

PRESS BRIEFING

LAUNCH OF SUKUK (ISLAMIC BONDS)

- Meetings with Institutional Investors pre- Sukuk launch in Middle East, London and Singapore; meetings were attended by large number of pension funds, banks and financial institutions
- Pakistan successfully returned after 9 years to international Sukuk market, with the issuance of US Dollar denominated Sukuk Notes under Reg-S/144a format at London on 26 November
- Government was seeking to raise only US\$500 million however; the issue received very high investors' interest who made subscription of US\$2.3 billion, nearly five times of the target amount
- Government decided to accept offers of US\$1 billion for a 5-year tenor at a profit rate of 6.75%, which is 50 bps lower than the price at which the 5-year Euro bond was priced in April 2014
- The geographical interest of investors was well distributed with 35% subscriptions coming from Europe, 32% from the Middle East, 20% North America and 13% from Asia. The order book comprised top quality investors from all parts of the globe
- Success of transaction, reflective of Prime Minister Nawaz Sharif's sagacious leadership and economic policies
- Profit rate of 6.75% compares favorably with the average weighted cost of comparable domestic debt of 11.5% in Pakistan
- Will save the country about Rs.5 billion annually in debt servicing / financial cost
- Proceeds of the Sukuk will go to the State Bank and the rupee proceeds of an equivalent amount will be used for retirement of domestic debt. Thus there will be NO increase in total public debt
- The dollar proceeds will help build country's foreign exchange reserves
- The already announced target of US\$ 15 billion forex reserves by end-December 2014 would be achieved
- During the last three visits to Beijing (AIIB), Washington (Diamer Basha) and for Sukuk, the impact of sit-ins and rallies was evident.

- Moody's in its Global Credit Research of 14th July 2014, while revising its outlook of Pakistan's foreign currency government bond rating to stable from negative, had indicated upward triggers and credit negative events.
- *"Upward triggers to the rating would stem from the successful completion of the IMF program, further improvements in the external liquidity position, continued fiscal consolidation. Domestic political stability and steady relations with international donors would further support the rating"*
- *"Conversely, a stalling of the ongoing IMF program, a deterioration in the external payments position or a worsening political environment would be viewed as credit negative"*

PAK-RUSSIA INTER-GOVERNMENTAL COMMISSION MEETING

- Pak-Russia Inter-Governmental Commission meeting held at Moscow from 26-28 November 2014
- Collaboration in the fields of defence, trade, economy, science, technology, agriculture, education and culture to gain new impetus due to continuous high-level interaction between the leadership of the two countries.
- Russian Co-Chair and Minister of the Russian Federation, Mr V. Mutko underscored that both the countries enjoy strategic geographical locations and are endowed with rich human and material resources, which offers immense possibilities for mutually beneficial collaboration.
- On the issue of PSM, Pakistan side suggested it was considering the divestment of 26% equity and Russian side may consider participation as equity partner. Russian side (VTB Capital) is willing to extend loan up to US\$ 1 billion for PSM and other state owned projects
- The two sides noted that trade volume between them was not commensurate with their overall ties and agreed to take steps for trade promotion and increased bilateral trade
- The Pakistan side appreciated the visit of Rosselkhnadzor's delegation to Pakistan for phytosanitary inspection in January 2014 and its consequent decision to lift ban on Pakistani agricultural and food products. It was further expressed that the ban on Pakistani potatoes will be lifted shortly
- The Pakistan side expressed the hope for early registration with the concerned Russian authorities of Pakistani exporters of meat, dairy, poultry, sea food, fruits and vegetables as it would facilitate increase in Pakistan's exports of food and agri-products to Russia
- Both sides noted the importance of tapping the potential of chambers of commerce and industry and other business associations for promoting business linkages, organizing business events/activities

- The two sides recognized the importance of establishing a Joint Business Council between the two chambers of commerce of two countries, Russian side to provide an MoU on this proposal
- Both sides signed a joint statement, reiterating cooperation between the two governments, as well as, encouraging private entrepreneurs to boost bilateral trade, commensurate with existing potential.
- Both sides expressed determination to remove all impediments in the way of finalization of plans and projects mutually agreed upon.
- Cooperation in trans-national energy projects, including CASA-1000 and TAPI gas pipeline also discussed
- Joint statement reiterating cooperation signed at conclusion of the meeting
- Minister also had meetings with senior executives of Russian Companies
- Major Russian Companies in the energy sector including Technopromexport, Rostec-Global Resources, Rushydro International, Power Machines, Inter RAO, United Engine Corporation, and Stochinsky Institute of Mining evinced keen interest in cooperation with Pakistan
- The Pakistani side invited the Russian Public sector energy enterprises to actively cooperate with Pakistan Petroleum Ltd (PPL) and other Public sector companies in exploration and public sector
- The two sides welcomed the interest of RusHydro International AG to participate as a general contractor in the EPC project of building 2 projects of 660MW each at Thermal Power Plant(TPP) "Gaddani"
- Pakistan proposed to the Technopromexport and VTB Capital to consider participating in financing large hydro-power projects like Diamir Bhasha in Pakistan
- The Pakistani side proposed for establishing a Working Group on Financial and Banking Sector with the initial mandate for opening of bank branches and currency swap arrangements etc.
- The Commission recommended financial bodies of the parties to undertake measures for reaching an agreement on settlement of mutual financial obligations on operations of the former USSR. A mechanism to settle the financial issues was proposed by the Russian side and agreed by Pakistan's Finance Ministry.
- Pursuant to the decisions of the First and Second sessions of the IGC, the Pakistan side emphasized the establishment of the Joint Working Group on Developing Industrial Cooperation. The Russian side agreed to consider the proposal

- Agreed spheres for cooperation at a glance:
 - Oil And Gas Exploration
 - Construction Of Floating Lng Terminals
 - North-South Gas Pipeline From Gwadar To Nawabshah
 - Sharing Of Seismic And Geological Data
 - Enhanced Oil Recovery
 - LPG Processing Facility And Gas Purification Plants
 - Modernization Of Oil And Gas Infrastructure
 - Innovative Technology Solutions In Coal Industry
 - Building/Renovation Of Various Power Generating Units In Pakistan, especially those of Russian origin

INFLATION

- CPI inflation on YoY basis:
 - November 2014 - 4.0%
 - October 2014 - 5.8%
 - November 2013 - 10.9%
- This is the lowest YoY inflation in 11 years (4.2% in November 2003)
- Core inflation on YoY basis:
 - November 2014 - 6.9%
 - October 2014 - 7.8%
 - November 2013 - 8.5%
- Average inflation:
 - July - November 2014 - 6.45%
 - July - November 2013 - 8.84%
- Prime Minister has already directed provincial governments to reduce transport and cargo fares as well as items / commodities involving transport costs

PRICES OF PETROLEUM PRODUCTS

Products	Ex-depot price on 1.7.2013 (Rs/ltr)	Ex-depot price on 1.12.2014 (Rs/ltr)	Decrease (Rs/ltr)	% age decrease
MS (petrol)	101.77	84.53	17.24	16.94
HOBC	126.77	106.27	20.50	16.17
Kerosene	96.29	83.18	13.11	13.62
HSD	106.76	94.09	12.67	11.87
LDO	92.17	77.98	14.19	15.40