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NBP Performance at a Glance

Editor's Corner

Dear Readers,

Job creation and growth are imperatives that are of concern both for policymakers and those striving to find opportunities to earn a living and provide for their families. Jobs are at the root of economic and social development, for as people find jobs they start earning and can better clothe and educate their children and gradually work their way out of poverty. Jobs also serve other objectives besides poverty reduction. They help productivity growth, bring happiness and raise self esteem, introduce new technologies and managerial knowledge and for young men it can provide alternatives to violence and indulgence in anti-social activities.

Employment creation has received focus by the international community since the founding of the United Nations. The *Universal Declaration of Human Rights* endorsed by the UN members states in 1948, states that “everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment.” The ILOs *1964 Employment Policy Convention (no122)* also emphasised the need for overcoming unemployment and underemployment and that job creation can stimulate economic growth. *Decent Work Agenda* (ILO 2002) linked employment creation to employment quality. *Millennium Development Goals* also talk about work for young people. Following the MDGs was the *UN's Youth Employment Network*, which focused on promoting youth employment.

Pakistan with a population of 184 million is the sixth most populous country in the world. Age composition of the population shows that those between 20–44 years is around 32 percent (estimates vary from 32 to 38 percent) and these comprise of a large portion of the labour force. Pakistan has a large labour force, nearly 60 million, the 9th largest in the world, of which employed labour force is 56 million. These people are economically productive and they comprise the working population.

Pakistan has a large young population and is struggling with youth unemployment. Currently the overall unemployment rate stands at 6.2 percent, while the youth unemployment *i.e.* those in the age group of 20–24 years and 25–29 years stands at 9.9 percent and 6.4 percent respectively. In addition, as Pakistan has a youthful demographic profile, it means a high rate of youth unemployment may persist in the future if corresponding jobs are not created. Its a challenge for policymakers and the government to employ large numbers of young people entering the labour force, who can then contribute to growth and development.

Given that Pakistan possesses one of the largest youth populations in the world, focusing on young people has special significance. Through education, skill development and self employment opportunities, the current youth population boom could fuel economic growth and development. For any job creation strategy in population booming countries to be successful, it must give central importance to self employment and entrepreneurship. Here small businesses can play a vital role.

In the budget speech 2013-14, the Finance Minister had announced a programme for the youth of Pakistan. This included various schemes; training programme, skills development, small business loans, micro finance, housing finance and a fee payment scheme for students of less developed areas. Access to finance is a major impediment to starting a business, or expanding an existing business. The Government has introduced *Youth Business Loan Scheme*, which would be launched early December and would provide equal

opportunities to young men and women, as 50 percent of the loan would go to women. Under the scheme, small business loans would be provided to the unemployed youth of Pakistan especially educated men and women for starting a new business or expanding an existing one so to make them self reliant. Small business loans are upto Rs2.0 million, with debt-equity ratio of 90:10 and carries an interest of 8 percent per annum. It is open to all sectors of the economy and the period of loan is 7 years, with 6 months grace period. It will be disbursed through designated branches of National Bank of Pakistan and First Women Bank where National Bank will play the lead role. Later private banks will also participate in the scheme. One guarantor would be needed as per security requirements. The government has allocated Rs5 billion in the Federal Budget 2013-14 for the scheme. As per State Bank circular initially 100,000 loans would be given. Smeda has taken the initiative to develop 50 feasibility studies, which will be available on their website and individuals setting up small business can take advantage of these studies.

Efforts will be made to ensure transparency and fairness in the process of loan sanction and disbursement. State Bank would monitor implementation of the scheme which would help check misuse of loan disbursed. Only if there is strict implementation of laid down guidelines of SBP, full and transparent scrutiny of business plan, transparency in the process of loan approval, disbursement and monitoring of the project, can the objective of *Youth Business Loans Scheme* be realised.

Ayesha Mahmood

The Services Sector in Pakistan

The services sector has emerged as an important sector in world economy and its contribution to GDP has increased significantly compared to other sectors. *World Development Indicators 2013* shows that services contribute 70 percent of global GDP, with low income countries having a share of 49 percent, middle

income countries 53 percent and high income countries 74 percent. Countries like Belgium, UK each has a share of 78 percent. Singapore 73 percent, Sweden 72 percent, Bermuda 93 percent. The share of services sector is around 50 percent of GDP for many developing countries.

Structure of Output in some Asian Countries

	Structure of Output in some Asian Countries (%)							
	Agriculture		Industry		Manufacturing		Services	
	2000	2012	2000	2012	2000	2012	2000	2012
Afghanistan	38	24	24	23	19	14	38	52
Bangladesh	26	18	25	29	15	18	49	54
India	23	17	26	26	15	14	51	57
Malaysia	9	10	48	41	31	24	43	49
Nepal	41	36	22	15	9	6	37	49
Pakistan	26	20	23	26	15	19	51	54
Sri Lanka	20	12	27	30	17	18	53	58

Source: *World Development Indicators 2013, The World Bank*

Growing services sector

The share of services is higher in richer countries than in poorer countries, and the share of services rises as a country's GDP per capita grows over the time. Many Asian countries are at or approaching income levels where the share of services tends to increase. In the paper, *The Service Sector in Asia: Is it an Engine of Growth?* the authors Donghyun Park and Kwanho Shin empirically examine the prospects for the services sector to serve as an engine of growth in Asia. The authors feel that given the growing weight of services and given the growing weight of productivity growth in economic growth, productivity growth of services industries will be pivotal for Asia's future growth.

They have examined the services sector in 12 major Asian economies; China, Hong Kong, India, Indonesia, Korea, Malaysia, Pakistan, the Philippines, Singapore, Taiwan, Thailand and Vietnam. While there are differences across these countries, their overall experiences are consistent with well-established international patterns of sectoral shares of GDP and employment. As a country industrializes,

the shares of industry and services sectors in both GDP and employment rises, whereas the share of agriculture falls.

Their analysis has shown that the services sector has already contributed substantially to Asia's productivity and GDP growth in the past. As the region is growing rapidly, services are set to play an even bigger role in the future. There are some internal impediments like for instance, excessive regulation and state monopolies, and external impediments like barriers to services trade and foreign direct investments which impede the region's services sector. If these are removed, it will unleash the full potential of Asia's services sector to generate jobs and growth. In fact, some Asian countries such as India and the Philippines have already begun to capitalize on their potential by exporting services.

In the paper, *'Can a Growing Services Sector Renew Asia's Economic Growth'*, the authors Marcus Noland, Donghyun Park and Gemma B. Estrada states, 'to continue Asia's economic growth the focus for expansion improvement

Removing structural constraints

must move from export manufacturing to the services sector — primarily to cross-border trade in such modern services as finance, information and communication, and professional business services. While there are some success stories, such as in India and the Philippines, most Asian services economies see relatively slow developmental change. Removing structural constraints will be key to productivity growth in modern cross-border services trade.

Asian economies must support their services sector to improve employment opportunities. Removing structural constraints would free the Asian services sector to better serve as an engine of employment and growth. Regulatory reforms along with strengthening capital and labour markets will be needed to establish and grow new and innovative service providers. It concludes by stating, ‘overall the guiding principle for Asian policymakers must be to create a more competitive environment for their services industries.’

Structural changes

Like other south Asian nations, Pakistan too has witnessed a major transformation in its economic structure with the share of service sector in the economy rising over the decades. Over the last few decades, the structure of the Pakistan economy has experienced significant changes, with the share of agriculture in gross domestic product (GDP) declining gradually from 53.2 percent in 1950 to 38.9 percent by 1970 and to 25.8 percent by 1990. In 2012-13 the share had fallen further to 21.4 percent. Meanwhile, the industrial sector share rose from 9.6 percent to 22.7 percent and further to 25.6 percent in the corresponding period. In FY13, however, the share declined to 20.9 percent, primarily because of enhanced share of the services sector. In the corresponding period, services sector share grew from 37.2 percent to 38.4 percent in FY1970, by FY1990 it had risen to 48.6 percent and by FY13 to 57.7 percent. Therefore, the services sector today is the largest contributor in the GDP of Pakistan.

Services Sector Share in GDP

	FY1950	FY1960	FY1970	FY1980	FY1990	FY2000	FY2012-13
Services Sector	37.2	38.7	38.4	43.8	48.6	51.2	57.7
Transport Storage & Communication	5.0	5.7	6.3	6.8	9.5	11.4	13.7
Wholesale & Retail Trade	11.9	12.5	13.8	14.3	16.5	17.6	18.2
Finance & Insurance	0.4	1.0	1.8	2.5	2.3	3.8	3.0
Ownership of Dwellings	5.1	5.0	3.4	3.0	5.5	3.1	6.7
Public Administration & Defence	7.0	6.2	6.4	10.1	7.3	6.2	6.8
Other Services	7.7	8.4	6.7	7.2	7.6	9.1	9.3
Agriculture	53.2	45.8	38.9	30.6	25.8	26.2	21.4
Industry	9.6	15.5	22.7	25.6	25.6	23.3	20.9
Manufacturing	7.8	12.0	16.0	17.0	17.6	14.7	13.2

Source: Handbook of Statistics on Pakistan Economy 2010, State Bank of Pakistan

Contribution of services sub-sectors

The services sector has been a major contributor to growth. During the last seven years 2006-07 to 2012-13, the growth rate of the services sector was 4.0 percent on average, while the agricultural sector grew by 2.5 percent, and the industrial sector by an average of 3.6 percent. GDP grew by 3.6 percent during this period.

