

Pakistan Business Forecast Report Q3 2014

<https://marketpublishers.com/r/P398E879E60EN.html>

Date: April 2014

Pages: 46

Price: US\$ 1,195.00 (Single User License)

ID: P398E879E60EN

Abstracts

Core Views

Pakistan's economy is picking up strongly, with the IMF's reform initiatives having a positive impact on the manufacturing sector. We believe that the Fund will release the third loan tranche of the Extended Fund Facility over the coming months, given the progress so far, and see upside risks to our already-above consensus real GDP growth forecast for FY2013/14 of 3.4%. We continue to forecast an acceleration in growth to 4.0% in FY2014/15.

The appreciation of the Pakistani rupee since December 2013 has been nothing short of spectacular. The currency has strengthened by over 10% from the December trough, and while there have been some genuinely positive signs on the macroeconomic front, the unprecedented move may also have stemmed from the State Bank of Pakistan's desire to send a message that the rupee is not a one-way losing bet. However, we expect the recent strength to subside over the coming months, and forecast the unit to weaken back to PKR 100.00/USD over the coming months.

We believe that headline consumer price inflation (CPI) will continue on its broadly declining trend over the coming months and quarters as money supply growth continues to cool, the impact of the stronger rupee keeps imported price inflation muted, and supply-side developments continue to gather momentum. We are forecasting CPI to end FY2013/14 and FY2014/15 at 7.5% and 6.5% respectively.

Pakistan's recent USD1.5bn 'gift' from Saudi Arabia has raised a number of questions regarding the implications for the former's stance on Syria, and the Iran-Pakistan (IP) gas pipeline project. With the Pakistani economy in a fragile state, and in great need of external financing, the grant was difficult to refuse, but is likely to lead to a further deterioration of relations with neighbouring Iran.

Major Forecast Changes

We have upgraded our FY2013/14 real and FY2014/15 exchange rate forecasts for the rupee, owing to the intense strength seen at the start of 2013. While we still expect the unit gradually depreciate, we now expect it to average PKR99.8/USD in FY2013/14 and PKR100.5/USD in FY2014/15.

We have also rolled back our expectations for further interest rate hikes by the State Bank of Pakistan, due to the disinflationary pressure provided by recent currency strength. We expect the reverse repo rate to remain at 10.00% in FY2013/14 and FY2014/15.

Contents

Executive Summary
Core Views
Major Forecast Changes
Key Risks To Outlook

CHAPTER 1: POLITICAL OUTLOOK

SWOT Analysis

BMI Political Risk Ratings

Domestic Politics

Saudi Grant To Undermine Relations With Iran

Pakistan's recent USD1.5bn 'gift' from Saudi Arabia has raised a number of questions regarding the implications for the former's stance on Syria, and the Iran-Pakistan (IP) gas pipeline project. With the Pakistani economy in a fragile state, and in great need of external financing, the grant was difficult to refuse, but is likely to lead to a further deterioration of relations with neighbouring Iran.

TABLE: Political Overview

Long-Term Political Outlook

Instability To Prevail, But Outright Collapse Unlikely

Pakistan is at risk of experiencing years of instability and militant activity, but an outright collapse of the state is unlikely unless the core province of Punjab becomes ungovernable. Under such circumstances, we would not preclude a military coup. Meanwhile, due to its strategic importance, Pakistan's foreign allies will do everything they can to ensure its stability.

TABLE: SCENARIO MATRIX: EVOLUTION OF STATE

TABLE: SCENARIO MATRIX: CENTRIFUGAL VERSUS CENTRIPETAL FOR CES

CHAPTER 2: ECONOMIC OUTLOOK

SWOT Analysis

BMI Economic Risk Ratings

Economic Activity

Manufacturing Activity Surging On Reform Progress

Pakistan's economy is picking up strongly, with the IMF's reform initiatives having a positive impact on the manufacturing sector. We believe that the Fund will release the third loan tranche of the Extended Fund Facility (EFF) over the coming months, given the progress so far, and see upside risks to our already-above consensus real GDP

growth forecast for FY2013/14 of 3.4%.

