

# economicletter

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## Pakistan

According to SBP, the current account posted a surplus of \$ 919 mn in the first two months of the current fiscal (July-August 2012) compared to a deficit of \$ 261 mn in the same period last fiscal.

According to SBP, the advance to deposit ratio of banks during January-August 2012 declined by 28 basis points mainly because government borrowing from the banking sector for budgetary support grew by 14% during the period.

The SBP Governor has opined that a huge potential exists in the global home remittances market for higher inflows from overseas Pakistanis.

ENI, an Italian private sector energy group, has discovered new gas reserves in the Kirthar Fold Belt region in Sindh, about 350 kilometers off Karachi, estimated to be holding between 300 to 400 billion cubic feet of natural gas drilling for which is to start soon.

According to the Board of Investment Chairman, Saudi Arabia's Al-Qarnain Group, a private sector entity, proposes to invest \$ 1.0 bn in Pakistan's energy, automobiles, hotel and construction sectors over the next five years.

According to the Chairman of WAPDA, the Jabban Hydropower Project in the Malakand Division of Khyber-Pakhtunkhwa province would start generating 22 MWs of electricity by March 2013. The project has been financed by a credit line of 25 mn euros by France besides the needed amount provided through domestic sources.

According to Pakistan Bureau of Statistics (PBS), exports of textile and clothing during July-August 2012 fell by 1.5% to \$ 2.164 bn against \$ 2.196 bn in the same period of 2011.

According to PBS, import cost of the food group during July-August 2012 stood lower at \$ 818.01 mn against \$ 899.06 mn in the same period of 2011.

According to PBS, import cost of crude oil and petroleum products during July-August 2012 stood lower at \$ 7.346 bn against \$ 7.495 bn in the same period of 2011.

According to the Board of Investment (BoI) Chairman, the bilateral investment treaty (BTI) between Pakistan and the U.S. scheduled to be signed in the current month has been deferred pending resolution of some non-conforming measures.

According to the Ministry of Finance & Economic Affairs Division, total public debt as of now stood at Rs 12.63 trillion comprising of 7.60 trillion of domestic debt and Rs 5.03 trillion of external debt.

The ongoing flooding in the Punjab has been estimated by the private sector to have damaged 300,000 acres of standing cotton crop which may result in total output loss of about 450,000 bales.

The government of Sindh has estimated that about 370,658 acres of paddy crop land has been inundated by the floods in the province which may lead to a loss of upto 50% in paddy production in Sindh.

The Federal government has pledged an amount of Rs 2.0 bn for the flood affected areas of Sindh with an immediate release of Rs 710 mn.

According to some private sector stake-holders tentative estimates, floods in the country have already caused Rs 250 bn of damages across the country affecting adversely infrastructure, standing crops, livestock and private and public properties.

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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	10.20	10.45	Rs 152.40	Rs 122.15	Rs 94.54	15,449	Rs 52,114
Ending	10.10	10.35	Rs 152.97	Rs 122.28	Rs 94.51	15,452	Rs 53,057
Change	-0.10	-0.10	+ 0.57	+ 0.13	- 0.03	+ 3	+ 943

The Oil & Gas Regulatory Authority (OGRA) has revised the prices of various petroleum products by way of its weekly fuel adjustment policy. These include a rise of Rs 6.82 to Rs 106.72 per litre of petrol, a rise of Rs 0.62 to Rs 104.68 a litre of kerosene oil, and a rise of Rs 6.24 to Rs 97.68 per kg of CNG for the northern region and rise of Rs 5.70 to Rs 89.24 per kg for the southern region.

## International

The IMF in a special report has warned that its concessional lending portfolio is progressively depleting as a consequence of which it may not be able to meet the needs of poor developing countries after 2015 in contrast to its present capacity to do so.

India has allowed international supermarket retailers to operate in the country with a minimum investment of \$ 100 mn and stake-holding of upto 51%. They would be allowed to open stores in towns only with a population of more than one million to ensure that interest of rural India poor is not adversely affected. Additionally, they would need to base their marketable produce to the extent of a minimum 30% from domestic fields, both agricultural and non-agricultural. The government expects that the decision would lead to creation of 10 million new jobs.

India has raised the price of diesel oil by 14% to contain the widening fiscal deficit. The raise is the first in the last 15 months.

According to the Reserve Bank of India, the central bank of the country, inflation measured by the wholesale price index, the country's main parameter for gauging it, registered an increase of 7.55% in August 2012, over August 2011, against the rise of 6.87% in July, year-on-year.

The Reserve Bank of India has cut the cash reserve ratio (CRR), the share of deposits banks must keep with it, by 25 basis points (bps) to 4.5%. The measure would result in an injection of about Rs 170 bn (\$ 3.12 bn) in the economy.

The Central Bank of Sri Lanka has left its repo and reverse repo rates unchanged for the fifth consecutive month at 7.75% and 9.75% respectively.

Japan is to opt out of power generation based upon nuclear technology phased over by 2040. The decision comes in the wake of nuclear leakages caused by last year's earthquake which damaged existing facilities which however were successfully contained without any major spill-over effect.

Standard & Poor's has raised South Korea's sovereign credit rating, the fourth largest economy after China, Japan and India, from "A" to "A-plus" citing stability of the economy and its resilience to external adversity.

Spain's public debt stood at 75.9% of GDP at end-June 2012 against 66.7% at end-June 2011 yet below the eurozone bloc average of 88.2%. The targeted level is to contain it at 60% or below of GDP.

The eurozone is moving in the direction of providing Greece more time to meet its economic targets through austerity via the two bailout packages provided by the ECB, the EU and the IMF without providing any fresh bailout package.

China is to invest \$ 157 bn in various new infrastructure development projects including building highways, ports and airports runways besides improving existing such facilities. The new proposed spending is in addition to the stimulus package of \$ 630 bn introduced in 2008-09 to avert recession which gripped the U.S., European, Japanese and Indian economies, besides others, when recession held sway during 2008-09 globally with only a handful of economies succeeding in averting its wrath.

According to OECD, economic growth in the 20-nation richest countries of the world slowed to 0.6% in the second quarter of 2012 against 0.7% in the first quarter of the year.



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