Within the services sector, wholesale and retail trade the major sub-sector contributor with a

sectoral share of 18.2 percent grew 2.4 percent on average, while transport storage and communication with a 13.7 percent share grew by 5.0 percent. Finance and insurance grew by less than 1 percent, as growth declined between 2008-2011. Housing services with a 6.7 percent share grew by 4 percent. General government services with a 6.8 percent share grew by 6.7 percent and other private services with a 9.3 percent share in GDP grew by 5.6 percent.

Growth Performance of GDP

	(%)						
	FY1951	FY1961	FY1971	FY1981	FY1991	FY2001	FY2013
GDP	3.9	4.9	1.2	6.4	5.6	2.0	3.6
Agriculture	2.6	(-)0.2	(-)3.1	3.7	5.0	(-)2.2	3.3
Manufacturing	8.4	12.9	6.4	10.6	6.2	9.3	3.5
Services Sector	4.5	5.7	2.6	6.6	5.2	3.1	3.7
Transport Storage & Communication	6.0	11.2	(-)2.2	8.0	6.3	5.3	2.5
Wholesale & Retail Trade	6.1	6.9	2.4	6.8	5.3	4.5	3.4
Finance & Insurance	9.1	10.0	9.7	(-)8.8	1.2	(-)15.1	6.6
Ownership of Dwellings	2.7	2.5	3.3	3.6	5.3	3.8	4.0
Public Administration & Defence	2.5	1.3	2.5	10.6	3.3	2.2	5.6
Other Services	4.0	4.7	4.9	5.7	6.5	5.6	4.0

Source: Handbook of Statistics on Pakistan Economy 2010, State Bank of Pakistan

Structural transformation that takes place in a country passes through various stages. In the first stage there is a decline in share of agriculture sector which is compensated by an increase in industry sector, whereas share of services sector remains less. In the second stage of economic growth, substitution takes place between industry and services while agriculture remains constant. This implies that services sector gains momentum at the expense of agriculture, i.e. from agriculture to services sector, states the paper 'Contribution of Services Sector in the Economy of Pakistan', by Ayaz Ahmed and Henna Ahsan.

In FY13, the growth of the services sector remained subdued at 3.7 percent due to a decline in the growth rate of transport, storage and communication, (on the back of weakening profits in the telecom and transport), general government services and other private services. However, finance and insurance and wholesale and retail trade showed improved performance. After declining for three consecutive years, the value addition in finance and insurance rose in FY12. Besides commercial banks, insurance companies and pension funds also contributed to this resurgence. Specifically, substantial profits earned by heavily investing in risk free government securities, propped up the value addition of this sub-sector. The strong growth in SBP profits also supported value addition in this sector, states the SBP Report 2011-12.

Subdued growth in FY13

Due to highly labour intensive nature of wholesale and retail trade, its contribution to the economy is even more important than what its share in total services trade suggests. Given that the share of this sub-sector is increasing over time, its higher growth is not only important for employment generation, but is also critical for the efficiency of the economy because through forward and backward linkages it reflects performance in agriculture, manufacturing and foreign trade sector.

The services sector is highly diversified and consist of: -

Transport, Storage & Communication

- * Pakistan Railways
- * Airtransport
- * Post courier services
- * Road transport
- * Water transport
- * Storage
- * Telecom
- * Pipeline transport
- * Railway franchised booking
- * Franchised post offices
- * Pakistan Railway Advisory & Consultancy Services
- * Shipping agents
- * Goods forwarding & customs clearance agents
- * Travel agents & tour operators

Wholesale & Retail Trade

- * Crops
- * Other agriculture
- * Manufacturing
- * Imports
- * Hotel & restaurants

Finance & Insurance

- * State Bank of Pakistan
- * Scheduled banks (domestic & foreign)
- * Development finance institutions
- * Insurance companies & pension funds
- * Modaraba/Leasing companies
- * Money Changers
- * Stock Exchange brokers

Ownership of Dwellings

General Government Services

Employment in services sector

With growing urbanisation the share of employment in agriculture sector is decreasing as people are moving towards the other sectors of the economy for better jobs. The services sector provides jobs diverse in nature, such as unskilled, semi-skilled, skilled and highly skilled. *Labour Force Survey 2012-13* shows that in 2012-13, services sector was employing nearly 34 percent of the employed labour force against 44 percent in the agriculture sector and 22 percent in the industrial sector. It further shows the employment share of wholesale and retail trade at 14.4 percent, transport, storage & communication at 5.5 percent, community/social and personal services 13.3 percent and others 1.6 percent.

Employed Persons by Industry (%)

	1963-64	1973	1982-83	1992-93	2010-11
Agriculture	60.47	58.60	52.73	48.27	45.05
Manufacturing	13.51	8.27	13.44	12.28	13.80
Construction	1.44	4.52	4.8	6.33	6.95
Electricity, Gas Water & Sanitary	0.35	0.11	1.13	0.80	0.48
Commerce	7.60	10.0	11.94	13.0	16.15
Transport	2.04	3.92	4.6	5.51	5.11
Services	13.21	12.7	10.2	12.65	12.46
Finance & Insurance	-	-	0.82	0.76	0.47
Others	1.38	2.0	0.34	0.40	-

Source: *Handbook of Statistics on Pakistan Economy 2010*, State Bank of Pakistan

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The *Tenth Five Year Plan 2010-15* estimates employment projections and states, sectoral

contribution to additional job creation indicates that 40.2 percent of additional jobs will be created in the services sector, followed by trade (16.88%), agriculture (16.3%), manufacturing (9.91%) and construction (8.21%).

The Plan has sectoral policies and with respect to the services sector it states, this sector all over the world absorbs most of the skilled labour. The sector has a small organised/formal component and a large informal low productivity, low incomes, poor working conditions — component. The challenge is to improve productivity and incomes in the latter. This will be done through skills upgradation and access to credit to the smaller informal units. As the employment elasticity in this sector is also high, more resources towards skill development are helpful for the development of the sector and generating employment opportunities for skilled workforce. This sector includes education sector, telecom sector, information technology (IT), housing construction, transport sector, urban transportation, domestic commerce, and tourism.

Government is cognizant of employment generation potential of this sector and will try to facilitate by investing huge amount in the sector. The software industry is skill intensive and would be helpful in providing employment to youth. In this regard, youth should be given access to quality computer education through prudent policies initiatives.

Employment Generation (%)

	2009-10	2011-12	2012-13	2013-14	2014-15
Agriculture	22.42	22.83	23.07	23.29	23.48
Mining & Quarrying	0.06	0.06	0.06	0.06	0.06
Manufacturing	6.52	6.72	6.85	7.00	7.17
Electricity & Gas	0.35	0.36	0.37	0.37	0.38
Construction	3.16	3.31	3.43	3.55	3.69
Wholesale & Retail Trade	7.34	7.72	7.95	8.19	8.44
Transport & Communication	2.74	2.87	2.97	3.09	3.21
Finance and Insurance	0.71	0.73	0.74	0.75	0.76
Community and Services	6.91	7.71	8.18	8.79	9.52
Total	50.21	52.31	53.60	55.08	56.71

Source: *The Tenth Five Year Plan 2010-15*, Planning Commission, Government of Pakistan

Working
towards
liberal-
ization

Services now account for a substantial and rising share of output and employment in the economy of Pakistan. It is also working towards liberalization of trade in services through unilateral, bilateral, multilateral agreements under the broad framework of WTO. Growth in services trade are initiated and stimulated by various factors including liberalization of merchandise trade, deregulation of service operators and advances in information and communication technologies. Services liberalization supports economic growth in developing countries. Reforms in sectors such as financial services, telecommunications and transport facilitate growth and economic efficiency. In particular, the availability of infrastructure and financial services attracts investment and supports export industries. Improvements in health and education are necessary to build human capital.

The challenge for developing countries is to negotiate services liberalization that leads to the transfer of technology and capacity building.

While the services sector has grown in many of the developing countries in the last two decades to comprise half of their gross domestic product, trade in services continues to comprise only a small portion of total trade flow with most of the services being domestically generated and supplied. Despite Pakistan being a small global service provider, its services imports are growing faster than its exports.

The services sector was not included in the multilateral trading system till the inception of the Uruguay Round of General Agreement on Tariff and Trade. Following the conclusion

Pakistan — Export of Services

(\$ Mn)

	FY08	FY09	FY10	FY11	FY12	FY13 (Jul-Sep)	FY14 (Jul-Sep)
Transportation	1035	1283	1279	1648	1503	319	262
Travel	222	264	286	351	369	75	68
Communication Services	117	196	246	226	212	62	105
Construction Services	37	31	16	18	25	3	5
Insurance Services	54	59	42	54	89	7	18
Financial Services	43	63	90	70	54	11	13
Computer & Information Services	154	184	188	217	248	67	76
Royalties & Licence Fees	51	11	6	6	7	2	1.3
Other business Services	450	468	536	781	813	202	176
Personal, Cultural & Recreational Services	4	3	5	3	4	1.4	3
Government Services	1380	1523	2535	2394	1711	1426	376
Total Export of Services	3589	4043	5229	5768	5035	2176	1103

Source: State Bank of Pakistan

of the Uruguay Round, the General Agreement on Trade in Services (GATS) was the first initiative that aimed at the progressive liberalization of trade in services. Since 1995, the WTO has been administering this agreement.

Pakistan has been actively involved in the GATS negotiations as it recognizes the positive role that services liberalization can play by improving the competitiveness of the goods sector and other services as well as increasing export opportunities and improving the efficiency of domestic services.