TABLE: ECONOMIC ACTIVITY

Fiscal Policy

Energy Reforms To Support Fiscal Accounts

The Pakistani government's efforts to reform the country's energy sector, which include reducing subsidies, improving concessional and production sharing contracts, and the upcoming partial privatisation of two of its national oil companies, should provide support to the fiscal accounts. In addition to direct savings via reduced subsidies, and the revenue boost provided by the partial asset sales, greater energy production would provide a major boost to the manufacturing sector, which would in turn allow tax revenues to rise from their current low base.

TABLE: FISCAL POLICY

Monetary Policy

Positive Developments On The Inflation Front

We believe that headline consumer price inflation (CPI) will continue on its broadly declining trend over the coming months and quarters as money supply growth continues to cool, the impact of the stronger rupee keeps imported price inflation muted, and supply-side developments continue to gather momentum. We are forecasting CPI to end FY2013/14 and FY2014/15 at 7.5% and 6.5% respectively.

TABLE: MONETARY POLICY

Exchange Rate Policy

PKR: Recent Surge Likely To Subside

TABLE: Pakistan Currency Forecast

TABLE: EXCHANGE RATE

CHAPTER 3: 10-YEAR FORECAST

The Pakistani Economy To 2023

South Asia's Serial Underperformer

Despite holding some of hallmarks of an attractive emerging market growth story, Pakistan's economy has been stuck in a secular growth downtrend for decades. This failure can largely be put down to myopic government policies, a hostile business environment, and acute security risks - three factors that are unlikely to change materially over the coming decade. For this reason, we are forecasting a rather lacklustre 3.9% average annual expansion through to 2023, meaning that Pakistan will remain very much a regional underperformer.

TABLE: Long -Term Macroeconomic Forecasts

CHAPTER 4: BUSINESS ENVIRONMENT

SWOT Analysis

BMI Business Environment Risk Ratings

Business Environment Outlook

Institutions

Table: BMI Business & Operation Risk Ratings

Table: BMI Legal Framework Rating

Table: Labour Force Quality

Infrastructure

TABLE: ASIA - ANNUAL FDI INFLOWS

Table: Trade & Investment Ratings

Market Orientation

TABLE: Top Export Destinations

Operational Risk

CHAPTER 5: KEY SECTORS

Defence

TABLE: Pakistan's Defence Expenditure, 2010-2017

Freight Transport

Table: Air Freight, 2011-2018

TABLE: Maritime Freight, 2011-2018

TABLE: Rail Freight, 2011-2018

Other Key Sectors

Table: Food and Drink Sector Key Indicators

Table: Autos Sector Key Indicators

Table: Pharma Sector Key Indicators

Table: Telecoms Sector Key Indicators

Table: Oil and Gas Sector Key Indicators

Table: Infrastructure Sector Key Indicators

CHAPTER 6: BMI GLOBAL ASSUMPTIONS

Global Outlook

Chinese Economy Under Pressure

Table: Global Assumptions

Table: Developed States, Real GDP Growth, %

Table: BMI VERSUS BLOOMBERG CONSENSUS REAL GDP GROWTH FORECASTS, %

Table: Emerging Markets , Real GDP Growth , %

I would like to order

Product name: Pakistan Business Forecast Report Q3 2014

Product link: <https://marketpublishers.com/r/P398E879E60EN.html>

Price: US\$ 1,195.00 (Single User License / Electronic Delivery)

If you want to order Corporate License or Hard Copy, please, contact our Customer Service:

info@marketpublishers.com

Payment

To pay by Credit Card (Visa, MasterCard, American Express, PayPal), please, click button on product page <https://marketpublishers.com/r/P398E879E60EN.html>