horse" to get into the EU. It is already there.** [...]Many CEE countries find China's "set menu" offer to finance and build capital infrastructure projects ill-fitted to their needs, and have found China largely unresponsive to appeals to give a larger role to other forms and types of

economic cooperation. On the other side, Chinese think tankers and officials are puzzled about the lukewarm response their initiatives, which are perceived as very generous, receive in the CEE countries. [...]Altogether, the number of regular and institutionalized mechanisms under the initiative — a prerequisite for long-term and sustainable development of the platform — is growing by the year, ensuring solid foundations for the future. After all, the initiative is only in its fifth year, and the checklist of developments so far looks fairly impressive if assessed with that in mind. [...]**Brussels is allegedly aware of the dangerous and treacherous Chinese strategy to "divide and conquer" and is also highly concerned about the consequences of China's growing economic presence in the region for the fortunes of strategic industries and overall health of European economy.** The EU has therefore countered by pressuring the CEE countries to refrain from deepening relations with China. [...]Several deals in sensitive industries, such as nuclear energy and steel, where the EU has valid concerns about the economic, security, and policy-level implications, have gone through, which could not have happened without Brussels' approval. On a broader front, while the EU countries *en masse* joined the China-backed AIIB, China has recently become a member of the European Bank for Reconstruction and Development (EBRD). Beijing is also set to significantly contribute to the Juncker plan, the Brussels investment platform for sustained economic recovery in Europe, including in the CEE region. If anything, this series of developments suggests that there is an alignment of the EU's and China's development policies and goals, in the CEE and beyond, rather than a rivalry. [...]On the contrary, the 16+1 is indeed a challenging proposal for all involved and the problems are many and varied. However, China, the CEE countries, and the EU, as the key stakeholders, will inevitably need to engage in more, not less, negotiation and coordination of policies to manage China's rapidly growing interests in the region. In such a context — and contrary to the assumptions arising from the misconceptions analyzed here — **the 16+1 format is unlikely to fail and slip into irrelevance. Rather, it is set to grow in importance over the coming years.**

How Germany Won World War II (In 2017)
March 26, 2017; Leon Hadar; The National Interest

Some of the Western pundits have suggested that communist China could replace the United States as the guardian of the liberal international order. [...]It makes more sense to state the obvious: China doesn't want to change the current global economic status quo that seems to be aligned with its national interest, which is Making China First Again. Also prioritized are the interests of those business executives and politicians who have congregated at Davos to make deals with the Chinese. But not to worry, **There is a nation that has been ready since the end of the nineteenth century—and for the first part of the next one—to fill geostrategic vacuums and exert its leadership role here, there and everywhere. And no one would deny that post-World War II Germany has become a beacon of liberal democratic principles and a force for peace in Europe and elsewhere,** and that its current chancellor, unlike you-know-who, is committed to the Enlightenment project and its recent manifestation in the form of globalism. [...] The *Economist* magazine appeared to be leading the charge in a commentary titled "Angela Merkel and her press corps show how big democracies are supposed to operate." It contrasted Merkel, who was "every inch the cool, reserved physicist-by-training," with Trump, who was "dyspeptic, defensive and visibly irritated by press questions." [...]The contrast drawn by the *Economist* and other media between Merkel and Trump goes beyond personalities or even specific policies. In the narrative the magazine created, which was captured **in a *New York Times* headline: "As Obama Exits World Stage, Angela Merkel May Be the Liberal West's Last Defender," the German chancellor is portrayed as standing up**

to right-wing nationalist parties in Europe and assaulted by proponents of illiberal democracy. That list of opponents includes Russian president Vladimir Putin and his alleged admirer, Donald Trump.

Macron and the Revival of Europe
May 7, 2017; Roger Cohen; New York Times

It's not just that Emmanuel Macron won and will become, at the age of 39, France's youngest president. **It's that he won with a bold stand for the much-maligned European Union, and so reaffirmed the European idea and Europe's place in a world that needs its strength and values.** [...] It is Europeans' "common destiny," as Macron put it in his acceptance speech, standing before the French and European Union flags. To think otherwise is to forget history. No wonder Chancellor Angela Merkel of Germany, through her spokesman, immediately proclaimed a victory "for a strong and united Europe." [...]Now the hard part begins. For the first time in France, the far right took more than a third of the vote, a reflection of the anger in the country at lost jobs, failed immigrant integration and economic stagnation. Macron, who said he was aware of "the anger, the anxiety, the doubts" needs to address this social unease head-on by reviving a sense of possibility in France**. Without change, Le Pen will continue to gain support. Change is notoriously hard to fashion in France. Many have tried. Many have failed. [...]If France grows again, Europe will grow with it.** [...]Macron's is a victory for many things. He has demonstrated that France is not a country where racism and anti-European jingoism can win an election. He has reasserted the European idea and raised the possibility that France and Germany will conjure a revival of European idealism. He has rebuked the little Englanders who voted to take Britain out the Union.

OIL:

Goldman Says Oil Prices On the Brink Of 'Capitulation'
May 8, 2017; Mark Decambre; Market Watch

After crude-oil prices took a beating over the past week, falling to their lowest level since before OPEC-led a deal to curb output in November, analysts at Goldman Sachs say crude may reaching a "capitulation" point. **[...]$50 a barrel could be in jeopardy, if the prices continue to come under pressure. [...]an unrelenting ramp up by U.S. shale-oil producers is being widely credited with the recent downturn in price action for oil, which peaked in late February.**

Oil rout driven by China, inventories and funds
May 05, 2017; Catherine Ngai; Reuters

The plunge in crude oil markets this week to a six-month low was likely driven by worries about Chinese economic growth, persistently high inventories and fund positioning. U.S. crude oil CLc1 slumped by 5.0 percent to a low of $45.29 a barrel, the lowest since November, when the Organization of Petroleum Exporting Countries agreed to curb production by 1.8 million barrels per day for six months from Jan. 1. [...]**Chinese manufacturing surveys this week triggered worries that the economic growth in the world's second largest economy may have peaked in the first quarter** and China's central bank has moved to tighten credit leading to a fall in stock prices for the fourth straight week. **Doubts that the OPEC-led supply**

cut of the past few months are deep enough to draw down bloated storage levels around the world are also weighing on prices. U.S. crude stockpiles fell less than expected last week as rising U.S. production offset reduced supply from OPEC. [...]One dominant group appeared to rush into the selling: managed futures firms, or Commodity Trading Advisors (CTAs), which manage about $340 billion in assets. These funds advise others on buying or selling futures, futures options, and foreign-exchange forward contracts. They often look at macro-economic trends across asset classes and trade dozens of markets using models to detect the start and end of moves. [...]**Hedge funds are also losing faith that OPEC can accelerate the rebalancing of the oil market even if the group agrees to extend output cuts when it meets later this month.** The speed and direction of the selling this week was enough to cause the December 2017 crude contract price to fall below the December 2018 contract CLZ7-Z8, an indication of increasing worries about the overhang of supply. [...]The obvious thing is that the market was massively long. When it's a crowded trade, things tend to do the opposite very quickly.