A key element of the GATS agreement is that, in addition to cross-border movement, as in the case of goods, it also covers other modes of transactions. The modes are: -

1. Cross border supply from the territory of one member into another member's (eg telecommunications).
2. Movement of consumers in the territory of one member to the service consumer of any other member (eg tourism).
3. Commercial presence of a service provider of one member in the territory of another member (eg bank branches, agency), and

4. Presence of natural persons representing a service provider of one member in the territory of another member (eg temporary stay of foreign workers).

Total transactions in services had reached slightly over \$13 billion in 2011. Total exports of services have growing to over \$5bn in FY12 from \$3.6bn in FY08. Major exports in services are government services, transportation, travel and business services and computer and information services.

Import of services have shown a decline from

Import of services

\$10.0 billion in FY08 to \$7.7 billion in FY11. It however rose to \$8.2bn in FY12. The major services imported included transportation (52.8%), other business services (15.5%), travel (12.6%). During July-Sept 2013-14, services imported were of a sum of \$1.84 billion against \$2.03 billion imported in the comparable period of 2012-13. Services were predominantly imported from the United States, European Union and Middle East. Services imports are mainly from the same countries, where Pakistan exports its services. Details given below:-

Pakistan — Import of Services

(\$ Mn)

	FY08	FY09	FY10	FY11	FY12	FY13 (Jul-Sep)	FY14 (Jul-Sep)
Transportation	3785	3524	3577	4072	3510	830	846
Travel	1578	997	879	972	1367	353	287
Communication Services	144	107	159	176	179	28	46
Construction Services	56	81	29	83	62	2	0.212
Insurance Services	152	130	146	148	279	58	66
Financial Services	184	168	95	121	107	36	25
Computer & Information Services	129	122	168	177	164	53	39
Royalties & Licence Fees	130	93	111	122	151	37	34
Other business Services	3432	1632	1103	1193	1555	438	285
Personal, Cultural & Recreational Services	2	3	19	10	3	0.458	1.6
Government Services	491	431	634	634	850	193	213
Total Import of Services	10046	7325	6919	7708	8227	2028	1843

Source: State Bank of Pakistan

Trade balance in services

The trade balance in services is showing a deficit, for although services exports are rising considerably, service imports are also rising. Pakistan faced a deficit of \$6.45 billion in FY08, which decreased to \$1.94 billion in FY11.

Pakistan has opened its economy through privatisation and deregulation. In early 2000, there was substantial inflow of foreign investment in the country, but because of security concern and energy outages, these flows have sharply reduced. Major recipient of foreign direct investment were communications, financial business, trade, construction, personal services. The wholesale and retail trade sector is growing rapidly especially through investment in the large multinational chains. Substantial investment has also been received by telecom and financial services.

Pakistan has introduced reforms in line with multilateral commitments and has a legislative framework for each of the services sector and policies concerning trade liberalisation in these sectors. For instance, the communication sector in Pakistan, particularly telecom has witnessed comprehensive reforms, thereby contributing to a large share of services. Relevant legislation has been passed within the IT sector, making the services trade a success. Another services sub-sector showing growth has been the financial sector which because of reforms aimed at liberalisation, competition and privatisation has achieved progress. There are various regulatory bodies governing the engineering, construction and architectural services sector. While Pakistan has come a long way in terms of developing an investor friendly environment facilitating foreign service providers, much improvement is needed at the implementation level.

Major Crops Update

Wheat

Crop target for 2014

Wheat production in Pakistan is estimated at around 24 million tonnes in 2012-13, against the target of 25.5 million tonnes. Wheat crop has been affected among others by delayed planting caused by late harvests of other crops such as cotton and sugarcane and less use of urea. Shortages of urea fertilizer and its price escalation discouraged its application. Imposition of general sales tax and gas infrastructure cess has impacted fertilizer plants, increasing its costs. As urea application contributes to enhance crop yield, its reduction adversely affects the yield. The crop target for FY14 has been fixed at 25.0 million tonnes.

Pakistan could increase wheat output

Because of a shortfall in production, Pakistan is likely to import between 800,000 to 1 million tonnes of wheat in the year to March 2014. In the month of August 2013 alone, 34.8 thousand metric tonnes of wheat of a value of \$10.1 million was imported. In the entire fiscal year 2012-13, import of wheat was of a sum of \$6.8 million. The FAO Investment Centre in a report, *Pakistan: Review of the wheat sector and grain storage issues*, has shown that Pakistan could increase annual wheat production to 32.5 to 38 million tonnes from the area currently planted, assuming that the potential wheat yield is realized through sustainably intensified crop production. Despite irrigated production, domestic wheat yields are below those achieved in neighbouring countries and these have not increased much in recent years. The Report says, these relatively low yields are most likely a result of inadequate irrigation infrastructure and insufficient access to use of farm inputs, especially given the substantially higher yields that would be attainable in Pakistan's agro-climatic conditions.

The Wheat Productivity Enhancement Project, a US Department of Agriculture Programme

managed in collaboration with national and provincial research partners has successfully introduced the UG99 – resistant wheat variety. The introduction of this wheat variety helps protect Pakistan against UG99, a virulent wheat disease in the region that poses a threat to Pakistan's farming community.

Wheat rusts

FAO has called upon countries in the global wheat belt to step up monitoring and prevention for wheat rusts – fungal diseases that do especially well in particularly wet seasons. Wheat rusts manifest themselves as yellow, blackish or brown coloured blisters that form on wheat leaves and stems, full of millions of spores. These spore, similar to appearance to rust, infect the plant tissues, hindering photosynthesis and decreasing the crop's ability to produce grain. The FAO report states, 'in Pakistan there was a marked increase in reports of high (above 40%) and moderate (above 20%) severity for all three types of rust diseases, but the effects of yellow rust were most pronounced, appearing in 53 percent of the surveyed fields.

Rising wheat prices

Wheat prices have risen in recent months. Lower crop output, low releases of subsidised wheat by provincial food departments to flour mills, and the rupee depreciation on the landed cost of imported wheat and the rising transport costs due to increase in local fuel oil prices have made wheat and other commodities costlier. Wheat was amongst the top contributors to CPI inflation in August 2013. With a weighted contribution of 12.97 percent, price of wheat saw a change of 27.1 percent in August 2013 over August 2012.

Flours mills are selling flour at a price higher than that fixed by the government. In Sindh it is being sold at around Rs44 per kg, while premium quality at Rs46 per kg (government has fixed wheat flour price at Rs39.5) in Punjab it is being sold at around Rs43-45, while the official price is Rs39.

Rice

Rice target at 6.2 million tons

The government has set rice production target at 6.2 million tons during the year 2013-14, provided no major setbacks are incurred. USDA raised production forecasts for the year by 200,000 tons to 6.4 million tons due to a higher yield forecast. The yield was raised because of favourable water levels in reservoirs, improved crop conditions, more use of high yielding varieties, greater irrigation supplies. The 2013-14 crop forecast is up 14 percent from the year earlier flood reduced crop, but still below the 2008-09 record of 6.9 million tons.

Rice exports may fall

Heavy rainfall and floods have reportedly washed out approximately 10-15 percent of the standing crop in Punjab. Floodwaters submerged large areas of farm fields in different districts of the province — Sialkot, Narowal, Hafizabad, Jhang, Kamoke and Muridke among others. Because of the damage caused to the crop, the output target of 6.2 million tons may not be met. This may also reduce Pakistan's 2013-14 rice exports below the 3.1 million tons exported in 2012-13. Export forecast was targeted to be higher based on larger exportable supplies and new financing terms with Iran.

According to the Basmati Rice Growers Association, floods in mid August hit the heartlands of basmati where nearly 50 percent of the country's basmati is grown. Earlier than anticipated heavy rains delayed rice milling, which is one of the several reasons for higher rice prices this year.

Basmati exports decline

Pakistan's basmati exports continue to be constrained by tight availabilities in the wake of growing substitution of hybrid rice for aromatic varieties at the farm level. Processing operations have also been impaired by severe energy shortages. The sector has been provided some encouragement by the inclusion of rice in barter agreement with Iran. In 2012-13,

basmati exports declined, both in terms of quantum and earnings. There was a 26.3 percent drop in quantity exported, while earnings declined by 20.4 percent to \$657 million against \$826 million in 2011-12.

Cotton

Cotton crop estimates revised

The Cotton Crop Assessment Committee (CCAC) estimates 2013-14 crop at 11.958 million bales; 8.70 million bales in Punjab, 3.15 million bales in Sindh and 0.108 million bales in Balochistan. Earlier the CCAC had estimated the crop at 13.255 million bales, which was later revised to 12.655 million bales, and in its meeting in September 2013, the estimates were further revised down to 11.95 million bales. The crop has been impacted by low availability of irrigation water at the time of sowing, flood damages and attack of cotton pests. In some areas of southern Punjab and Sindh, minor pest attacks of thrips, whitefly, bollworms and mealy bug have been reported.

Cotton crop impacted

Reportedly there has been a fall in cotton production in Punjab. According to available figures, the province produced 0.644 million bales upto September 1, as compared to 0.968 million bales produced in the same period a year earlier. Excessive heat wave is reported to have impacted growth of cotton plants. In Sindh, higher cotton output has been recorded, which compensated output losses in Punjab. Ginners say heavy rains and floods in Punjab have destroyed 10-15 percent of the crop in Dera Ghazi Khan, Multan, Muzaffargarh and Layyah, and more than half of the area under cultivation of cotton in Rajanpur has been hit. Cotton growing areas in Sindh have largely escaped flood-related damages.

