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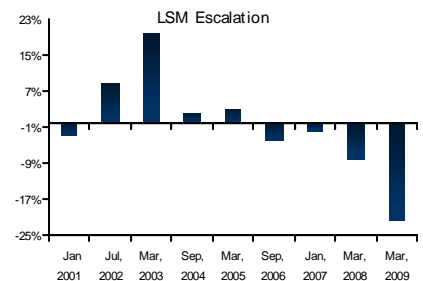
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LSM trace longest ever decline

The continual turn down in the Large Scale Manufacturing (LSM) continued for the tenth consecutive month in March 2009, alleged SBP's Third Quarterly Report, which is the top period of dilapidated LSM production. LSM growth dropped to 7.7 percent during Jul-Mar 2008-09 compared with a 5.0 percent rise in the corresponding period of 2007-08. In July 1990, LSM production showed a declining trend for the five consecutive months only during Oct-Feb. This portrait would further strengthened in existing fiscal year. The continual disappointing recital is a mirror image of various adverse domestic and external developments. While, industrial growth sluggish in most of the other regional economies primarily due to global recession, domestic factors had dominant impact on Pakistan's manufacturing sector growth in FY09. Meticulously, weakness in worsening power shortages, structural problems and worsening in law and order situation are some vital factors accountable for the decline in LSM production. The US and EU, which are the largest trading partners of Pakistan are grappling with worst ever recession since 1930s. Their consumer confidence and spending plans have reached record lows. The shockwaves of this crisis in the developed world has hit the export-oriented developing countries. IMF pointed out over the bleak scenario in its Economic outlook report 2009 the growth in US and EU areas is to remain pessimistic during 2009 and then would gradually knock over in 2010. This is not good prophecy for Pakistan's LSM sector as it is deeply dependent on exports. The textile sector's involvement to total exports have also been witnessing declining inclination as its share plunged from an almost 62 percent to around 52 percent. In fussy, automobiles industry witnessed sharp slide mainly due to high cost of consumer financing continued upward prices of cars, tight liquidity position of the banks as well as risk unpleasant behavior after facing substantial NPLs in consumer finance. Further, slow income growth and high inflation impaired consumers' ability to spare funds for purchasing durables.



Forthcoming stance

Recently the US has issued travel warnings for its citizens in Pakistan. All of this has led to a decline in foreign investment and future outlook for local industrial sector looks bleak. The government estimates that the economy has suffered a loss of \$35 billion due to the direct and indirect costs of the variance over the last six years. Regardless of all these harms, it is striking that almost all of the negative growth is attributable to industries catering to domestic consumer demand. The budget deficit target has been amplified from 3.2 % to 4.6 % by the government. This extra money would be used for public spending especially on infrastructure development which would give a surge to the cement and construction sector on which around forty associated industries depend. The SBP has contended that stabilization phase is over and now the hub would be on growth. This is an indication that discount rates would be reduced helping the LSM sector, which is the most leveraged sector of the economy. In forthcoming era LSM seems dismal if it is not to be look as an epitome factor for economy.