MIDEAST:

7 perils of Trump's attempt to isolate Iran
May 22, 2017; Seyed Hossein Mousavian; Al Monitor

US President Donald Trump's landmark speech in Saudi Arabia May 21 signals a reversal of policy from the Barack Obama administration and will ratchet up tensions with Iran. [...]**Trump appeared in an autocratic monarchy to call on "nations of conscience" to "isolate" Iran**. [...]The Trump administration's main accusation is that Tehran is destabilizing the region. However, this simply does not square with the reality on the ground. Iran is backing the same governments in Iraq and Afghanistan that the United States supports. [...]**Furthermore, Iran's military spending is less than Saudi Arabia's, Israel's and other Persian Gulf Arab countries', while its population is greater than all of them combined. To claim Iran has militaristic aims over the region is thus baseless.** [...]**Given Trump's apparent strategy, there are at least seven perils.First, the nuclear deal**, which guarantees the non-diversion of Iran's nuclear program towards possible weaponization, is in great jeopardy. [...] **Second, A Trump policy of petrodollars in exchange for a confrontational US approach on Ira**n is thus likely in store. By ignoring the underlying factors that destabilize the region, such a quid pro quo will ensure the continuation of turmoil and its spread beyond. [...] **Third, Trump wants to expand the sale of US armaments to Saudi Arabia.** [...]**Fourth, Trump's embrace of Saudi Arabia is more likely to spread terrorism than curb it.** On the campaign trail, he described Riyadh as the "world's biggest funder of terrorism. [...]**Fifth, instead of recognizing Saudi Arabia and Iran should "share" the region and temper the power balance, Trump's speech in Riyadh sets them up for confrontation**. [...]**Sixth, the United States and Israel have long been the most resented nations in the Arab and Muslim worlds.** This is why former Iranian President Mahmoud Ahmadinejad's bellicose anti-American and anti-Israeli rhetoric won him such popularity on the Arab and Muslim street. Today, Saudi Arabia and Israel are forming an open alliance against Iran, which Trump supports. [...]**Finally, Trump's Middle East policy will exacerbate rather than solve the root causes of the problems that afflict Arab states, such as poverty, corruption, autocratic governance and the spread of Wahhabism. [...]None of the above is in the interest of the West.**

China's Role in Post-Hegemonic Middle East
May 01, 2017; John Calabrese; Real clear World

Beijing has a broad range of interests in the Middle East. Foremost among them is continued access to the region's energy resources. China's second key interest in the Middle East is cultivating relationships and building influence with regional powers beyond the confines of its immediate Asia-Pacific neighborhood. **A third interest is preserving domestic security by preventing radical ideologies and jihadi networks with roots in the region from seeping into China.** Fourth, China has a general interest in the Middle East, as in other regions, as a theater for earning recognition as a legitimate great power. [...]China's role in the Mideast has grown diplomatically, economically, and militarily, however **this increased involvement is not necessarily indicative of an incipient strategic competition between China and the United States**. First, it is essential to point out that American and Chinese interests in the Middle East are not directly in conflict with each other. On the contrary, the United States and China have a common interest in the uninterrupted flow of oil from the Middle East and in countering violent extremism in the region. Second, China has exhibited few signs that it wishes to challenge U.S. military predominance in the region -- and for good reason. China benefits from the U.S. role as security guarantor, and without having to bear the fiscal or potential political costs itself. Furthermore, maintaining a large military presence in the Gulf and surrounding region to some degree diverts U.S. attention and resources away from East Asia, the area of highest geostrategic priority to China. Third, the calls from Beijing's Mideast friends and allies for a greater Chinese role in the region do not represent a desire on their part to substitute Chinese for American hegemony. [...]Thus, the prospects for intensifying strategic competition in the Middle East between China and the United States are rather more remote than they appear to be, particularly in the short term. **Over the longer term**, however, **increased Chinese military capabilities, coupled with rising U.S.-China tension in the western Pacific, could feed back into the Middle East, igniting such a competition. In anticipation of such an eventuality, it would be more prudent for the United States to explore win-win scenarios than to assume zero-sum outcomes.**

A Game Changer for Syria?
April 12, 2017; Omar Ashour; Project Syndicate

The US now seems to be shifting its approach in a way that could have far-reaching implications for the Syrian conflict, almost all of which would be bad for Assad and his patrons in Russia and Iran. From a military perspective, the main impact of the recent chemical strike – which apparently destroyed 20% of Assad's operational aircraft in less than an hour – will be to boost deterrence, though to what extent remains unclear. What is clear is that the Obama administration established no deterrence at all. Obama defined the use of chemical weapons as a "red line" that the Assad regime must not cross. [...]Deterring Assad demanded credible military action. That is what the Trump administration has now provided, proving that it is both willing and able to punish those who cross its red lines. The "able" part matters. The Kremlin deployed missile-defense systems – including the state-of-the-art SA-21 Growler – in Syria about six months ago, claiming that Assad's air bases were now safe from American cruise missiles. While such claims may have been useful to boost sales of Russian arms showcased in Syria, they turned out to mean little: Russia failed to intercept the US missiles. [...]**An oft-repeated adage in diplomatic discussions about the Syrian conflict is that there are no military solutions**. That does not mean that military action has no role to play. On the contrary, there probably can be no diplomatic solution or lasting settlement without action that resets the military balance and

undermines both the conventional and unconventional capacities of Assad and his patrons. It does mean, however, that **one coalition of actors won't be able to eradicate the others**. It also means that the challenge for the Trump administration extends far beyond outmaneuvering Russian air-defense systems and tactically punishing a brutal, petty dictator.

Trump's War Policy in Syria
April 20, 2017; Robert Skidelsky; Project Syndicate

Clearly, the last word has not been said about the chemical weapons attack on Khan Sheikhoun in Idlib Province, Syria. But three points – concerning responsibility for the attack, the United States' military response to it, and the episode's effect on the course of Syria's civil war – need to be made. First, all governments lie, not congenitally, but when it suits them and they think they can get away with it. [...] The second point is that **Trump has revealed his psychological instability. His goal as president, he has constantly proclaimed, is to repair the US economy, not to be the world's policeman. He repeatedly warned Obama not to get into a "shooting war" in Syria. Yet he did precisely that** by launching 59 Tomahawk missiles at a Syrian air base three days after the massacre at Khan Sheikhoun. [...] The third point is that US Secretary of State Rex Tillerson's statement in Moscow that the "reign of the Assad family is coming to an end" makes no sense. Unless Tillerson has in mind a hidden policy to remove Assad by assassination or coup, insisting on his departure as a condition of a political settlement in Syria amounts to prolonging the civil war: more armed support for the opposition will mean more Russian backing for the regime. [...] Either way, America's policy, insofar as it has one, is simply a war policy, with no time limit and incalculable consequences. "If it appears that Trump is on the way to reaching an appropriate policy equilibrium, his impulsiveness, ignorance of international affairs, unsystematic nature, native contrariness and 'transactional' disposition probably preclude the coalescence of a distinctive 'Trump doctrine.'" [...]A prudent foreign policy is completely different from a "proportional" response to a specific event, because it involves establishing the ends that the chosen means are supposed to serve. In other words, **foreign policy requires strategic thinking. Trump has shown no evidence of it; in fact, his policy impulsiveness risks digging an even deeper hole for Syria, into which the US, Britain, and Russia will be sucked**.

Trump to Arm Syrian Kurds, Even as Turkey Strongly Objects
May 9, 2017; Michael R. Gordon and Eric Schmitt; NY Times

President Trump has approved a plan to arm Syrian Kurds so they can participate in the battle to retake Raqqa from the Islamic State, a strategy that has drawn deep opposition from Turkey, a NATO ally. American military commanders have long argued that arming the Y.P.G., a Kurdish militia fighting alongside Syrian Arab forces against the Islamic State, is the fastest way to seize Raqqa, the capital of the militants' self-proclaimed caliphate. [...]Turkey has objected vociferously to such a move, raising fears of a backlash that could prompt the Turks to curtail their cooperation with Washington in the struggle against the Islamic State. [...]The weapons that the United States will provide Kurdish and Arab fighters in the anti-Islamic State coalition include heavy machine guns, mortars, anti-tank weapons, armored cars and engineering equipment. American military officials have said that weapons are needed to help the lightly armed Kurdish and Arab fighters cope with urban warfare in Raqqa against unyielding Islamic State militants who are equipped with car bombs and even some tanks they captured from the Syrian Army. To address Turkish concerns that the arms might be used against their forces one

day, the supply of weapons and ammunition will be limited to what the Kurds and Arab fighters need to carry out specific operations, American officials said. [...]**According to Turkish news reports, the officials who met with General McMaster, their mission was to talk the Trump administration out of arming the Kurds. Instead, they were informed that the decision had already been made.** [...]That is one reason that even as the American-backed Syrian Kurdish and Arab forces have increasingly tightened a noose around the city, and the coalition has pummeled it with airstrikes, allied fighters have also struck targets south of Raqqa, near Deir al-Zour and Mayadeen, where many of the senior Islamic State members have fled.