The International Cotton Advisory Committee has said that cotton crop worldwide was seen falling as farmers shift to grain. The drop in acreage is led by the biggest growers including China, India, Pakistan and the US. Pakistan

Cotton sown area declines

Cotton Ginners Association has expressed its concern on misuse of cotton zone by allowing the setting up of sugar mills and cultivation of sugarcane. Despite declaring cotton crop zones by the Punjab and Sindh governments, the setting up of new sugar mills continues, which is shrinking the cotton crop area in major cotton zones of Rahim Yar Khan, Sahiwal, Pakpattan, Ghotki and Nawabshah. Cotton sown area has subsequently fallen.

Investment in ginning sector

In recent years large sums of investment have been made in the local ginning sector. Around 40-50 new ginning factories have been set up in the country, and a large number of plants have undergone extensive balancing, modernisation and replacement. State Bank of Pakistan refinancing scheme initiated in mid 2010 has greatly facilitated fresh investment in the ginning sector. The scheme has made it possible for ginners to avail bank loans of various interest rates depending on the tenure of the loan to set up new plants or for BMR of existing ginning mills.

Prices of phutti

Phutti (seed cotton) rates were quoted at Rs3100 per 40kg for the Punjab variety, while poor quality of phutti was being quoted at around Rs2200 per 40kg in Sindh. Earlier in the month of October prices were higher.

The Pakistan Cotton Ginners Association indicated that around 3.69 million bales have reached ginners by October 1, 2013. The quantum is about 6.88 percent higher as compared to 3.45 million bales that reached ginners by October 1, 2012.

Sugarcane

Pakistan's sugarcane production is estimated at 62.5 million tons in 2012-13, higher by 7 percent over previous year's harvest of 58.4 million tons. The crop was sown over an area of 1124 thousand hectares. The 2012-13 crop

Output forecast at 65 million tons

benefited from rains, especially the cane growing areas of southern Punjab and Sindh, and application of balance use of inputs. For 2013-14, sugarcane production is forecast at 65 million tons, an increase of 4 percent over the current year. Sugarcane was reportedly sown on an area of 2.3 million acres, of which crop standing over 25,000 acres in Punjab has been hit by heavy rains. But reportedly that have not caused any extensive damage to the crop, as cane stalks had grown tall and strong enough to resist the ill effects.

Some sugar mills in Sindh and Punjab have begun crushing, while the remaining are waiting for sugarcane and will start crushing in November. The provincial governments of Punjab and Khyber-Pakhtunkhwa have announced a minimum support price of Rs170 per 40kg and Sindh Rs172 per 40kg for 2012-13 crushing season. This was a 13 percent increase from preceding year's procurement price. A buffer stock of 1.5-2.0 million tons of sugar are available with local sugar mills and the Trading Corporation of Pakistan for domestic consumption and export. A good sugarcane crop is expected this year.

In 2012-13, Pakistan exported 1.1 million metric tons of sugar of a value of \$529.5 million, a substantial jump compared to exports of 48.7 thousand metric tons worth \$28.1 million in 2011-12.

Pakistan Agriculture Research Council has approved a new sugarcane variety with a high yield of 1600-2000 maunds per acre against the existing average yields of 1200-1400 maunds. The new variety will be promoted in collaboration with sugar mills seeking varieties with higher yield and greater sucrose contents. The new cane variety will replace three varieties banned by the government for its poor yield and lesser sucrose contents.

Market Analysis

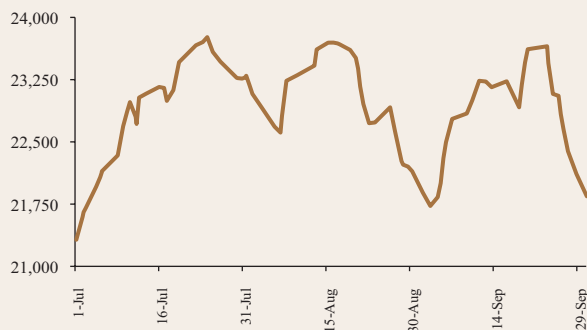
Market Review – September-October 2013

September review

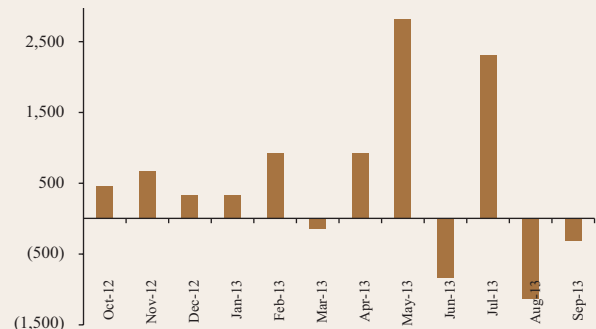
After a much needed correction witnessed in the month of August, the market again posted a decline in September on the back of abnormal devaluation of Pak Rupee and regulatory change witnessed for the banking sector. Though the month on month decline of 0.3k points in September is benign, what is worrying is the 1.8k points (7.6%) decrease witnessed since end September, after the intra month high of 23.6k points clocked in by KSE-100 index. On a month on month basis, average volumes of All Share Index declined by 7 percent, while value traded depicted a similar decrease of 13 percent. 1QFY14 return for the benchmark index stood at 4 percent, compared to a handsome 16 percent in the preceding 4QFY13.

Concerns over rupee devaluation and further interest rate hike will continue to keep the upside limited, especially if foreigners continue to remain net sellers as in the past few weeks. However, the recent decline has opened up avenues for fresh investment. At current level, we are overweight on cement sector (after the steep fall in share price & hike in cement price from October), Oil & Gas and Textiles (benefit of rupee devaluation) and selected exposure in Banks & Fertilizer.

KSE-100 index performance in 1QFY14



KSE-100 index monthly change



Key sectors declined in September except Telecom, while Foreigners were net sellers

KSE-100 index declines

KSE-100 index declined by 1.5 percent in September as all the key sectors posting a decline, with the exception of Telecom. Though the month on month decline of 0.3k points in September is benign, what is worrying is the 1.8k points (7.6%) decrease witnessed since last week, after the intra month high of 23.6k points clocked in by KSE-100 index. On a month on month basis, average volumes of All Share Index declined by 7 percent. 1QFY14 return for the benchmark index stood at 4 percent, compared to a handsome 16 percent in the preceding 4QFY13.

Delisting of market heavyweight Unilever was witnessed in September, which resulted in KSE market capitalization decreasing by around PKR200bn. Telecom sector witnessed the biggest surge due to government’s crackdown on grey trafficking and benefit of rupee deval. Banks during most part of the month performed well due to anticipation of further interest rate hike, but regulatory change pertaining to minimum deposit rate on the second last working day of the month, led to a dip in sector’s outperformance. In the month of September, Companies remained the biggest net buyers with Mutual fund being the biggest sellers. Foreigners were net sellers in the

outgoing month, a trend which is being witnessed since the last few weeks due to worsening Pak Rupee outlook.

Future outlook

Manufacturing concerns are set to bear the brunt of rising cost of doing business (tariffs & interest rate hike, second round of inflation etc) while SBP has tightened the noose around the banks resulting in earnings/TP downgrade. Investors may take solace from the fact that the key sectors such as E&P, IPPs, Textile & Telecom will eventually benefit from rupee devaluation, thus corporate earnings should improve. Nonetheless, concerns over rupee devaluation & further interest rate hike will continue to keep the upside limited, especially if foreigners turn into net sellers.

The recent decline has opened up avenues for fresh investment. At current level, we are overweight on Cement sector (after the steep fall in share price & hike in cement price from October), Oil & Gas and Textiles (benefit of rupee devaluation) and selected exposure in Banks & Fertilizer. Foreign inflows will continue to remain a key factor in shaping the market direction.

October review

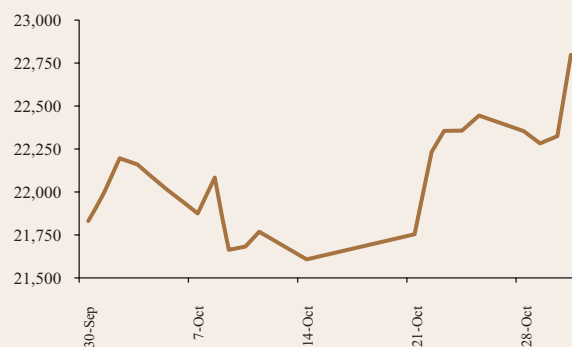
After posting a decline in August and September, the market bounced back in the latter half of October on renewed buying from foreigners, in the usual E&P sector. On a month on month basis, the benchmark KSE-100 index augmented by 4.3 percent to close at 22.8k level. The month of October saw volumes plunge to average 116mn shares/day, which is the lowest monthly reading of CY13. On a month to month basis, average volumes of All Share Index declined by 46 percent, while value traded depicted a similar decrease of 42 percent.

As highlighted by us before, foreign flows will continue to play a key role in determining the market direction. Post US Government debt deal in mid October, foreigners have again shown renewed interest, especially in

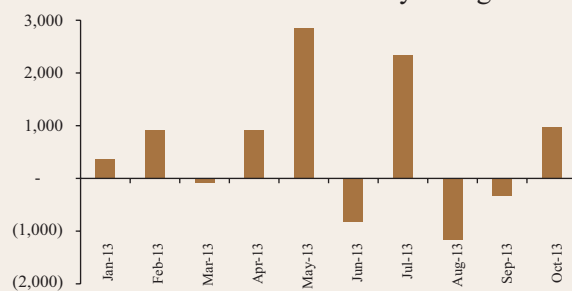
the E&P space. Their enthusiasm was complemented by above expected 1QFY14 results posted by the Oil & Gas sector, which has driven the recent rally.

On the economic front, things continue to look challenging with CPI expected to continue its ascent in the coming month. We expect 50-100bps increase in the next monetary policy due in November (any delay will be positive for the market). Forex reserves situation continues to remain precarious but some tangible progress on this front by the government pertaining to Privatization, 3G auction, US aid and international bond auction should lead to relatively stable Pak Rupee outlook in the 2HFY14.

