



# **KARACHI – PROPELLING PAKISTAN TO NEW HEIGHTS**

## **INFONALYSIS**

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Research & Development Cell

Karachi Chamber of Commerce & Industry

*The gateway to economic prosperity...*

# KCCI INFONALYSIS: KARACHI - PROPELLING PAKISTAN TO NEW HEIGHTS

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Karachi has plenty of ocean related entertainment and leisure too. Islands in the vicinity have got underwater coral reefs around, providing plenty of opportunities or scuba diving, snorkeling and fishing

Mercer has rated Karachi as the least expensive city of the world, in its report "Worldwide Cost of Living Survey 2012"

## **Karachi: The City of Lights**

Not many cities of the world are welcoming, inspiring, enriching, and accommodating, all at the same time; but Karachi is one of the few cities in the world which provides a hospitable feeling the moment one sets his eyes upon it.

Ranking amongst the top three biggest cities in the world in terms of population, Karachi is home to about 23.5Mn dwellers. In spite of its huge population, this fast-paced cosmopolitan city keeps its inhabitants fully involved. From trade and commerce to scuba diving in the deep Arabian Sea, Karachi has something for everyone. It exhibits a vast variety of attractions and offerings; extensive sunny beaches, serene holiday resorts and farmhouses, lush golf and race course, and facilities for deep-sea angling, thus appropriately justifying its title of "city of lights".

The presence of contemporary shopping centers, international food chains and luxurious hotels with exciting and amusing activities has turned Karachi into a moving hub of the country. In recent years, numerous foreign labels (mainly from Europe and America and even India) have also ventured into Karachi by opening their flagship stores, resultantly empowering the retail sector. All these activities have brought an influx of foreign investment in Karachi, a symbol of trust that astute businessmen place in this sprawling city.

Furthermore, rising demand of the emergent middle class of Pakistan, which according to the research of Asian Development Bank has extended by 36.5% since 1990, is also a key reason behind the high momentum of Karachi's investment growth. With the opening of high street shops and striking fun spots, a large number of foreigners are frequently visiting Karachi for taking their time-out. These visitors find Karachi not only a nucleus of industrial and trade activities but also a place that offers relaxation amongst other luxuries of life.

Karachi has plenty of ocean related entertainment and leisure too. Islands in the vicinity have got underwater coral reefs around, providing plenty of opportunities or scuba diving and snorkeling. Since coral reefs attract colorful fish variety they are also considered prime opportunity for fishing.

To top all of this, these attractions carry a very low price tag; Karachi has been rated as the least expensive city of the world by Mercer in its report "Worldwide Cost of Living Survey 2012".

## **A Globally Recognized Business Center**

Karachi enjoys global recognition as the commercial capital of Pakistan and as a critical seaport in the region, in fact Karachi port is one of the busiest in the whole Arabian Sea. Most of the overseas trade of Pakistan and the landlocked Central Asian countries (most notable of which is Afghanistan) transits through Karachi's two ports. It can be safely said that the city alone

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"My Karachi – Oasis of Harmony" exhibition provides exhibitors and visitors with excellent opportunities to explore trade possibilities and realize the true potential of Karachi

Karachi provides for about 25% Pakistan's GDP and contributed more than PKR 1Tn to the national exchequer in FY13

handles more than 90% of Pakistan's foreign trade.

Karachi's coastal mangroves too are world famous as breeding grounds for shrimps and other crustaceans. The critical Karachi Fish Harbor, the largest and oldest in Pakistan, handles about 90% of fish and seafood catch in Pakistan and processes 95% of fish and seafood exports from Pakistan.

Karachi contributes in excess of 30% to the country's manufacturing sector, and absorbs about 40% of employment of national manufacturing, as per estimates. Abundant industrial zones and estates are located here, which include S.I.T.E, the Korangi Industrial Area, the Port Qasim Industrial Zone, and the Export Processing Zone to name a few. A plethora of industries operate in these areas including those of textiles, leather, automobiles, dyes, pharmaceuticals, chemicals, metallurgy etc. Karachi boasts of multiple clusters of cottage industries adjacent to its industrial estates. Of particular note is its cluster of Gems and Jewelry, which is the most modern and organized as compared to similar clusters in other cities of the country, due to greater market access and demand.

To promote Pakistan's industrial and commercial products, exhibitions at local and international levels are regularly held in Karachi. One such exhibition is the "My Karachi – Oasis of Harmony" exhibition organized by Karachi Chamber of Commerce and Industry (KCCI). Such exhibitions provide exhibitors and visitors with excellent opportunities to explore trade possibilities and realize the true potential of Karachi and its natural beauty, traditions and cultural heritage.