Saudi Arabia's post-oil reform vision looks blurry
April 25, 2016; Andy Critchlow ; Reuters

Saudi Arabia's efforts to fashion a post-oil strategy require more openness than its new economic reform plan encompasses. Vision 2030, the strategy unveiled by Deputy Crown Prince Mohammed bin Salman on April 25, features reasonable reforms. But they barely scratch the surface of what is needed. The economic measures had already been well-trailed. The existing state-controlled Public Investment Fund will be transformed into a giant sovereign wealth fund to manage the kingdom's petrodollars. Instead of direct subsidies, Saudis will receive payments as a form of benefit, while the government will attempt to cut unemployment to 7 percent from 11.6 percent by an unspecified date. Saudi will also list less than 5 percent of Saudi Aramco via an initial public offering, valuing the state oil company at $2 trillion. Cutting state subsidies on electricity and creating a SWF to manage global investments are good ideas. They will help cushion the kingdom's finances against future oil price slumps. But **oil still accounted for 78 percent of Saudi exports last year, according to IMF projections. To replace it as the lifeblood for the Saudi economy, Mohammed bin Salman needs to target more radical reforms to the conservative kingdom.**

PAKISTAN/ CPEC & INDIA:

China to invest $50b to develop Indus River Cascade
May 13, 2017; Zafar Bhutta; The Express Tribune

In a major development that may attract $50 billion Chinese investment to Pakistan, Islamabad is expected to sign an MoU with Beijing on Saturday (today) for financing and developing the North Indus River Cascade which has the potential to generate 40,000MW hydro electricity. The $50 billion investment comes on top of the $46 billion investment being provided by the Chinese government and Chinese banks for financing power and road infrastructure projects in Pakistan under the China-Pakistan Economic Corridor (CPEC). **With the signing of the MoU** – which will be witnessed by Prime Minister Nawaz Sharif who is on an official visit to China – **Beijing will emerge as the biggest financier of infrastructure projects in Pakistan**. According to the studies conducted by the Water and Power Development Authority (Wapda), Pakistan has an identified potential of producing up to 60,000MW of hydroelectric power. Some 40,000MW of this potential power is located in the region called the Indus River Cascade, which begins from Skardu in Gilgit-Baltistan and runs through Khyber-Pakhtunkhwa as far as Tarbela, the site of Pakistan's biggest dam in.

Modi blew it big time on China policies
May 13, 2017; M K Bhadrakumar; Indian Punchline (Rediff)

$50 billion – for the development of the North Indus River Cascade in Pakistan's Gilgit-Baltistan region. This will be Chinese investment over and above the $46 billion China-Pakistan Economic Corridor. Whopping 40,000 MW of electricity can be produced in the region known as the North Indus River Cascade, which stretches from Skardu in Gilgit-Baltistan and runs through Khyber-Pakhtunkhwa as far as Tarbela. The stunning development catapults Pakistan as by far the number one recipient of Chinese investment in infrastructure development. The geopolitical significance is at once obvious. Beijing, which went the extra league in the recent months to convince India that the latter's concerns over sovereignty relating to the CPEC are unwarranted, has apparently given up and decided to simply ignore Delhi's protestations and proceed with the **CPEC projects in a big way in Gilgit-Baltistan. It is a political and diplomatic snub by China, conveying a frank message to the Modi government to "get lost". The Modi government is now left with an option to carry on regardless along the path of confrontation and rivalry with China, or, alternatively, to see the writing on the wall and get adjusted to the fait accompli with a sense of stoicism and sense of modesty.** [...] However, **China seems to estimate that it is in India's DNA that sooner rather than later, it will feel the intensity of regional (and global) isolation – especially now that all of India's neighbours, including Nepal, have joined the OBOR – and make atonement**. [...]All in all, Modi government's China policies are turning out to be very short-sighted and based on vanities and prejudices carried forward from another era that are hopelessly unsustainable today. It was possible to have rationally analysed that the Belt and Road Forum in Beijing will turn out to be a seminal event in global politics. But Modi decided to boycott it. The sad part is the sophistry in the Indian argument. The plain truth is that in the emerging scenario in J&K, India should be more than satisfied with a solution to the Kashmir problem without having to redraw territorial boundaries and which would somehow legitimise the Line of Control as the international border. Indira Gandhi knew this home truth; Rajiv Gandhi knew it; Narasimha Rao knew it; AB Vajpayee most certainly knew it. But Modi somehow doesn't get it. The Modi government dreams up that all of Greater Kashmir stretching up to Wakhan Corridor belongs to India. A foreign policy based on such poppycock does not serve the country's interests.

China's Stake in the Kashmir Dispute
May 17, 2017; Fahad Shah; The Diplomat

The disputed Kashmir region is now at the center of the ambitious China-Pakistan Economic Corridor, as the route passes through the region of Gilgit-Baltistan, part of Pakistan-administered Kashmir. India's opposition to the CPEC is based primarily on its claim to Gilgit-Baltistan. China's position has, however, been neutral on the matter to date; it has asked India to join CPEC and solve the Kashmir issue with Pakistan through dialogue. [...]The debate over Kashmir in relation to the CPEC started after India raised concerns that China and Pakistan were using a territory that is an "integral part" of India. However, Gilgit-Baltistan has been part of Pakistan-controlled Kashmir. the view of the pro-independence leaders and the pro-India regional government is that Kashmir could become a gateway to Central Asia. [...]The chief minister of India-administered Kashmir, Mehbooba Mufti, raised eyebrows when she supported CPEC, saying that Kashmir could become a gateway to Central Asia. [...]**The demand for solving the Kashmir dispute is only growing, with support for dialogue between India and Pakistan pouring in from China also. [...]In sync with this idea, many in Pakistan also suggest that India must think of**

joining CPEC. Last month, while speaking at a conference in Karachi, Pakistan's National Security Adviser (NSA) Lt-Gen (retd) Nasser Khan Janjua said that India's inclusion in the CPEC project could lead to solving the Kashmir issue. "If India wants to become part of the corridor, it must first step forward and resolve [the] Kashmir issue," said Janjua. [...]**Despite several statements, India remains opposed to CPEC in order to oppose Pakistan and China's growing relations. While in Kashmir, anti-India sentiment is growing at higher pace than ever before, India remains unwilling to have talks either with Pakistan or with the pro-freedom leadership based in the Valley. New Delhi continues to only use hard power to control the civilian uprising.**

OBOR: Is India Staring at Regional Isolation?
May 14, 2017; Editorial; The Citizen (India)

Without referring to India President Xi said, "all countries should respect each other's sovereignty, dignity and territorial integrity, each other's development paths and social systems, and each other's core interests and major concerns." And in the process made it apparent that China has given up on wooing India to join the initiative and was now going full steam ahead without New Delhi on board. "Get Lost" seemed to be the message as senior diplomat MK Bhadrakumar said. It is not clear to anyone what India hopes to gain from this position. [...]Prime Minister Narendra Modi is the first PM to actually rock the boat, with applause of course from the ageing and retired establishment that lives in the past, and what is now referred to generally as the 'nationalist' lobby. **Relations with China have moved out from the realm of 'so so' to 'rocky' for no reason at all.** This black and white approach is old hat, and cannot work in a world ruled by diplomatic nuances as reflected in the US position on OBOR now. **Making an enemy of China at this stage will prove to be very negative, a fact realized by former NSA Brajesh Mishra when he cleared the way for Vajpayee's visit and ensured the institutionalization of a dialogue.** [...] PM Modi and his team should draw lessons from the BJPs earlier government, instead of following half-baked policies based on advice pouring out of Delhi's incestuous drawing rooms and corridors of power. **There seems to be little more strategic reasoning behind the decision to keep out of OBOR than that**.