KSE-100 index performance in Oct-13



KSE-100 index monthly change



Oil & Gas sector shows remarkable MoM growth in October, while foreigners again turn net buyers

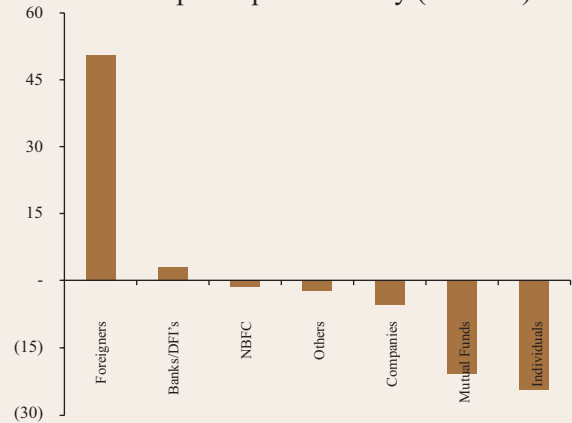
KSE-100 index increased by 4.3 percent in October mainly due to double digit rally

witnessed in index heavy weight Oil & Gas sector, while the performance all other key sector sectors remained relatively subdued.

The month of October saw volumes plunge to average 116mn shares/day, which is the lowest monthly reading of CY13. On a month to month basis, average volumes of All Share Index declined by 46 percent, while value traded depicted a similar decrease of 42 percent. Post US Government debt deal in mid October, foreigners have again shown renewed interest, especially in the E&P space. Their enthusiasm was complemented by above expected 1QFY14 results posted by the Oil & Gas sector, which has driven the recent rally.

After remaining on the net selling side in the preceding month of September, foreigners came back strongly in October, especially in the latter half of the month as US Govt. debt deal got extended and concerns over Fed stimulus program were eased. Individuals and Mutual Funds were the biggest sellers during the month.

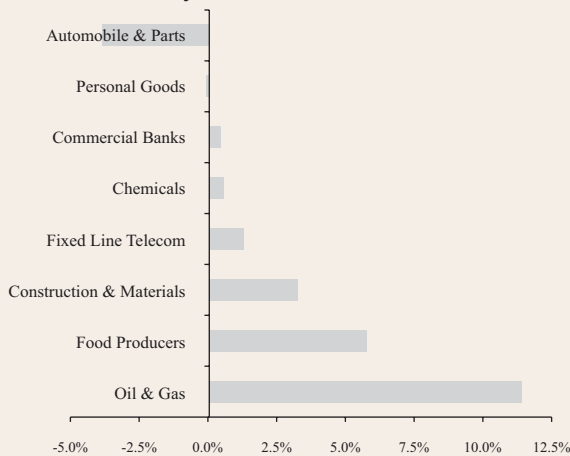
Oct-13 participants activity (USDmn)



As highlighted by us before, foreign flows will continue to play a key role in determining the market direction. Post US Government debt deal in mid October, foreigners have again shown renewed interest, especially in the E&P space. After maligning each other in the media during the last couple of weeks, the major market pundits are rumored to be nearing a settlement which may act as a positive catalyst in the coming days. On the economic front, things continue to look challenging with CPI expected to continue its ascent in the coming month. We expect 50-100bps increase in the next monetary policy due in November (any delay will be positive for the market). Forex reserves situation continues to remain precarious but some tangible progress on this front by the government pertaining to Privatization, 3G auction, US aid and international bond auction should lead to relatively stable PKR outlook in the 2HFY14. At current level, we are overweight on Oil & Gas and Textiles (benefit of rupee devaluation) and selected exposure in Banks & Fertilizer.

Future outlook

Key sector return in Oct-13



(Contributed by Taurus Securities Ltd, a subsidiary of National Bank of Pakistan)

Scheduled Banks Deposits by Type

(Rs. Bn)

Type of Business	Fixed Deposits						Saving Deposits						Current Account Remunerative			
	2009		2010		2011		2012		2009		2010		2011		2012	
	2009	2010	2010	2011	2011	2012	2009	2010	2010	2011	2011	2012	2009	2010	2011	2012
National Bank of Pakistan	194.7	218.6	257.3	235.1	196.4	266.3	232.9	313.0	75.1	68.4	80.7	96.5				
Habib Bank Ltd	190.6	187.0	245.9	354.4	310.4	338.8	388.5	485.1	1.8	1.7	1.7	1.4				
United Bank Ltd	150.8	162.4	172.5	193.6	178.3	194.0	206.4	240.8	2.1	3.4	6.0	7.2				
MCB Bank Ltd	62.7	80.1	91.5	80.6	173.8	196.0	225.9	268.9	-	-	-	-				
Allied Bank Ltd	98.4	109.1	110.1	158.2	85.3	93.6	106.8	125.8	47.7	57.0	57.7	80.1				
Bank Alfalah Ltd.	121.7	102.3	102.0	103.2	83.9	96.3	123.5	155.0	-	-	-	-				
Bank Al Habib Ltd	71.0	91.1	120.2	96.1	35.3	54.5	70.2	105.6	21.3	29.2	26.5	29.1				
Standard Chartered Bank Pak Ltd	58.4	46.0	37.6	31.2	79.3	90.4	103.6	127.5	-	-	-	-				
Askari bank Ltd	48.0	66.9	89.5	75.6	110.3	132.1	141.0	155.6	-	-	-	-				
The Bank of Punjab	90.6	96.8	107.0	111.1	65.5	75.6	86.0	100.9	-	-	-	-				
Faysal Bank Ltd.	53.1	86.2	96.2	92.2	40.4	61.5	57.4	73.7	-	-	0.7	1.6				
Habib Metropolitan Bank Ltd.	63.7	70.0	82.2	93.5	39.9	38.9	44.2	54.8	-	-	-	-				
Meezan Bank Ltd.	32.4	44.5	58.5	78.4	36.3	48.4	62.7	91.6	-	-	-	-				
Soneri Bank Ltd.	31.5	31.8	37.7	138.2	27.9	32.2	40.9	55.1	-	-	-	-				
NIB Bank Ltd	35.9	39.9	32.8	24.9	27.6	29.1	26.1	33.6	-	-	-	-				
Summit Bank	16.9	17.2	34.8	36.8	10.5	20.7	24.9	31.1	-	-	-	-				
Sindh Bank	-	-	2.5	6.8	-	-	17.6	15.4	-	-	-	-				
KASB Bank Ltd	26.1	23.6	21.1	14.0	9.5	14.0	18.0	17.5	-	-	-	-				
Silk Bank Ltd	23.7	26.4	31.1	33.4	12.8	15.9	17.6	17.7	-	-	-	-				
JS Bank	9.2	8.7	14.3	20.8	5.6	8.1	11.4	18	-	-	-	-				
Dubai Islamic Bank	15.6	15.6	17.8	21.8	7.3	10.1	12.1	17.4	-	-	-	-				
Bank Islami Pakistan Ltd	12.7	18.8	24.5	30.2	7.6	10.0	14.3	21.1	-	-	-	-				
Bank of Khyber	11.8	16.0	22.7	27.7	9.2	13.5	12.0	16.8	-	-	-	-				
Albaraka Bank Ltd	8.1	24.6	29.1	27.4	4.7	14.4	20.5	21.5	-	-	-	-				
Burj Bank Ltd.	2.8	5.6	10.0	18.2	1.5	4.7	7.0	12.8	-	-	-	-				
Samba Bank Ltd	6.0	6.3	8.5	10.9	2.6	3.8	4.4	5.7	-	-	-	-				
First Women Bank Ltd	1.2	2.0	5.0	7.3	3.4	3.1	3.5	4.2	2.4	3	2.9	4.2				
Citibank	26	34.6	24.5	16.1	21.6	20.4	24.5	21.7	-	-	-	-				
HSBC Bank Middle East Ltd	22.1	23.3	20.5	14.3	7.2	8.5	9.5	9.3	-	-	-	-				
Deutsche Bank	1.6	2.9	6.7	10.0	2.6	0.9	1.2	5.0	-	-	-	-				
HSBC Bank Oman SAOG	0.2	0.3	0.3	0.2	0.1	0.1	0.09	0.07	0.1	0.005	0.07	0.1				
Barclays Bank	15.2	17.7	20.9	8.8	9.7	9.6	17.1	14.2	-	-	-	-				
Bank of Tokyo-Mitsubishi Ltd	1.4	1.3	1.2	1.8	0.1	0.1	0.1	0.1	1.0	0.6	0.1	0.006				
Industrial & Commercial Bank of China Ltd	-	-	1.5	2.9	-	-	0.01	0.4	-	-	-	-				

Source: Banks Annual Reports

Scheduled Banks Deposits by Type

(Rs. Bn)