## **The Lifeblood of Pakistan...**

The city of Karachi provides for a substantial portion of Pakistan's GDP (about 25%), and contributes a significant portion to the national income of country. In FY13, Karachi alone tendered more than a trillion rupees to the national exchequer in the form of various taxes and receipts. It houses head offices of almost all banks conducting business in the country, in addition to the central bank, the State Bank of Pakistan. It is the cradle of the Karachi Stock Exchange which is the largest stock market in the country and one of the biggest in the region, attracting investment from all corners of the globe. The KSE-100 index surged by 52% (48% in terms of US dollars) and topped all the Asian market indices during FY13, while projecting the KSE into the club of global best performing markets in FY13. This city has the highest literacy rate within the country, having a Gross Enrollment Ratio of nearly 100% (as estimated by the Karachi Metropolitan Corporation). Furthermore, Karachi consistently remains the top priority of a large chunk of national and multinational companies as regards setting up their Pakistan and regional country offices.

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Karachi provides shelter to about 13% of the country's population and has the highest national literacy rate

A single day unwarranted business closure in Karachi reduces the country's GDP by PKR 19Bn, and creates revenue loss to the tune of PKR 4.4Bn to the national exchequer.

In the fiscal year 2013 alone, a total of 17 days of work were lost due to strikes in Karachi, having a very significant 1.4% impact on

As a consequence of large scale urbanization within the country during the last three to four decades, this obliging city provides shelter to about 13% of the total population of Pakistan in addition to bestowing abundant employment opportunities to its residents in different categories and cadres.

Many mega projects for the development of city are in progress, which are carving out additional employment opportunities. One such project is the revival of the Karachi Circular Railways (KCR) for which Japan International Cooperation Agency (JICA) has agreed to provide funding of \$ 2.5Bn. Energy projects such as the \$9.5Bn Karachi Coastal Power project and the \$70Mn Karachi Waste to Energy project are under initiation while investors can explore opportunities in Wind Power projects along the city's coastal belt.

## ...has to manage its own set of problems

Every megacity in the world has its set of problems and Karachi is no exception. Being a goldmine and a bone of contention amongst many stakeholders, Karachi is afflicted with political, ethnic, sectarian tussles, often giving way to tense security situations and strikes which undoubtedly hampers business and commerce.

## Strikes and lawlessness in Karachi not affects it only, but the whole of Pakistan

To put things in proper perspective, a single day unwarranted business closure in Karachi costs PKR 4.4 Bn to the national exchequer (as Karachi is a major contributor to the federal tax collectorate) and causes a loss of PKR 19Bn to the national GDP.

As Karachi contributes around 25% to the total national GDP, an estimated 300 working days in a year and a nominal GDP of PKR 22.91Tn of FY13 takes us to the daily Karachi GDP figure of PKR 19Bn. With national per capita income of PKR 131,543 in FY13, average total daily income of the citizens of Karachi is estimated to be more than PKR 10 Bn.

### Estimated single day loss to Karachi's population due to unwarranted business closure

Per Capita Income of Pakistan (PKR) (FY13)	131,543
Population of Karachi in million (FY13)	23.5
Total Annual Population Income of Karachi (PKR Bn)	3,091
Per day income of Karachi's Population (PKR Bn)	10.3

Source: KCCI Research, SBP, Newsflows

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In FY13, the unwarranted business closures due to strikes in the city spanned a cumulative of 17 days which translates into an estimated loss of PKR 325Bn or 1.4% of GDP, as evident from the table below:

<b>Estimated GDP impact due to unwarranted business closures in Karachi during FY13</b>	
Total GDP (FY13) (PKR Bn)	22,909
% Contribution of Karachi in GDP	25%
Per day GDP impact (PKR Bn)	19.1
GDP impact of 17 days business closures in Karachi in FY13 (PKR Bn)	324.6
Loss due to 17 days business closures in Karachi as % of GDP	1.4%

*Source: KCCI Research, SBP, News*

The significance of Karachi city, therefore, cannot be underestimated while, if proper measures are taken to ensure sound law and order situation in this city, this city alone can divert the whole country on the path of economic prosperity. The above alarming estimates provide much needed food for thought on how further could Karachi contribute to the growth and development of Pakistan if the wheels of its industries churn unhindered and if business is carried out as usual, every passing day of the year, if all stakeholders jointly care for the wellbeing and prosperity of this magnificent city.

Like a mother who keeps on feeding her children while accommodating and ignoring their follies, Karachi has its arms open for all.

### **Yet, Karachi has something for everyone**

However, in spite of its problems, Karachi continues to serve as a conduit for global trade. It keeps on impacting the lives of millions across the globe, while rigorously pulling Pakistan forward in its quest to become one of the leading economies in the region. Like a mother who keeps on feeding her children while accommodating and ignoring their follies, Karachi has its arms outstretched for all.

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