Is U.S. Trying to Sabotage China-Pakistan Economic Corridor?
September 30, 2016; Ian Price; The Diplomat

Intentional or not, U.S. counterterror operations are pushing militants into Balochistan, the heart of CPEC. [...]It's no secret that Pakistan has fallen out of Washington's good graces in recent times. The current dip in relations culminated in a U.S. bill introduced on September 20 seeking to officially designate Pakistan as a state sponsor of terrorism. Pakistan has also seen the writing on the wall, allegedly using their networks to disrupt progress in Afghanistan and cozying up to China as a new source for weapons and economic growth. The China-Pakistan Economic Corridor (CPEC), for which China announced nearly $50 billion in funding in late 2014, would be the triumph of their growing relationship. This was certainly unwelcome news for the United States, who had a cautious eye on both countries, but there was no way for Washington to directly intervene. Indirectly, however, Washington seems to have succeeded in meddling with the project through a recent intensification of operations in east Afghanistan. [...]**To put it more bluntly, the United States has contributed to the degradation of security in Balochistan, a key region for CPEC projects, risking billions for China and Pakistan and putting a strain on their bilateral relations. It would have been**

easy to predict this outcome, as many observers have. So this ultimately raises a very interesting question: Was the United States banking on increased violence in Balochistan all along?

The Refracted Relationship
May 14, 2017; Munir Akram; Dawn

There are significant reasons for the maintenance of close and cooperative relations between Pakistan and the US. Unfortunately, Washington has almost always conducted its relations with Pakistan as a function of America's other strategic or tactical priorities of the moment. **Since US goals and priorities change periodically, at times rapidly, Pakistan-US ties have often resembled a roller-coaster ride. One day Pakistan is America's 'most-allied ally', the next its 'most-sanctioned' ally.** [...]There's now an international consensus, to which Islamabad, Beijing and Moscow subscribe: peace will be restored in Afghanistan only through a negotiated settlement between Kabul and the Afghan Taliban, whose objectives are limited to Afghanistan, and that the focus of military operations in Afghanistan should be to eliminate the growing presence of IS and affiliated terrorist groups. Hopefully, the US will join this consensus. It would help greatly to align Pakistan-US postures on Afghanistan and counterterrorism. [...]**For Pakistan, the litmus test will be to see how far US defense and technology supplies to India are sensitive to Pakistan's security interests, since 70 per cent of India's conventional and non-conventional capabilities are deployed against Pakistan.** Open-ended US military and political support under Obama emboldened the Modi government to adopt an intransigent and belligerent position towards Pakistan. **India's ongoing brutal repression of the popular pro-freedom Kashmiri protests, the daily violations of the LoC ceasefire, its 'Cold Start' forward military deployments, Pakistan's 'full spectrum' nuclear and missile response, and the absence of dialogue between Pakistan and India, have combined to create an environment where the danger of another Pakistan-India conflict is real and present. Such a conflict could escalate to the nuclear level. Trump's offer of mediation has been welcomed by Pakistan but rejected by India.** Hopefully, he will persist with this mediatory initiative. [...]An informal alliance is being forged between Israel, the US and its GCC allies. The Saudi invitation to several Muslim countries, including Pakistan, to participate in meetings with President Trump in Riyadh outlines the ambitions of this putative alliance. The situation could become acute if a hard-liner is elected to replace President Rouhani in the forthcoming Iranian elections. The nature and dynamics of this new configuration in the Gulf and West Asia will have profound and inverse implications for Pakistan's relations with Iran, on the one hand, and Saudi Arabia and the US, on the other. Pakistan can avoid damage to one or the other relationship by remaining aloof from this impending confrontation and, if possible, promoting mediatory diplomacy to defuse the causes of the Iran-Saudi (and US) tensions. Pakistan-US ties will be most fundamentally affected by the evolution in the US-China relationship. The Obama administration's proclaimed 'pivot to Asia' was designed to 'contain' China by deploying most of the US Navy to the Pacific and building a string of alliances around China. India was to be built up as part of this containment strategy. Pakistan's security interests suffered collateral damage as Washington opened the floodgates of advanced weapons and technology to India. [...]**A cooperative US-China relationship would be a major positive development for Pakistan.**

Belt and Road points the way to a 21st-century Renaissance, if China stays true to its vision
October 10, 2016; Da Hsuan Feng; South China Morning Post

The Belt and Road could well prove the incentive for China to change from being inward-looking to outward-looking. [...]With Asia, Africa and Europe becoming a supercontinent, and with universities dotting its landscape, it is certainly not inconceivable that a neo-Renaissance could be initiated. Within the neo-Renaissance in the supercontinent will emerge neo-Descartes and neo-Copernicuses to overcome modern challenges of humanity. **While creating economic and cultural well-being through the Belt and Road is exciting for the world, the implications of the initiative could be more profound. [...]If China can accomplish this, it will undoubtedly constitute a major transformation of the Chinese mindset, which is not only good for China, but for all humanity.**

Belt and Road projects offer huge opportunities, but also present sources of risk for Chinese banks
January 31, 2017; Alun John; South China Morning Post

According to Fitch's estimates, total overseas lending (not just limited to Belt and Road-related projects) by Chinese banks in the first half of 2016 was worth almost US$1,200 billion, two thirds of which were provided by commercial banks. [...]Chinese banks do not have a track record of allocating resources efficiently at home, especially in relation to infrastructure projects – and they are unlikely to have more success [doing it]overseas," [...]**The initiative is a component of China's efforts to expand its strategic international influence and a means of securing access to key commodities ... This subjugation of market forces means there is a heightened risk of projects proving unprofitable.**

Trump Wants a New Afghan Surge. That's a Terrible Idea.
May 06, 2017; Douglas Wissing; Politico

The Trump administration has yet to formulate a strategy for Afghanistan. After the well-documented "nation-building" failures in Afghanistan and Iraq, counterinsurgency is now a discredited doctrine. **"Counterterrorism light," as the current military operations are sometimes known, is less a strategy than a bundle of tactics with unknown outcomes.** [...]While no one in Washington power circles is yet willing to officially say it, **there is nothing the U.S. can do now to change the inevitable course of events**. All that can happen is good money is thrown after bad; more lives destroyed after so many have been ravaged. **It is time to accept the obvious: The war in Afghanistan is unwinnable. It is time for the U.S. to withdraw its troops, and let the Afghans sort out their own problems.**

How America lost Afghanistan
March 7, 2017; Bonnie Kristine; The Week

America has spent more money on Afghanistan than we spent on the Marshall Plan, adjusted for inflation. Afghanistan has a population of about 30 million people that make on average $400 a year. **When we invaded it was a basket case of a country. It was at the bottom of every human development industry. Sixteen years later, with more than the**

Marshall Plan invested there; they're still at the bottom of virtually every human development category. Most of that money was wasted. I think we are stumbling toward that great economic term, "sunk costs bias," which warns that the costs that have been invested should not be part of the discussion for future action.