Type of Business	Current Account Non-Remunerative				Financial Institution				Others				Total			
	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012
National Bank of Pakistan	169.0	194.4	214.1	229.1	92.2	84.5	142.4	164.1	-	-	-	-	727.4	832.2	927.4	1037.8
Habib Bank Ltd	144.5	179.5	222.8	281.9	6.2	14.1	16.3	18.3	-	-	-	-	653.5	721.1	875.3	1141.2
United Bank Ltd	150.8	180.7	204	233.7	1.1	1.7	13.0	13.1	8.9	8.4	11.1	11.1	492.0	550.6	613.0	699.9
MCB Bank Ltd	123.9	144.5	161.7	183.2	4.3	7.3	8.6	8.8	2.9	3.5	3.5	3.5	367.6	431.4	491.2	545.0
Allied Bank Ltd	93.2	110.9	124.1	145.7	4.2	0.7	0.9	4.9	-	-	-	-	328.8	371.3	399.6	514.7
Bank Alfalah Ltd.	88.5	119.4	141.9	160.9	25.9	31.1	29.4	33.7	4.8	4.9	4.5	4.3	324.8	354.0	401.3	457.1
Bank Al Habib Ltd	53.9	64.3	78.7	104.2	7.8	10.6	6.5	5.4	-	-	-	-	189.3	249.7	302.1	340.4
Standard Chartered Bank Pak Ltd	67.5	81.6	92.9	106.3	0.8	0.5	0.7	0.8	1.0	1.9	1.1	0.9	207.0	220.4	235.9	266.7
Askari bank Ltd	44.3	53.0	56.6	62.7	1.5	0.4	1.5	10.2	2.1	3.5	2.9	2.8	206.2	255.9	291.5	306.9
The Bank of Punjab	26.1	30.2	38.5	47.2	7.3	4.1	4.9	3.9	1.3	1.5	1.5	2.9	190.8	208.2	237.9	266.0
Faysal Bank Ltd.	21.2	39.7	47.2	60.9	7.2	5.5	10.9	10.0	1.7	2.4	2.2	2.3	123.6	195.3	214.6	240.7
Habib Metropolitan Bank Ltd.	33.3	37.3	45.0	53.3	4.1	12.5	11.8	13.8	1.5	1.8	2.2	2.4	142.5	160.5	185.4	217.8
Meezan Bank Ltd.	28.7	37.0	47.6	59.4	2.4	0.5	0.5	0.3	0.5	0.7	0.7	0.7	100.3	131.1	170.0	230.4
Soneri Bank Ltd.	12.6	16.4	19.1	25.1	0.4	0.3	0.5	0.3	1.1	1.3	1.5	2.1	73.5	82.0	99.7	120.0
NIB Bank Ltd	23.6	24.1	25.1	27.8	5.8	5.5	0.9	4.3	1.0	0.5	0.6	0.7	93.9	99.1	85.5	91.3
Summit Bank	3.3	3.7	13.0	19.2	-	-	15.3	8.3	0.6	0.7	1.7	1.6	31.3	42.3	89.7	97.0
Sindh Bank	-	-	3.3	9.0	-	-	0.06	0.1	-	-	0.04	0.07	-	-	23.5	31.4
KASB Bank Ltd	5.3	6.8	21.2	29.5	2.6	1.5	0.4	0.5	0.3	0.4	0.6	0.4	43.8	46.3	61.3	61.9
Silk Bank Ltd	8.2	10.6	12.7	15.9	4.1	2.0	1.9	1.2	0.8	0.7	0.8	0.9	49.6	55.6	64.1	69.1
JS Bank	4.8	6.9	11.3	16.8	1.6	2.5	4.4	6.6	0.05	0.04	0.09	0.3	21.3	26.2	41.5	62.5
Dubai Islamic Bank	4.7	5.6	8.6	13.8	0.4	0.07	0.02	0.1	-	-	0.02	0.04	28.0	31.4	38.5	53.1
Bank Islami Pakistan Ltd	7.2	9.1	10.1	11.3	0.5	0.3	0.09	0.1	-	-	1.6	1.5	28.0	38.2	50.6	64.2
Bank of Khyber	3.9	5.6	8.6	13.6	0.3	0.7	0.9	0.06	1.0	1.1	1.4	1.9	26.2	36.9	45.6	60.1
Albaraka Bank Ltd	1.9	7.3	7.3	8.7	0.3	2.7	4.2	5.2	0.06	0.3	0.3	0.5	15.1	49.3	61.6	63.3
Burj Bank Ltd.	0.7	1.7	1.9	2.9	1.7	0.6	1.4	2.0	-	-	0.03	0.02	6.7	12.6	20.3	35.9
Samba Bank Ltd	2.8	4.3	4.3	5.3	1.1	0.4	0.4	0.8	-	-	0.04	0.04	12.5	14.8	17.7	22.7
First Women Bank Ltd	1.5	2.0	2.3	2.8	0.02	0.003	0.001	0.001	0.2	0.1	0.1	0.6	8.7	10.2	13.8	19.1
Citibank	7.0	10.1	10.7	24.6	3.3	3.0	1.9	1.9	0.2	0.2	0.1	0.1	58.1	68.3	61.6	64.3
HSBC Bank Middle East Ltd	11.0	14.0	15.1	14.4	0.4	0.6	0.9	0.9	0.05	0.1	0.3	0.1	40.8	46.5	46.2	38.9
Deutsche Bank	1.8	2.2	3.2	3.4	0.005	0.006	0.008	0.008	0.002	0.1	0.04	0.02	6.0	6.1	11.1	18.4
HSBC Bank Oman SAOG	0.2	0.2	0.2	0.2	0.003	0.1	0.01	0.007	0.09	0.1	0.09	0.008	0.7	0.8	0.7	0.6
Barclays Bank	4.9	5.0	6.6	6.6	0.008	0.03	0.04	0.02	0.09	0.03	0.04	0.3	29.9	32.3	44.7	29.9
Bank of Tokyo-Mitsubishi Ltd	0.2	0.3	0.3	0.4	0.01	0.008	0.007	0.01	-	-	0.086	0.001	2.7	2.3	1.9	2.4
Industrial & Commercial Bank of China Ltd	-	-	0.003	0.9	-	-	-	-	-	-	1.5	4.2	-	-	1.5	4.2

- Indicates figure not given in the bank's annual report

Admn Expenses and Staff Cost of Scheduled Banks

(Rs Mn)

Banks	Admn Expenses			Staff Cost			Admn Expense as % of Staff Cost		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
National Bank of Pakistan	26203	30117	35737	18251	21223	25741	69.7	70.5	72.0
Habib Bank Ltd	23054	27075	28630	13311	15662	16389	57.7	57.8	57.2
United Bank Ltd	17906	19785	23528	7979	8715	9929	44.6	44.0	42.2
MCB Bank Ltd	12174	15585	17065	7467	8520	9399	61.3	54.7	55.1
Allied Bank Ltd	11242	13166	14546	6645	7553	8224	59.1	57.4	56.5
Bank Alfalah Ltd	12578	13832	15204	5534	6332	7340	44.0	45.8	48.3
Standard Chartered Bank Pak Ltd	12851	13240	13856	4461	4659	4971	34.7	35.2	35.9
Askari bank Ltd	7813	8639	9039	4187	4087	4420	53.6	47.3	48.9
Bank Al-Habib Ltd	6162	7585	8796	2810	3415	4112	45.6	45.0	46.7
Soneri Bank Ltd	2624	3394	4248	960	1317	1767	36.6	38.8	41.6
Bank of Khyber	944	1468	1658	543	923	969	57.5	62.9	58.4
The Bank of Punjab	3426	3954	4430	1902	2109	2423	55.5	53.3	54.7
Sindh Bank Ltd	-	514	1278	-	259	621	-	50.4	48.6
KASB Bank Ltd	2495	2323	2676	1106	1029	1292	44.3	44.3	48.3
Habib Metropolitan Bank Ltd	4173	4924	5747	2117	2511	2952	50.7	51.0	51.4
Faysal Bank Ltd	6644	10814	10810	3087	5163	5050	46.5	47.7	46.7
Silk Bank Ltd	3154	3779	4214	1660	1927	2252	52.6	51.0	53.4
Meezan Bank Ltd	4461	5959	7192	2022	2805	3414	45.3	47.1	47.5
NIB Bank Ltd	6955	4715	5173	3867	2190	2487	55.6	46.4	48.1
Dubai Islamic Bank	2096	2497	2846	909	920	1118	43.4	36.8	39.3
Bank Islami Pakistan Ltd	1895	2139	2272	651	841	969	34.4	39.3	42.6
Summit Bank	2736	3816	3958	1285	1468	1542	47.0	38.5	39.0
JS Bank	1847	2098	2553	699	825	1029	37.8	39.3	40.3
Albaraka Bank Ltd	1509	1911	1991	568	767	854	37.6	40.1	42.9
Burj Bank Ltd	987	1229	1613	327	417	678	33.1	33.9	42.0
Samba Bank Ltd	1457	1397	1458	655	693	867	45.0	49.6	59.5
First Women Bank Ltd	534	601	717	313	336	425	58.6	55.9	59.3
Citibank	3880	3997	4479	1177	1165	1179	30.3	29.1	26.3
HSBC Bank Middle East Ltd	2171	2443	3109	927	888	1603	42.7	36.3	51.6
Deutsche Bank	653	759	1171	335	430	441	51.3	56.7	37.7
HSBC Bank Oman SAOG	59	69	79	21	20	23	35.6	29.0	29.3
Bank of Tokyo-Mitsubishi Ltd	113	140	153	54	62	63	47.8	44.3	41.2
Barclays Bank	2484	2024	1966	1073	1068	922	43.2	52.8	46.9
Industrial & Commercial Bank of China Ltd	-	195	411	-	130	271	-	66.7	65.9
Total	187280	216183	242603	96903	110429	125736	51.7	51.1	51.8

Financial Position of Selected Bank January-September 2013

(Rs.Bn)

