

TABLES: credit cards, personal/auto loans, mortgages and insurance across the Gulf

The Gulf region's first personal finance and investment magazine

MONEY *works*

www.moneyworks.ae

January 2009 Issue 122

OIL

What price is a fair price?



When will Pakistani equities rebound?

Private Equity: What's happened?

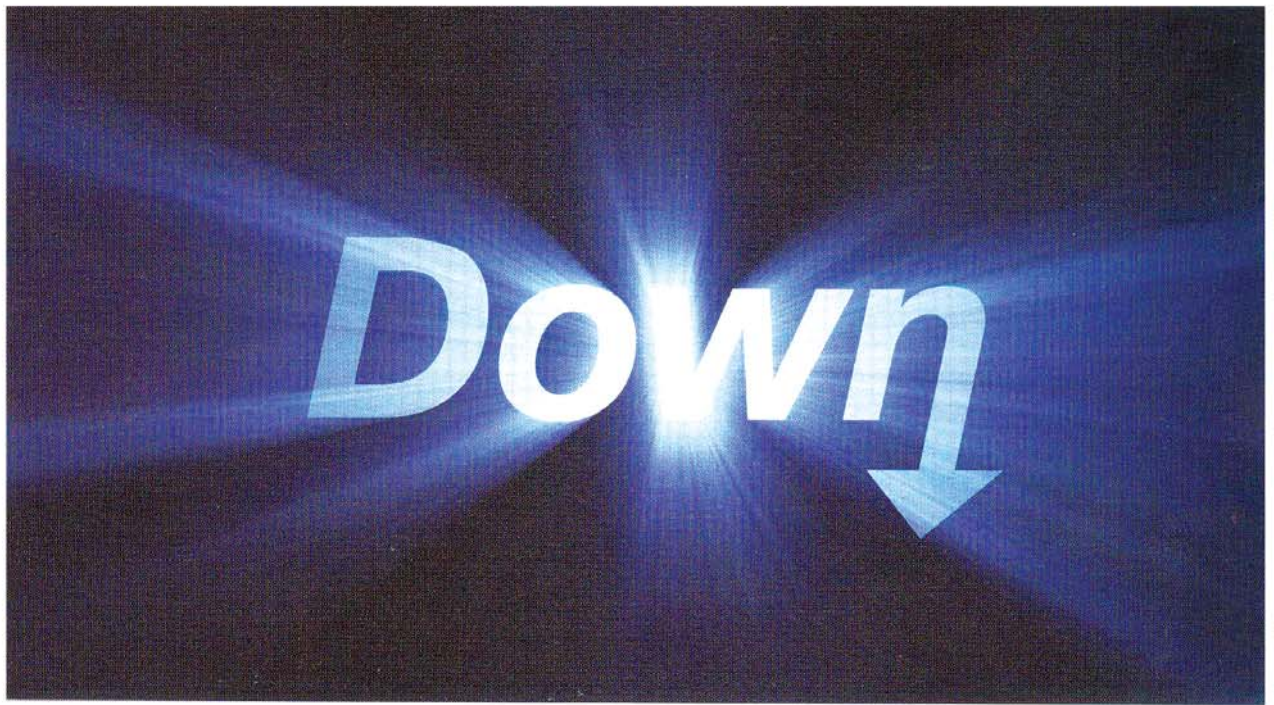
GCC Equities: How low can you go?

Bahrain - BHD1.0 Kuwait - KWD1.0
Oman - OMR1.0 Qatar - QAR10
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The gold domination of the DGCX



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Can Pakistani equities come back?

Pakistan's KSE100 has crashed 48 per cent from its high in 2008. **Maheen Rahman** explains why it will be difficult but not impossible to rebuild investor confidence in Pakistan.

After being one of the best performing equity markets over the last five years, Pakistan's benchmark index, the KSE100, has crashed a whopping 48 per cent from its high in 2008. Surprisingly, it wasn't the political headlines that pushed the market over the edge, but rather a host of macro problems that had slowly bubbled out of control.

Close examination of the numbers and drivers behind the stock market indicate a deep-seated resilience that is closely tied to domestic economic activity. A failure of adequate regulation and policymaking in the post-Musharraf era has seen investor confidence evaporate on the back of an economy crying out for more attention. Nevertheless, a country of 170 million people does offer considerable potential for earning handsome returns across all asset markets – that is, of course, once

one is able to sidestep the entire perception problem that the country remains perpetually dogged with.

To most investors, the Musharraf era (1999-2008) was characterised by political stability and economic growth – both of which translated into solid returns and super corporate profitability. GDP growth boomed at over seven per cent per annum, inflation stayed reasonably low, foreign investment and capital flows of over US\$15 billion poured into the economy and six million new jobs were created. Then came 2008, the year of political, social and economic upheavals. Frankly speaking, the events that unfolded would have been a nightmare for any country to deal with.

Budget and trade deficits creaked under the burden of higher oil and food prices, while internally the government system found itself paralysed by a long,

drawn out political process and the assassination of a prominent political leader and former prime minister.

As such, the system proved unable to effectively deal with a deteriorating financial position. The currency weakened by 35 per cent over the course of 2008, foreign exchange reserves evaporated from US\$16 billion to under US\$6 billion, inflation touched 25 per cent and it is predicted that GDP growth will slow to a mere 3.5 per cent for the fiscal year 2008 after averaging 7.5 per cent over last five years. The immediate issue of low FX reserves pushed the country to return to an IMF-regimented stabilisation programme that will undoubtedly force interest rates even higher and slow growth further.

Add to these growing tensions on both eastern and western borders, coupled with unilateral air strikes