All's not well in the (Indian) Army
January 03, 2017; Happymon Jacob; The Hindu

A military force with sharp internal divisions and discontent in the ranks has far-reaching national security implications. It's time the defence establishment got its act together. The 'controversial' appointment of the new Indian Army chief who assumed office on January 1, 2017 is perhaps the appropriate occasion to discuss the **rising uneasiness within the Indian Army on a number of significant issues.** [...]The justification of Gen. Rawat's appointment as stemming from his experience in dealing with insurgency is also indicative of the deeply entrenched tactical thinking within the government at the Centre. This then means that the **BJP-led government considers anti-militancy and counter-insurgency operations to be the fundamental job description of the Indian Army.** [...]The multiple crises afflicting the Indian Army have far-reaching national security implications. **Clearly, a military force with sharp internal divisions and discontent in the ranks can pose challenges for the country's national security and the morale and cohesion of the fighting forces.**

COMMODITIES OUTLOOK

SUGAR

SUGAR PRICES

Year	Retail Rs/kg (Domestic)	Wholesale Rs/kg (Domestic)	$/kg* (Domestic)	$/kg* (Global)
2012	57.16	43.33	0.56	0.5
2013	57.25	39.12	0.51	0.4
2014	53.97	37.59	0.53	0.4
2015	56.37	29.54	0.54	0.3
2016	62.30	42.17	0.61	0.4
2017**	60.19	44.79	0.60	0.4

Source: OECD-FAO Agricultural Outlook 2015-2024; WB, Commodity Markets Outlook (Jan 2017), Economic Survey 15-16
**Based on Mar 2017 Price

SUGAR PRODUCTION

Year	Million Tonnes (Domestic)	Million Tonnes (Global)
2011	4.2	162.2
2012	4.6	172.3
2013	5.1	177.6
2014	5.6	175.6
2015	5.2	174.3
2016	5.3	173.4
2017 (Forecast)	5.7	176.9

Source: *Pakistan Economic Survey 2015-16; WB, Commodity Markets Outlook (Jan 2017)*

World sugar prices, with the return to a deficit phase, are expected to increase only slightly for a couple of years as a consequence of high level of stocks and low oil prices. They are then foreseen to follow a moderate upward trend. The international raw sugar price is projected to reach USD 342/t (USD 15.5 cts/lb) in 2025, in nominal terms. Similarly, the indicator world white sugar price is projected to reach USD 425/t (USD 19.2 cts/lb) in nominal terms in 2025. The white sugar premium (difference between white and raw sugar prices) should temporarily decline in 2017 with the decline in the EU raw sugar imports after quota abolition.

The strong demand growth for sugar occurs in populous countries in Asia and Pacific, which will account for around 67% of the expansion in use. India, China and Indonesia will experience the largest increases in sugar consumption. Brazil is projected to expand its use of sugarcane-based ethanol.In some countries of the European Union a substitution of sugar with HFCS is expected to take place after the sugar and HFCS quota abolition. Consequently, the share of HFCS in EU sweetener consumption is expected to reach 11% in 2025, from 3% during the base period. Some countries have also started targeting obesity via market interventions.

A large variation in sugar consumption among developing countries in 2025 is expected where human sugar consumption will increase more than 15% in per capita terms. This translates into increases from 20kg to 23kg per capita in developing countries. Per capita consumption of sweeteners in developed countries is projected to increase only marginally by 2025.

A better sugarcane crop, and rising domestic prices of sugar, led to an increase in cane crushing in Pakistan. In addition, the government has allowed the export of 0.225 million tons of sugar. These exports have now become increasingly feasible, given the rise in global sugar prices during H1-FY17.

WHEAT

WHEAT PRICES

Year	Retail Rs/kg (Domestic)	Wholesale Rs/kg (Domestic)	\$/kg* (Domestic)	\$/kg* (Global)
2012	26.74	27.1	0.3	0.3
2013	30.61	29.1	0.3	0.3
2014	37.02	26.2	0.3	0.3
2015	34.91	22.0	0.2	0.2
2016	34.22	26.0	0.2	0.2
2017**	34.99	15.1**	0.15**	0.15**

Source: OECD-FAO Agricultural Outlook 2015-2024; WB, Commodity Markets Outlook (Jan 2017), Economic Survey 15-16
**Based on Mar 2017 Price.

WHEAT PRODUCTION

Year	Million Tonnes (Domestic)	Million Tonnes (Global)
2011	25.2	649.9
2012	23.5	702.0
2013	23.2	658.7
2014	24.2	715.1
2015	26.0	728.1
2016	25.4	735.5
2017 (Forecast)	25.3	752.7

Source: *Pakistan Economic Survey 2015-16; WB, Commodity Markets Outlook (Jan 2017)*

China is the world's largest wheat producer by a long shot and is expected to harvest 130 million tonnes in 2016/17, roughly equal to the previous crop. With a likely drop in domestic use, Chinese wheat stocks are anticipated to swell by 21.7 million tonnes on the year to 118 million tonnes. However, the East Asian country hardly participates in global wheat trade, averaging less than 4 million tonnes of combined imports and exports over the last 10 years. Since China has produced all the wheat it needs in recent years, its wheat has been a non-factor in the international marketplace. When Chinese wheat carryout is subtracted from the world total, a year-on-year loss of 7 million tonnes is revealed. This method also suggests the adjusted 2016/17 world wheat carryout will be smaller than it was in 2014/15, 2011/12, and 2009/10.

USDA projected world wheat reserves to climb to a record 257 million tonnes by the end of the 2016/17 marketing year. If realized, next year's wheat carryout will be 15 million tonnes larger than that of the current year. But if China is removed from the mix, the global wheat balance sheet for the new crop year tightens. Assuming good weather to finish the harvest at the end of next month, USDA is unlikely to alter China's wheat numbers drastically unless the domestic demand structure suddenly changes. But it will take a policy change to remove the effect of Chinese stocks on the global balance sheet in the long term.

India, currently the world's third largest wheat producer, shapes the development of this crop in the region. Neither in India nor any other country of the region do farmers have sufficient incentives to expand their area planted to wheat; all additional output is due to expected yield improvements.

Initial reports on Pakistan's wheat crop suggest that its production would remain close to last year's level of 25.4 million tons – slightly lower than the target of 26 million tons for FY17.With the expected output reaching last year's level, FY17 may be another year when domestic wheat

production would exceed domestic consumption. This situation has arisen at a time when the Food and Agriculture Organization (FAO) is already expecting record global wheat output this year. As a result, the wheat glut in the international market is likely to deepen further, with stocks projected to reach a record 248 million tons by year-end. The resulting downward pressures on international wheat prices will pose a challenge for Pakistan as well, as this will make it difficult for the country to export the surplus wheat, even in the presence of sizeable government subsidies.

RICE

RICE PRICES

Year	Retail Rs/kg (Domestic)	Wholesale Rs/kg (Domestic)	$/kg* (Domestic)	$/kg* (Global)
2012	59.42	49.4	0.5	0.6
2013	69.01	48.0	0.5	0.5
2014	74.10	39.7	0.4	0.4
2015	73.01	35.0	0.4	0.4
2016	59.80	43.0	0.4	0.4
2017**	65.03	38.76	0.4	0.4

Source: OECD-FAO Agricultural Outlook 2015-2024; WB, Commodity Markets Outlook (Jan 2017), Economic Survey 15-16
*Jan-Dec Annual Price Averages. (5 % broken milled white rice, Thailand nominal price quota)
**Based on Mar 2017 Price.

RICE PRODUCTION

Year	Million Tonnes (Domestic)	Million Tonnes (Global)
2011	4.8	450.6
2012	6.2	485.9
2013	5.5	472.8
2014	6.8	478.4
2015	7.0	478.8
2016	6.8	472.4
2017 (Forecast)	7.1	480.0

Source: *Pakistan Economic Survey 2015-16; WB, Commodity Markets Outlook (Jan 2017)*

Due to its dominant position and strong yield improvements, 89% of the global production increase in rice will originate in South and East Asian countries, predominately in India, Indonesia and Bangladesh.

Two policy challenges have surfaced in the current weak commodity price environment:

1. The first stems from policies aimed at increasing farm gate prices by subsidizing agricultural production and through trade measures.For example, the Indonesian Ministry of Agriculture announced plans to provide subsidies for **rice** seeds; and the National Rice Policy and Management Committee in Thailand approved a US$500 million assistance program to **rice** producers.

2. A second policy challenge relates to China's transition from stock-piling mechanisms to less price distortionary programs. China is important because the country holds a disproportionately large amount of stocks--compared to the rest of the world--for a number of commodities (both industrial and agricultural commodities). For example, during the past

decade, China has accounted for roughly half of global stocks of **rice** but only for **30**% of global consumption.