	National Bank of Pakistan	Habib Bank Limited	MCB Bank	United Bank Limited	Allied Bank	Bank Al-Falah
Assets						
Sept 2013	1273.2	1431.5	746.5	941.8	681.0	575.9
Dec-12	1309.5	1517.8	767.1	896.8	633.3	536.5
Equity						
Sept 2013	103.7	117.0	96.6	85.6	48.6	26.9
Dec-12	109.9	110.6	88.9	78.7	44.6	25.5
Deposits						
Sept 2013	1020.9	1184.3	584.2	772.7	570.9	493.0
Dec-12	1037.8	1141.2	545.1	698.4	514.7	457.1
Advances						
Sept 2013	639.6	451.9	224.2	369.4	243.7	236.3
Dec 2012	657.4	460.1	239.6	364.4	271.1	239.9
Investment						
Sept 2013	352.0	729.7	405.1	403.6	323.1	215.1
Dec-12	343.5	777.2	402.1	349.6	267.4	189.5
Interest Income						
Sept 2013	72.9	89.4	48.5	53.4	40.1	32.3
Sept 2012	75.2	82.9	51.9	55.5	37.0	34.8
Change Sept Over Sept	-3.1	7.8	-6.6	-3.8	8.4	-7.2
Interest Expenses						
Sept 2013	44.5	50.1	20.0	26.1	23.7	19.8
Sept 2012	44.3	40.5	20.7	26.3	22.6	21.0
Change Sept Over Sept	0.5	23.7	-3.4	-0.8	4.9	-5.7
Net Income						
Sept 2013	28.3	39.3	28.5	27.4	16.4	12.5
Sept 2012	30.9	42.4	31.2	29.1	14.4	13.9
Change Sept Over Sept	-8.4	-7.3	-8.7	-5.8	13.9	-10.1
Non Interest Income						
Sept 2013	18.2	10.3	8.6	13.3	7.3	6.0
Sept 2012	15.9	9.1	6.9	13.2	10.6	5.0
Change Sept Over Sept	14.5	13.2	24.6	0.8	-31.1	20.0
Adman Expenses						
Sept 2013	26.1	24.7	12.6	19.2	11.2	12.5
Sept 2012	23.9	21.1	12.4	17.5	10.4	11.5
Change Sept Over Sept	9.2	17.1	1.6	9.7	7.7	8.7
Profit/Loss B.T						
Sept 2013	8.1	23.7	25.7	19.4	11.7	4.8
Sept 2012	18.0	26.1	25.3	20.9	12.7	5.2
Change Sept Over Sept	-55.0	-9.2	1.6	-7.2	-7.9	-7.7
Profit/Loss A.T						
Sept 2013	6.2	15.5	17.2	12.9	8.3	3.3
Sept 2012	12.6	15.9	16.6	14.0	9.4	3.4
Change Sept Over Sept	-50.8	-2.5	3.6	-7.9	-11.7	-2.9

Source: Banks Balance Sheets

Selected Economic Indicators of Countries where National Bank of Pakistan has a Presence

Country	Population 2011 (Mn)	GDP Size 2011 (\$ Bn)	Per Capita GDP 2011 (\$)	Exchange Rate Local Currency to US\$ (2011)	Total Reserves 2012 (\$ Bn)	Total External Debt 2011 (\$ Bn)	Current Account Balance 2012 (\$ Bn)	Good and Services 2012 (\$ Bn)		Market Capitalization (% of GDP) 2012	Interest Rate 2012 (%)		Domestic Credit to Private Sector (% of GDP) 2012
								Exports	Imports		Deposits	Lending	
Afghanistan	32.4	18.9	586	46.747	7.1	2.6	-2.7	3.6	6.7	NA	NA	15.0	4.9
Azerbaijan	9.3	63.4	6813	0.7897	11.2	8.4	15.0	36.7	17.4	NA	10.2	18.3	20.1
Bangladesh	150.5	106.2	706	74.1524	12.7	27.0	2.6	27.6	37.7	15.1	11.7	13.0	49.6
Bahrain	1.3	25.8	19512	0.376	5.4	NA	3.2	22.9	13.9	59.1	1.1	6.0	70.0
Canada*	34.5	1736.9	50565	0.9895	68.5	NA	-62.3	547.1	583.3	110.7	0.5	3.0	NA
China*	1324.4	7203.8	5439	6.4615	3387.5	685.4	193.1	2167.2	1935.4	44.2	3.0	6.0	131.6
France	65.1	2775.5	42642	0.7194	184.5	NA	-57.2	768.6	817.6	69.8	2.3	NA	116.0
Germany	82.2	3604.1	43865	0.7194	248.8	NA	238.4	1728.7	1525.6	43.7	NA	NA	101.9
Hong Kong	7.1	243.3	34161	7.784	317.3	NA	3.5	561.5	560.8	420.9	0.0	5.0	198.1
Japan	126.5	5870.4	46407	79.807	1268.1	NA	60.9	910.8	1014.8	61.8	0.5	1.4	176.7
Kazakhstan**	16.2	186.4	11503	146.6208	28.3	124.4	7.7	97.0	60.1	11.7	NA	NA	37.2
Republic of Korea	48.4	1116.2	23067	1108.2921	327.7	NA	43.3	663.6	622.3	104.5	3.7	5.4	148.0
Kyrgyzstan	5.4	5.9	1098	46.1439	2.1	5.5	-1.4	3.1	6.5	2.5	5.3	12.8	NA
Kingdom of Saudi Arabia	28.1	597.1	21262	3.75	673.7	NA	164.8	399.4	215.2	52.5	NA	NA	37.6
Pakistan	176.7	208.9	1182	86.3394	13.7	60.2	-2.1	31.2	48.3	18.9	8.0	13.5	16.4
Tajikistan**	7.0	6.5	935	4.6103	0.63	3.3	-0.8	1.2	4.8	NA	7.7	25.2	13.0
Turkmenistan	5.1	25.7	5042	2.85	NA	0.4	NA	NA	NA	NA	NA	NA	NA
USA	313.1	14991.3	47882	1.00	574.3	NA	-440.4	2212.5	2747.1	119.0	NA	3.3	192.4
Uzbekistan*	27.8	45.5	1641	1706.611	NA	8.4	NA	NA	NA	NA	NA	NA	NA

* Representative Offices ** Subsidiary NA Not Available

Source: Statistics Division, United Nations and World Development Indicators 2013

Book/Report Reviews

Pakistan

The Transformative Path

Rachid Bennmessaoud, Uzma Basim,

Anthony Cholst, and Jose R. Lopez-Calix

This report presents 16 sector specific policy notes which provide focused discussions of the major challenges facing Pakistan. These aim to help the incoming government achieve its ambitious economic goals. Challenges are formidable, and a bold approach is needed, which focuses on growth as well as stabilization. The 16 policy notes (building an efficient energy sector, enhancing business climate, reforming state-owned enterprises, increasing agricultural productivity, expanding access to quality education, health, nutrition, social protection, improving financial management, mobilizing revenue, enhancing labour market conditions for vulnerable groups, reinvigorating open trade, revitalizing manufacturing, poverty, and managing natural disasters) have been grouped under three main messages — jobs and growth, inclusion and human capital development, governance and accountability.

The 16 chapters provide details in each area of reform. Key issues have been discussed, along with priority actions. In certain areas urgent actions are needed to make further advances. The most important reform to initiate is in the power sector, as progress in all other areas, depends on it. Within the power sector, action is needed on several fronts simultaneously. The second most important reform to initiate early on is revenue mobilization. This, combined with a reduction of power subsidies, is a precondition to creating the fiscal space for increased investments in infrastructure and human development.

The third most important action is to reinvigorate state-owned enterprises (SOEs) reform and the business environment. Deploying the private sector as the engine of development is long overdue. To create a level playing field and improve services, the government should prepare a roadmap to

privatize or restructure loss making SOEs in a short term frame. The fourth priority should be on all regional countries. The fifth priority should be to improve human development. Education and health should be focused upon. The sixth priority for making all these efforts more effective is to strengthen governance and accountability. The Report states, ‘for comprehensive reform, implementation will require strong political will, expert design and persuasive negotiation.

Pakistan

Finding the Path to Job-Enhancing Growth

A Country Economic Memorandum

The World Bank

The Report identifies conditions for a sustainable job enhancing growth agenda for Pakistan. With its high fertility, a young population which will double by 2025, and a labour force which is growing faster than the regional average, the question arises how to convert this massive demographic bulge from a political and social burden to an exceptional demographic dividend?

The Report considers whether Pakistan should pursue a growth of 4.3 percent a year supported by piecemeal structural reforms leading to partial and unsatisfactory outcomes or rapid growth of 7 percent, requiring comprehensive reforms. It analyzes three major themes; the major features of growth in Pakistan and what contributes to growth (chapters 1-2); what is holding back Pakistan’s growth (chapter 3) and what are the core ingredients of job enhancing growth and how can analysis of the political economy identify policy trade offs (chapters 4-5).

Chapter 4 discusses the job enhancing growth agenda. It aims for prudent macroeconomic policies, large increases in savings and investment, extensive infrastructure investment, private sector participation, public sector modernization, fiscally sustainable extension of social and youth employment programmes, and implementation of new trade agreements with China, India and other key partners.

