# Pest analysis of pakistan

Pakistan has a democratically elected government where the ruling party is Pakistan People's Party.

Common perception is that it is a weak government, nevertheless backed by the western powers. It is not considered to be a stable government which could change anytime.

Law & Order and the corruption situation in the country are at its worst. However, the press is quite free where the industry as a whole has seen tremendous growth over the past few years.

Several key organizations, like PSO and PIA, are nationalized or partially nationalized. This is viewed as a positive approach because of the unstable political and economic situation in the country. Complete or partial ownership by the government serves as an insurance policy for the organization and its shareholders.

As mentioned earlier, a weak government can change at anytime, which may translate into a change at the top management of many, if not all of these government owned organizations.

## Economic:

During FY09, the loss after tax came to Rs. 6. 7 billion versus profit after tax of Rs. 14 billion during FY 08, mainly due to higher financial servicing cost and the inventory losses which incurred during the first half of FY09.[1]

Extremely volatile oil prices were a major outcome of the global financial crisis

The supply and consumption decreased due to the economic slowdown of our economy. This was caused as a result of inflation that was caused by high oil prices and adversely affected our country's Industrial sector.

Reduction in refining capacity of different refineries due to a major increase circular debt

Significant increase in import of oil in the country

Pakistan's economic growth is quite slow. Inflation is at its highest, while the interest rates are at their highest. This is due to low lending levels for the overall purchasing power of the consumer is weak.

PSO handles more than 80% of the oil products imports of the country, thereby, notably exposed to foreign exchange risk. That said, due to the significant devaluation of Pak rupees against other major currencies during the year, the company reported huge foreign exchange loss of PRs3. 5bn as against PRs1. 5bn in the previous year. In addition, PSO's financial expense was 4. 5 times higher at PRs6. 23bn on the back of heavy bank borrowing in order to meet its working capital requirement. This liquidity crunch is mainly ensued from the receivables from the IPPs and PIA who defaulted in paying their bills to PSO. As on June 30, 2009, the receivable build-ups from the above mentioned entities have now reached around PRs80bn.[2]

PSO booked heavy inventory loss of PRs18. 9bn during FY09 in the wake of steep decline of around 50% in international oil prices. After remaining stable for past many years, the international oil prices began its northward movement from the mid of FY08 where it reached to the all time high level of

US$140/bbl. As OMCs value their inventories on ongoing product prices, which normally move in tandem with crude oil prices, the increase in oil price is beneficial for OMCs in the sense that it results in inventory gains and vise versa. In FY09, this trend was reversed and the international oil prices witnessed a sharp fall with prices touching the low of US$33. 36/bbl. This resulted in heavy inventory losses for the company mainly incurred in the 1HFY09. The second half of FY09 remained relatively profitable for PSO as oil prices after remaining stable for 3-4 months started increasing in the fourth quarter of the fiscal.[3]

Unemployment is rising regardless of the fact that labor supply is high and available at low costs.

Distribution of wealth system continues to worsen year after year because the gap between the rich and the poor continues to widen. Furthermore, the percentage of poor in the country continues to rise while the percentage of the rich is gradually falling. Therefore, the disposable income of the general public has decreased.

No significant economic changes are in sight. The government is in debt up to its neck with heavy loans from financial institutions like IMF and The World Bank. This is apart from the financial aid packages it continues to accept from countries like the United States of America and other Friends of Democratic Pakistan.

Pakistan’s integration with the global economy has brought positive changes to its overall economy, including increase in GDP and decline in import duties. Regardless of some positive changes, unemployment and poverty are on the rise. This is further troublesome because wages in the private sector have been on an increase as per the demand to compete in the global market.

## Socio-Cultural:

Health and Education sectors are the two most important sectors for any country, specially a developing nation. It is the government's responsibility to provide the best possible health care and educational facilities for its people. Unfortunately, these are the two areas where the government allocates the least amount in their annual budget.

All retail outlets across the country dispense environmental efficient fuels at no additional cost to customers. These fuels play a vital role in reduction of exhaust emissions that result in less pollution and greener environment.

PSO has implemented a health, safety and environmental management system and related standards to carry out operations and activities in a manner that is protective of human health and the environment. This environmental management system at PSO is designed to make health, safety and environmental care an integral part of all company projects and a responsibility of all employees.

There are fifteen (15) Mobile Quality Testing Units in operation which ensure consistent quality of products being supplied to consumers.

Recently, PSO adopted water tool developed by World Business Council for Social Development (WBCSD) to optimize the use of water resources by PSO. [4]

Initiation of the first daycare center in a state owned organization to facilitate employees with better management of their work and family.[5]

## Technological:

Technological expertise is readily available in the country with overflow of IT professionals in different industries.

There has been an immense technological improvement in the industrial sector and petrol and oil industry is no exception.

Industrialization in the country is fairly stagnant with international investors quite wary of entering this risky Pakistani market. Therefore, latest manufacturing technology is significantly missing from the market. As a result, the countries imports are higher than its exports. And the main exports are from the agricultural sector and the textile industry.