In the coming decade, agricultural production faces a different set of challenges.
Commodity prices started to decline in 2013, stocks have been replenished and economicgrowth in major producer countries is projected to slow.

Global demand growth varies between commodities, but overall is projected to be slower than in the previous decade. The resulting weakening of agricultural markets makes the sector less attractive for investments, limiting total agricultural output growth to 1.6% p.a. on average during the projection period. After the strong gains in recent years, crop production is projected to grow at about 1.5% p.a. in the next decade.

Pakistan's rice production fell in FY16, mainly due to a decline in the area under cultivation. The fall in domestic price of rice may also have discouraged rice growers. The price for rice remained soft owing to continuing surplus in the domestic market. The crop has experienced a substantial increase in output over the past several years .However, a subdued growth in domestic consumption and tough competition from India in the export market (particularly for basmati variety), led to excess supplies in the domestic market, thereby exerting downward pressure on prices. Further strain came from softening of rice prices in the global market.

COTTON

COTTON PRICES

Year	Rs/pound* (Domestic)	$/kg* (Domestic)	$/kg* (Global)
2012	83.1	2.0	2.0
2013	91.8	2.0	2.0
2014	83.9	1.8	1.8
2015	72.4	1.6	1.6
2016	77.8	1.6	1.6
2017 (Forecast)**	88.9	1.85	1.85

Source: OECD-FAO Agricultural Outlook 2015-2024; WB, Commodity Markets Outlook (Jan 2017)
*Jan-Dec Annual Price Averages. (Cotlook 'A Index', Middling 1-3/32 inch staple, CFR Far Eastern Ports)
**Jan-Mar 17 Price Averages

COTTON PRODUCTION

Year	MMT (Domestic)	MMT (Global)
2011	1.7	24.9
2012	2.1	27.1
2013	2.0	27.0
2014	2.1	26.2
2015	2.3	25.9
2016	1.5	21.1
2017 (Forecast)	1.8	22.5

Source: *Pakistan Economic Survey 2015-16; WB, Commodity Markets Outlook (Jan 2017)*

Cotton prices have exhibited a fairly stable upward path during 2016, despite weak global demand. The stability largely reflects a rebalancing in the cotton market, following a 19 % decline in global

output in the 2015-16 season (from 25.9 to 21.1 mmt). The decline not only relieved global supply pressures but also allowed China to reduce it stocks by almost 2 mmt without causing a collapse in prices. China is expected to reduce its stocks by a similar amount in the current season.
Global cotton production in 2016-17 is expected to reach 22.5 mmt, up from 21.1 mmt in 2015-16. Thus, prices are expected to rise only modestly in 2017.

A policy challenge relates to China's transition from stock-piling mechanisms to less price distortionary programs. China is important because the country holds a disproportionately large amount of stocks compared to the rest of the world for a number of commodities (both industrial and agricultural commodities). For example, of the 20.0 mmt of cotton global stocks in the 2015-16 season, China held 11.2 mmt, a more than 50 % share.

Raw cotton demand will remain concentrated in countries in Asia and Pacific. By 2025, India will have surpassed China as the world's largest consumer of raw cotton. Large cotton consumption growth rates are projected to occur in Bangladesh (3.7% p.a.), Indonesia (3.2% p.a.), and Viet Nam (3.1% p.a.).

Growth in China has slowed in the face of weak external demand and policy measures aimed at shifting economic activity from manufacturing to services. This has reduced global commodity demand and generated adverse spill overs to commodity exporting countries. As a result of the recent slowdown in Chinese cotton production, India has become the world's largest producer; through further area expansion and the application of new technologies it is expected to produce approximately 30% of the world output by 2025.

The high concentration of imports for cotton is tied to large scale processing of these commodities in a few countries. The largest demand for cotton imports will also come from China in 2025, even though Bangladesh is projected to be a close second, followed by Viet Nam and Indonesia. These latter three countries will increase their cotton imports considerably compared to the baseline.

Cotton crop in Pakistan suffered severe losses during FY16 due to insects and pest attacks on cotton crop in Punjab. The crop losses were compounded by the slump in domestic cotton prices as well. Sufficient domestic stocks and higher import of cheaper (and better quality) cotton kept market prices low. During this kharif season, a better harvest of cotton (compared to the last year) has provided a much-needed impetus to the crop sector of Pakistan.

CRUDE OIL

CRUDE OIL PRICES

Year	$/barrel (Global)
2011	104.0
2012	105.0
2013	104.0
2014	96.0
2015	51.0
2016	42.8
2017 (Forecast)	55.0

Source: *WB Commodities Price Data (March 2017); WB, Commodity Markets Outlook (Jan 2017)*

Crude oil prices jumped in the fourth quarter of 2016 averaging $49.1/bbl, following agreements by both OPEC and non-OPEC producers to reduce output by nearly 1.8 million barrels per day in the

first half of 2017. Crude oil prices have recovered by 25.0 % between November 2016 and February 2017. Despite the sharp rebound in 2016, the average annual price was 16 % below 2015 levels.

According to the OPEC the main intent for curtailing output was to reduce the large overhang of inventories. There was no mention of intent to raise prices, although producing countries are benefiting from increased export revenues. In OPEC's view, rebalancing was not proceeding quickly enough, particularly on the supply side, because non-OPEC producers had reduced costs, improved efficiency, and sustained output at higher-than-expected levels.

The oil market continues to rebalance amid steady demand growth, while sharply lower investment in non-OPEC countries has led to lower production, notably in the U.S. shale oil sector. Global stocks, however, remain stubbornly high, particularly in the United States, and were a main reason for oil producers to limit production.

Crude oil prices are projected to average $55/bbl in 2017, an increase of 26 % over 2016, reflecting expected rising non-OECD oil demand and tightening supply, under the assumption of partial compliance to the OPEC/non-OPEC agreement. The market is expected to move into deficit in 2017, particularly in the second half of the year, which would help reduce the large stock overhang. Prices are projected to increase to $60/bbl in 2018, assuming a balanced market and no additional supply restraint by OPEC and non-OPEC producers.

There are significant risks to the price forecast. On the upside, stronger demand and greater compliance by OPEC/non-OPEC producers could accelerate rebalancing, as could supply outages among major exporters, notably Libya and Nigeria. A slower than expected rebound in U.S. shale oil production would also limit supply. OPEC policy decisions to extend or expand production cuts could also support higher prices. On the downside, weak compliance to the OPEC agreement and rising output from Libya and Nigeria could delay rebalancing, as would slower demand growth. A faster than expected rise in U.S. shale oil production could also affect the supply balance.

GOLD

GOLD PRICES

Year	$/troy ounce (Global)
2011	1568
2012	1669
2013	1412
2014	1266
2015	1161
2016	1249
2017 (Forecast)	1150

Source: *WB Commodities Price Data (March 2017); WB, Commodity Markets Outlook (Jan 2017)*

Precious metals prices fell 7 % in the fourth quarter of 2016 on falling investment demand in response to a rising dollar and higher interest rates. Gold prices declined 9 %, averaging $1,157/toz in December, down from a monthly high of $1,340/toz in August, on decelerating investment demand given expectations of higher real interest rates and a stronger dollar. Rising interest rates typically have negative implications for gold prices, as investors seek yield-bearing assets.

Silver prices fell 13 % on declining investment demand and similar market sentiment toward gold. The gold/silver price ratio rose from 67.9 in the third quarter to 71.1 in the fourth quarter, but was still down from 79.2 in the first quarter (the average ratio over 1985-2016 is 66.)
Precious metal prices peaked in the summer 2016 following the Brexit vote, but have since fallen on a strengthening U.S. dollar and substantially higher real interest rates, especially following the U.S. election. As widely expected, the U.S. Federal Reserve raised interest rates in December, with further rate increases expected in 2017 depending on economic/financial conditions.