Pakistan — Selected Economic Indicators

	Unit	October 2013	September 2013	October 2012
Consumer Price Index (year on year change)	%	9.1	7.4	7.7
Food Inflation	%	9.8	7.9	5.8
Non Food	%	8.6	7.0	9.0
Core Inflation*	%	8.4	8.7	10.2
Wheat 10kg	Rs	364.76	360.28	289.71**
Wheat flour bag Av Q/t	10kg	413.20	408.14	336.16**
Rice basmati, broken	Rs/kg	74.90	74.24	68.21**
Mutton	Rs/kg	553.32	551.64	510.95**
Vegetable ghee (Tin)	Rs /2.5kg	510.76	510.29	522.35**
Petrol	Rs/Ltr	115.02	110.88	102.45**
Gold 24ct	10gm Rs	46,285	46,457	53,314
Broad Money M2	Rs bn	-	8879.3	7894.5
Total Deposits of Scheduled Banks	Rs bn	7132.8	7124.7	6304.9
Total Advances of Scheduled Banks	Rs bn	3920.5	3830.6	3755.8
SBP Reverse Repo Rate	%	9.5	9.5	10.0
SBP Repo Rate	%	7.0	7.0	7.0
Export Refinance Rate	%	8.4	8.4	9.0
KIBOR end month (1 month)	%	-	9.17	9.29
Total Savings mobilized by National Saving Schemes	Rsmn	-	12894.2	29,933.8
FBR Tax Collection	Rsbn	-	147.2	135.13
Exchange Rate (end month)	Rs/US\$	-	105.7663	95.7907
Gold & Foreign Exchange Reserves	Mn\$	-	9392.0	15,894
Government Domestic Debt	Mn\$	-	10,154.9	8120.0 ^a
as % of GDP	-	-	41.5	35.4
Government External Debt	Mn\$	-	4672.2	4444.9 ^a
external debt & liabilities as % of GDP	-	-	26.2	27.3
Total Debt & Liabilities	Mn\$	-	17,3556	15,116.8
as % of GDP	-	-	71.0	66.0
KSE 100 Index month end (1991-1000)	-	-	21,832.68	15,910.11
			July-Oct 2013	July-Oct 2012
Exports	\$bn		8.57	8.16
Imports	\$bn		14.46	14.64
Balance of Trade	\$bn		(-)5.89	(-)6.48
Workers' Remittances	\$bn		5.27	4.96
Net Inflow of foreign direct investment	\$m		356.0	372.1

* non food non energy

** as of November 01

^a as of September

Source: State Bank of Pakistan

Pakistan — Selected Economic Indicators

	Unit	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13 ^P
Output and Prices								
GNP Size <i>fc</i>	Rs.bn	8893	10564	12888	14815	18476	20442	22717
GDP Size <i>fc</i>	Rs.bn	8736	10355	12542	14248	17656	19406	21616
Income Per Capita	\$	980	1053	1026	1072	1275	1323	1368
Income Per Capita	Rs	56227	64157	76635	86268	105395	114256	124459
Real Growth	(%)							
GNP		6.7	3.7	2.1	4.1	3.5	4.3	3.4
GDP		5.5	5.0	0.4	2.6	3.7	4.4	3.6
Agriculture		3.4	1.8	3.5	0.2	2.0	3.5	3.3
Manufacturing		9.0	6.1	(-4.2)	1.4	2.5	2.1	3.5
Services Sector		5.6	4.9	1.3	3.2	3.9	5.3	3.7
Prices*								
Consumer Price Inflation	(%)	7.8	12.0	17.0	10.1	13.7	11.0	6.5
Wholesale Price Inflation		6.9	16.4	18.9	13.8	21.2	10.4	7.9
Food Inflation CPI		10.3	17.6	23.7	12.9	18.0	10.5	6.3
Non Food Inflation CPI		6.0	7.9	18.4	8.3	10.7	12.0	6.7
Core Inflation [†]		5.9	8.4	11.4	7.6	9.4	11.5	9.0
GDP Deflator		7.28	12.91	20.68	10.75	19.54	5.32	7.53
Gold Tezabi (Karachi)	Rs./10 grams	12619	16695	22195	29587	37658	48444	51560 ^a
Petrol Super	Rs/Ltr	56.00	57.83	67.68	67.56	75.70	91.33	101.49
Kerosene Oil	Rs/Ltr	39.09	43.44	66.79	72.65	84.89	103.09	116.32
Wheat Flour (Avg. Quality)	Rs/Kg	13.64	18.07	25.64	27.77	29.56	30.15	—
Savings and Investment								
National Savings	% GDP	14.0	11.0	12.0	13.6	14.2	12.8	13.5
Domestic Savings		12.3	9.1	9.4	9.8	9.7	7.7	8.7
Gross Fixed Investment		17.19	17.61	15.90	14.20	12.51	13.32	12.60
Public Sector		4.6	4.8	4.3	3.7	3.2	3.7	3.9
Private Sector		12.6	2.8	11.7	10.5	9.3	9.6	8.7
Public Finance								
Revenue Receipts (Fed Govt)	% GDP	14.0	14.1	14.0	14.0	12.4	12.8	14.3 ^b
Tax Revenue	% GDP	9.6	9.9	9.1	10.1	9.3	10.3	11.1 ^b
Total Expenditure	% GDP	19.5	21.4	19.2	20.2	18.9	19.6	19.0
Overall Budget Deficit	% GDP	4.1	7.3	5.2	6.2	6.5	6.8	4.7
FBR Tax Collection (Fed Govt)	Rs.bn	847.2	1008.1	1161.1	1327.4	1558.2	1882.7	2381.0
Direct Taxes	% share	39.4	38.4	38.2	39.6	38.7	39.2	39.1
Indirect Taxes	% share	60.6	61.5	61.8	60.4	61.3	60.8	60.9
Monetary Sector								
Growth of Broad Money (M2)	%	19.3	15.3	9.6	12.5	15.9	14.1	9.0
Currency in Circulation	Rs.bn	840.2	982.3	1152.2	1295.4	1501.4	1673.7	1921.8 ^a
Public Sector Borrowing (net)	Rs.bn	926	1508	2034	2441	3020	4258	4983 ^a
Borrowings for Budgetary Support	Rs.bn	810	1365	1681	2011	2602	3800	4636 ^a
Credit to Private Sector	Rs.bn	2480	2890	2907	3020	3141	3376	3516 ^a

^P Provisional. * The base for price indices have been changed as 2007-08 new base year. [†] non-food non-energy. ^a March ^b Budget estimates.

	Unit	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13*
Social Sector								
Population	Mn	158.17	164.66	168.18	171.73	175.31	178.91	182.53
Education Expenditure	as % of GNP	2.4	2.4	2.1	2.0	1.7	2.0	–
Literacy Rate	(%)	55	56	57	58	58	58	58
Health Expenditure	as % of GDP	0.57	0.57	0.56	0.54	0.23	0.27	0.35
Karachi Stock Exchange								
Total Listed Companies	Nos.	658	652	651	652	639	590	571
Funds Mobilized	Rs.bn	49.7	62.9	44.9	111.8	31.0	115.1	21.1
Total Turnover of Shares	Bn	54.0	63.3	28.3	43.0	28.0	38.0	34.7
Banking Sector								
Scheduled Banks Deposits	Rs.bn	3373	3812	4138	4693	5489	6219	6633 ^b
Scheduled Banks Advances	Rs.bn	2376	2816	3080	3174	3311	3530	3688 ^b
Non-Performing Loans All Banks	Rs.bn	214	314	432	548	607	636	607 ^b
Lending and Deposit Rates	weighted average							
Deposits	% per annum	2.60	4.13	4.44	4.29	4.53	4.56	5.26 ^a
Advances	% per annum	11.55	12.49	14.25	13.63	13.46	12.81	11.50
Open Market Operation								
SBP Reverse Repo Rate	% end period	9.50	12.00	14.00	12.50	14.00	12.00	9.5 ^a
Treasury Bills Yield - 6 Months	% end period	8.90	11.48	12.00	12.30	13.70	11.90	10.5 ^a
KIBOR - 6 Months	% end period	9.75	13.95	12.65	12.25	13.65	11.94	9.4 ^a
Yield on 5 Years PIBs	weighted average	10.00	10.80	12.40	12.50	14.03	13.08	11.5
Interbank Call Rates (Overnight)	%	8.90	9.90	13.20	11.60	12.40	11.70	9.09
SBP Export Finance Rate	%	6.50	6.50	6.50	8.00	10.00	10.00	–
External Sector								
Exports	\$ bn	16.98	19.05	17.69	19.29	24.81	23.64	24.52
Imports	\$ bn	30.54	39.97	34.82	34.71	40.41	44.91	44.95
Balance	\$ bn	-13.56	-20.92	-17.13	-15.42	-15.60	-21.27	20.43
Current Account Balance	\$ mn	-6878	-13874	-9261	-3946	214	-4658	-1028
Workers' Remittances	\$ mn	5494	6451	7811	8906	11201	13187	12762
Foreign Private Investment	\$ mn	6960	5454	3210	2739	2000	761	1073
Direct	\$ mn	5140	5410	3720	2151	1635	821	853
Portfolio	\$ mn	1820	44.3	-510	588	365	-60	219
Public Debts								
Internal Debt Outstanding	Rs.bn	2610	3275	3861	5654	6017	7638	8797
Funded Debt	% of Internal Debt	64.0	68.8	67.1	68.7	72.5	76.5	76.5
Unfunded Debt	% of Internal Debt	36.0	31.2	32.9	31.3	27.5	23.5	23.5
External Debt and Liabilities	\$ bn	40.5	46.2	52.3	61.6	66.4	65.8	60.9
Total Public Debt as % of GDP	%	2610	56.8	57.8	59.9	58.5	63.0	59.5
Domestic Debt as % of GDP	%	30.1	30.7	29.2	31.4	32.9	38.0	38.4
National Saving Schemes (Outstanding)	Rs.bn	1004	1094	1361	1586	1821	2010	2314 ^a
Gold & Foreign Exchange Reserves	\$ mn	18890	13436	13971	17921	20941	16493	12996 ^a
Exchange Rate (Average for year)	Rs/US\$	60.6342	62.5465	78.4983	83.8017	85.5017	89.2359	96.1623

* July - April ^a March

Source: Pakistan Economic Survey 2012-13