

economicletter

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Pakistan

According to SBP data analysis, government borrowing for budgetary support during July-October 2012 from scheduled banks amounted to Rs 563 bn of which retirement of loans to SBP amounted to Rs 257 bn. The government borrowing for fiscal support during July-October 2011 from the scheduled banks had amounted to Rs 198 bn.

According to Pakistan Bureau of Statistics (PBS), headline inflation measured by the consumer price index (CPI) registered an increase of 8.76% during July-October 2012 over the same period of 2011. Non-food-non-energy (NFNE) inflation trimmed 20% weighted core inflation was higher by 10.8% in October 2012 over October 2011 against the rise of 10.4% in October 2011 over October 2010. The sensitive price indicator (SPI) rose by 6.5% in October 2012 over October 2011 while the wholesale price index (WPI) was recorded higher by 7.5% during the above periods.

According to the Ministry of Finance, the consolidated fiscal deficit in the first quarter of the current fiscal was recorded lower at 1.2% of GDP against 1.3% in the same period last fiscal. The containment was aided by a budgetary surplus of Rs 80 bn of the provincial governments against the full fiscal target of Rs 86 bn.

Russia has agreed in principle to extend cooperation for production expansion and modernization of the Pakistan Steel Mills. Specifics are as yet to be determined.

The National Assembly's Standing Committee on Water and Power has been informed by the Special Power Secretary of the government that the power sector losses stood at about 45% of total generation. Of the total losses, 3% was due to generation, 3% due to transmission, 10% due to distribution, 15% due to theft and 14% due to non-recovery of bills.

According to the Chairman, WAPDA, the European Union (EU) has provided 1.2 mn euros as grant for undertaking the feasibility study of Munda Dam in the Swat basin in Mohmand Agency of the Federally Administered Tribal Area (FATA). Once completed it would store 1.29 million acres feet (maf) of water with a generation capacity of 740 MWs of cheap electricity. The benefits accruing from the project on completion are estimated at Rs 30.2 bn an annum.

The federal government has introduced an electricity subsidy package for 15,660 registered agricultural tubewells in Balochistan. Under the package, owners of tubewells would pay a fixed cost of electricity at the rate of 6,000 per tubewell while the remaining charges would be shared between the provincial and the federal government in a 60:40 ratio.

The Securities & Exchange Commission of Pakistan (SECP) has again extended the deadline for the Companies Regularization Scheme (CRS) and the Companies Easy Exit Scheme (CEES) to November 30, 2012. The two amnesty schemes were originally valid from July 2 to August 31, 2012.

According to All Pakistan Cement Manufacturers Association, export of cement during July-October 2012 at 10.474 million tonnes represented an increase of 0.37% over the same period of 2011.

Pakistan Petroleum Ltd. (PPL) has been awarded a 5-year contract by the Iraqi Government to explore and produce probable gas reserves in the provinces of Wasit and Diyala covering an area of 6,000 square kilometers (2,300 square miles). The government of Iraq would pay a remuneration of \$ 5.38 per barrel of oil equivalent extracted from the fields. The PPL's initial investment has been agreed to be at \$ 100 mn.

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Markets at a glance

Weekly Review	KIBOR (6months)		Foreign Exchange Rates			KSE	Gold Rate
	Bid %	Offer %	GBP (£)	Euro (€)	USD (\$)	100 Index	(10gm)
Beginning	9.11	9.36	Rs 154.75	Rs 123.91	Rs 95.80	16,101	Rs 53,314
Ending	9.07	9.32	Rs 153.63	Rs 123.19	Rs 95.94	16,243	Rs 53,914
Change	-0.04	-0.04	- 1.12	- 0.72	+ 0.14	+ 142	+ 600

According to Pakistan Cotton Ginners Association, arrival of phutti (seed-cotton) at the ginneries across the country as till November 1, 2012 was recorded at 6.85 million bales, a rise of 2.20% over the same period last crop season. Arrivals from the Punjab were lower by 14.02% while they were higher by 49.95% from Sindh during the above periods.

The Punjab government has fixed the support price of sugarcane at Rs 425 per 100 kg for the crushing season of 2012-13.

According to some private sector estimates, Sindh may again, as in the previous crop year, harvest a bumper onion production of between 1.5 – 1.6 million tonnes leading to a surplus of 200,000 – 250,000 tonnes as exportable surplus after meeting domestic consumption needs.

International

The International Monetary Fund (IMF) has cautioned the oil-exporting countries in the Gulf that government spending to spur growth may convert their current combined budgetary surplus into a deficit by 2017 and hence sustainable public spending policies should be opted for.

The International Monetary Fund (IMF) has forecast GDP growth prospect in India in the current fiscal ending March 2013 to be around 4.9% after double-digit growths recorded between 2005 and 2011. Taking the cue from the IMF, Standard & Poor's, an international credit rating agency, has warned that there is one-in-three chance to downgrade India's sovereign credit rating from investment grade level to a junk grade level.

According to the International Cotton Advisory Committee (ICAC), cotton supply and mill use would be 25.9mn tonnes and 23.4 million tonnes respectively in 2012-13 resulting in an over-supply of around 2.5 million tonnes. The ICAC has forecast increased mill-use by India, Pakistan, Bangladesh, Indonesia, Uzbekistan, Vietnam and Thailand while the mill-use is being estimated to be lower in China compared to the previous crop season off-take.

India has left unchanged the support price of wheat at Rs 1,285 per 100 kg (\$ 239 per tonne) for the current 2012-13 crop beginning November, at the same level of the preceding crop season. India is one of the world's largest producer and consumer countries of the world. It's total production of wheat in the 2011-12 crop season was recorded at a record 93.90 mn tonnes.

GDP growth in Indonesia, Southeast Asia's largest economy, slowed to 6.2% in the third quarter this year, slowest for two years, over the same quarter of 2011 and of 6.4% in the second quarter, year-on-year. CPI inflation in Indonesia rose to 4.61% in October against 4.31% in September both over the respective months of 2011.

South Korea's total public and private sector debt including household borrowing was recorded at \$ 2.75 trillion at end-June 2012. The outstanding debt at this level as a proportion of nominal gross domestic product (GDP) stood at 233.8% against 231.1% at end-Dec. 2011 and 201.7% at end-Dec. 2007.

The World Bank after a gap of 25 years has extended a credit line of \$ 80 mn to Myanmar (formerly Burma) to support its reform drive mainly by way of developing infrastructure projects in villages in rural poor areas of the country. Myanmar owes the World Bank \$ 400 mn since 1987, the non-payment of which resulted in suspension of aid, repayment due still remains pending.

Myanmar's President has signed into law the bill allowing foreign direct investment (FDI) by the private sector dropping the limit of 50% stake with private domestic investors. Under the new revised law foreign investors can negotiate the limit of domestic private investors stake on a case-to-case basis.

Unemployment in the U.S. rose to 7.9% of workforce in October against 7.8% in September despite the addition of 171,000 new private sector jobs. Unemployment in October 2011 was recorded at 8.9% of workforce.



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