Precious metals prices are projected to fall in 2017, mainly due to weak investment demand, prospects of a stronger dollar, and rising real interest rates. Gold prices are expected to decline 8 % in 2017 on weak investment demand. Downside risks to the forecast are stronger economic growth and faster than expected increases in U.S. interest rates. Upside risks include geopolitical tensions, stronger demand in China and India, delayed rates hikes, and mine supply shortfall.

Physical gold demand was very weak last year, particularly in the two largest consuming countries, India and China. The Indian government in November decided to take 500 and 1000 rupiah notes out of circulation in an effort to curb illicit stocks of cash, and to shift savings to financial products and away from physical assets, notably gold and real estate. This significantly reduced gold demand among rural, cash-driven buyers.

In China, gold jewellery demand has fallen on a shift in consumer preferences among younger consumers to other goods and tourism. Gold mine supply continues to be supported by costs cuts, targeting higher grade ore, and currency depreciation in producer countries.

Demand for jewellery has been weak in China and India, but boosted by strong photovoltaic production in China. Mine supply fell last year, with declines mainly in China.

While the global growth outlook for 2017 remains subdued, uncertainty is pervasive. The expected interest rate hike by the US Fed, the economic slowdown in China, the likely changes in the political landscape in Western Europe, and the aftermath of Brexit, will continue to dominate sentiments in global financial and commodity markets.

PALM OIL

PALM OIL PRICES

Year	$/MT (Global)
2011	1077
2012	940
2013	857
2014	821
2015	623
2016	630
2017 (Forecast)	643

Source: *WB Commodities Price Data (March 2017); WB, Commodity Markets Outlook (Jan 2017)*

While the early weeks of 2016 saw prices extending their recovery from a six-year low reached in 2015, prices once again fell back as the half year stage (and peak production in South East Asia) approached.

However, prices recovered sharply from July, as evidence grew that peak South East Asian output would come in shy of expectations, a shortfall blamed on lingering damage from dryness caused

by the 2014-15 El Nino. Furthermore, the revival in oil prices boosted values of palm oil which is used largely in making biodiesel.
For 2017 a positive year for palm oil prices, at least for the first half is forecasted. Towards the back end of 2017, and into 2018, some softening of palm oil prices is possible as the US soybean crop is harvested and the impact of El Niño is finally removed from palm oil estates, which may result in a prolonged period of flush production.

Besides producing protein meal and vegetable oils from oilseeds, South and East Asian countries also lead world production of palm oil. The South and East Asia region is the world's largest producer of agricultural products. In the base period 2013-15, the region produced almost 60% of vegetable oils, mostly palm.

In both the first half of 2017 and the second half, world palm oil production will be around 3m tonnes up as compared to 2016. By the second quarter, we will see very solid evidence that Indonesia's revival in CPO [crude palm oil] output is gathering pace, with Malaysia eventually following suit.

Following a very strong El Nino event in 2015-16, vegetable oil production in 2016-17 is forecast to rebound by 9m tonnes, or 5%, to a record 186m tonnes. Palm oil production is forecast to grow by 5m tonnes in 2016-17, as improved rainfall in Malaysia and Indonesia will boost production well beyond its El Nino-depressed levels. The production recovery will be especially pronounced in the second half of 2017.

Four dynamics will cause production growth to slow to 3.5% annually (2015-2019), from 6.1% (2005-2014).

- **Strong limits to plantation expansion**: Malaysia will keep 50% of the country forested, and Indonesia imposed a forest moratorium in 2011.
- **Stagnating yields**, but these could improve due to replanting programs in Malaysia.
- **Higher operating costs**, especially in terms of labor.
- **Subpar infrastructure in Indonesia**, especially for ports.

Palm oil demand growth will be slightly sluggish as traditional buyers such as China and India slow down their vegetable oil import growth rates.

Factors such as improving economic conditions, rising living standards and changing eating habits in emerging countries, and growing demand for vegetable oil as a feedstock for biodiesel production, are encouraging a robust outlook for palm oil. The low price of palm oil compared to other vegetable oils such as soybean and rapeseed oil also augurs well for the palm oil market. The global market for palm oil is forecast to exceed 72 million metric tons by 2020. Palm oil continues to be the largest consumed vegetable oil worldwide.

APPENDIX # 01: Financial Position of Selected Banks

(Rs. in 000)

	NBP	HBL	MCB	UBL	ABL	AL FALAH
Assets						
Dec 2016	1,975,706	2,507,182	1,051,814	1,577,551	1,069,614	917,457
Dec 2015	1,706,361	2,218,433	1,004,410	1,400,651	991,666	902,607
Equity						
Dec 2016	120,015	168,769	117,946	116,943	74,474	49,185
Dec 2015	116,011	158,352	113,186	105,867	67,969	42,425
Deposits						
Dec 2016	1,657,312	1,885,959	781,430	1,179,887	805,111	640,944
Dec 2015	1,431,037	1,634,945	696,805	1,051,235	734,596	640,189
Advances						
Dec 2016	667,389	748,466	347,980	550,636	330,231	378,720
Dec 2015	578,122	637,384	304,122	497,032	321,605	334,159
Investments						
Dec 2016	897,131	1,344,405	555,929	808,959	589,865	389,093
Dec 2015	829,246	1,270,824	565,696	721,651	544,350	423,100
Interest Earned						
Dec 2016	115,029	141,089	67,422	98,219	64,606	57,245
Dec 2015	114,386	141,101	80,393	94,353	72,116	61,438
Change Dec over Dec	643	-12	-12,971	3,866	-7,510	-4,193
Interest Expenses						
Dec 2016	59,594	59,138	23,655	41,177	31,345	28,474
Dec 2015	59,999	62,932	31,077	38,511	35,977	32,811
Change Dec over Dec	-405	-3,794	-7,422	2,666	-4,632	-4,337
Net Mark-Up						
Dec 2016	55,435	81,951	43,767	57,042	33,261	28,771
Dec 2015	54,387	78,169	49,316	55,842	36,139	28,627
Change Dec over Dec	1,048	3,782	-5,549	1,200	-2,878	144
Non-Interest Income						
Dec 2016	29,967	31,062	16,222	23,609	11,211	8,868
Dec 2015	34,983	36,584	16,566	21,986	9,755	8,862
Change Dec over Dec	-5,016	-5,522	-344	1,623	1,456	6
Admn Expenses						
Dec 2016	46,943	54,417	22,074	32,809	20,309	23,423
Dec 2015	42,120	48,400	21,968	31,776	18,175	21,956
Change Dec over Dec	4,823	6,017	106	1,033	2,134	1,467
Profit/Loss before Tax						
Dec 2016	37,141	56,525	36,075	46,015	23,831	13,023
Dec 2015	33,216	60,286	42,329	42,175	25,503	12,604
Change Dec over Dec	3,925	-3,761	-6,254	3,840	-1,672	419
Profit/Loss after Tax						
Dec 2016	22,752	34,206	21,891	27,730	14,427	7,900
Dec 2015	19,219	35,102	25,546	25,727	15,120	7,523
Change Dec over Dec	3,533	-896	-3,655	2,003	-693	377

Balance Sheet of All Banks

Rs. In Millions

FINANCIAL POSITION AS OF END	CY15	CY16
ASSETS		
Cash & Balances With Treasury Banks	909,429	1,184,521
Balances With Other Banks	198,395	168,394
Lending To Financial Institutions	360,772	551,695
Investments - Net	4,013,239	7,509,164
Advances - Net	4,815,827	5,498,813
Operating Fixed Assets	310,102	336,376
Deferred Tax Assets	65,644	64,681
Other Assets	602,301	517,412
TOTAL ASSETS	**14,143,234**	**15,831,058**
LIABILITIES		
Bills Payable	145,089	182,858
Borrowings From Financial Institution	1,766,145	1,942,458
Deposits And Other Accounts	10,389,260	11,797,867
Sub-ordinated Loans	51,366	59,330
Liabilities against Assets subject to Finance Lease	50	41
Deferred Tax Liabilities	47,622	61,109
Other Liabilities	420,935	434,598
TOTAL LIABILITIES	**12,820,468**	**14,478,261**
NET ASSETS	**1,322,767**	**1,352,797**
NET ASSETS REPRESENTED BY:		
Share Capital	619,862	579,882
Reserves	192,039	205,314
Un-appropriated Profit	290,908	344,615
Share Holders' Equity	1,102,809	1,129,812
Surplus/Deficit On Revaluation of Assets	219,958	222,985
TOTAL	**1,322,767**	**1,352,797**

Profit & Loss Statement of All Banks

Rs. In Millions

FINANCIAL POSITION AS OF END	CY15	CY16
Mark-Up/ Return/Interest Earned	981,760	938,026
Mark-Up/ Return/Interest Expenses	485,575	453,232
Net Mark-Up / Interest Income	496,185	484,793
Provisions & Bad Debts Written Off Directly/(Reversals)	38,874	5,305
Net Mark-Up / Interest Income After Provision	457,311	479,489
Fees, Commission & Brokerage Income	82,640	90,266
Dividend Income	16,910	17,187
Income From Dealing In Foreign Currencies	22,824	14,015
Other Income	86,369	74,260
Total Non - Markup / Interest Income	208,743	195,728
	666,053	675,217
Administrative Expenses	330,006	356,183
Other Expenses	7,231	5,003
Total Non-Markup/Interest Expenses	337,237	361,186
Profit before Tax and Extra ordinary Items	328,817	314,031
Extra ordinary/unusual Items - Gain/(Loss)	0.51	0.27
PROFIT/ (LOSS) BEFORE TAXATION	**328,816**	**314,030**
Less: Taxation	129,811	124,117
PROFIT/ (LOSS) AFTER TAX	**199,006**	**189,914**

Gross Advances of Selected Banks (Rs. in 000)

	NBP	HBL	MCB	UBL	ABL	AL FALAH
Agribusiness	45,363,639	114,526,177	13,900,829	57,047,144	57,053,884	25,146,203
Auto/Transport	3,507,925	6,427,552	157,495	17,612,083	227,009	6,716,530
Cement	8,623,088	12,893,120	2,896,286	5,182,402	8,505,240	6,310,583
Chemical/Pharma	3,118,208	35,617,626	30,425,254	11,247,768	22,439,833	4,074,952
Construction	9,105,300	12,084,255	7,353,556	26,151,063	5,909,235	10,281,339
Electronics	4,399,537	9,991,136	2,584,752	14,790,288	3,294,078	4,299,732
Energy/Power	193,265,680	95,609,668	59,777,722	101,906,289	93,157,740	58,281,948
Financial	3,986,208	81,386,115	7,876,113	36,007,524	19,162,776	8,621,617
Food & Tobacco	2,303,745	23,091,020	-	23,863,907	10,384,633	16,426,146
Individuals	132,595,460	60,810,622	25,371,035	45,440,606	8,492,659	36,637,139
Leather	945,416	2,411,725	1,387,658	2,458,083	2,537,980	2,373,883
Metal Products	56,451,326	12,866,741	8,081,393	7,034	2,058,364	9,725,608
Oil & Gas	124,910,000	37,291,479	32,960,694	-	-	18,578,938
Sugar	27,734,458	7,294,329	22,834,984	6,376,894	4,907,382	8,501,559
Textile	81,280,217	86,471,903	40,028,820	65,583,675	43,851,065	66,728,598
Traders	26,376,326	60,056,466	30,554,545	19,785,045	11,356,159	14,605,147
Others	59,588,541	158,420,104	81,486,639	117,176,505	55,676,686	98,553,387
Total	**783,555,074**	**817,250,038**	**367,677,775**	**550,636,310**	**349,014,723**	**395,863,309**

NPLs of Selected Banks (Rs. in 000)

	NBP	HBL	MCB	UBL	ABL	AL FALAH
Agribusiness	4,798,659	4,263,974	309,578	380,707	565,045	378,541
Auto/Transport	926,390	1,044,744	6,998	173,155	227,009	1,131,004
Cement	2,548,432	860,694	-	-	67,580	-
Chemical/Pharma	2,305,597	1,154,086	259,481	148,244	742,476	225,513
Construction	3,189,967	1,383,284	433,765	2,523,191	199,756	557,536
Electronics	3,680,489	3,571,199	276,504	1,260,205	1,233,588	-
Energy/Power	4,280,543	1,786,177	1,899	6,140,951	637,015	148,839
Financial	480,315	1,233,851	765,272	1,596,722	72,454	1,302,880
Food & Tobacco	276,449	1,846,955	-	2,441,732	2,082,302	257,302
Individuals	6,882,747	2,534,091	2,944,690	4,999,976	452,019	982,412
Leather	518,371	910,487	20,418	689,772	125,404	94,654
Metal Products	16,481,474	2,570,770	632,525	-	276,595	227,394
Oil & Gas	180,000	2,362,489	111,206	-	-	1,701,406
Sugar	3,853,432	332,069	897,727	848,069	250,716	7,322
Textile	30,013,414	21,581,803	3,312,843	12,854,446	7,557,932	3,553,906
Traders	9,906,959	10,146,986	3,108,281	3,541,543	1,267,062	2,002,294
Others	30,238,613	17,863,274	8,607,063	6,968,271	4,674,656	6,447,512
Total	**120,561,851**	**75,446,933**	**21,688,250**	**44,566,984**	**20,431,609**	**19,018,515**

NBP National Bank of Pakistan

NBP Performance at a Glance

(Rs Bn)

Items	2010	2011	2012	2013	2014	2015	2016
Total Assets	1037.7	1149.6	1309.5	1364.9	1543.0	1706.3	1975.7
Deposits	832.2	927.4	1036.7	1101.1	1233.5	1431.0	1657.3
Advances	477.5	525.0	654.7	615.4	626.7	578.1	667.4
Investments	301.3	319.5	343.5	397.9	561.7	829.2	897.1
Equity	103.8	110.5	104.7	100.8	110.3	116.0	120.0
Pre-Tax Profit	24.4	26.0	21.4	7.1	22.0	33.2	37.1
Profit After-Tax	17.6	17.6	14.9	5.5	15.0	19.2	22.8
Earnings per share (Rs.)	8.25	8.27	7.02	2.59	7.06	9.03	10.69
Number of Branches*	1289	1300	1306	1365	1377	1424	1469
Number of Employees	16457	16924	16921	16619	16190	15548	15793

**Includes Foreign Branches*

NBP Products

NBP Saiban*

- At present, finance available for Home Purchase and Home Construction.
- Period of repayment ranges between 3-20 years.
- Loans available upto a maximum of Rs35 million.
- Mark-up is variable, which is lowest in the banking industry.

NBP Advance Salary*

- For permanent employees of government, semi-government and autonomous bodies receiving salaries through National Bank of Pakistan.
- 20 months salaries in advance (certain conditions apply).
- Minimum documentation.
- Repayable in installments of upto 60 months.

NBP Cash n Gold*

- Facility of Rs32,000 against 10 gms of gold.
- No Maximum limit of cash.
- Roll-over facility.
- Mark-up 13.5% per annum.
- Repayable after one year
- No penalty for early repayment.

NBP Kisan Dost*

- Loans available for the farmers for production, development purposes, for purchase of tractors, for installation of tubewells, for purchase of agricultural implements, micro loans, for godown construction, for construction of fish pond, for livestock farming, for milk processing, for cold storage, bio-gas plants etc.
- Competitive mark-up rate.
- Loans available at the farmer's doorsteps.
- Agricultural experts to guide farmers.
- Loans available against agricultural passbooks, residential/commercial property, gold ornaments and papersecurity.
- Financing facility also available for landless farmers.

NBP Premium Aamdani Certificate*

- A monthly income scheme. Minimum amount of investment required is Rs25000/- and maximum allowed is Rs10,000,000/-.
- A 5-year Scheme, with year-wise increasing profit rates.
- Added incentives for investors.
- Financing facility available against these Certificates.

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