

# economicletter

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## Pakistan

According to SBP, 12 banking institutions failed to meet the minimum capital requirement (MCR) of Rs 8.0 bn by end-Dec. 2011 as was ordained of them by the central bank. Five banks with a market share of 3.4 – 3.6% failed to meet the capital adequacy ratio (CAR) of 10% as was required them by the SBP.

According to SBP, home remittances in the first four months of the current fiscal (July-October 2012) rose by 15% to \$ 4.964 bn against \$ 4.315 bn in the same period last fiscal. The monthly average was recorded at \$ 1.241 bn against \$ 1.078 bn during the above periods.

According to SBP, liquid foreign exchange reserves as on November 9, 2012 stood at \$ 13.845 bn of which \$ 9.242 bn was held by the SBP and the rest with banks.

The SBP Governor has urged adoption of good governance principles to stimulate economic growth.

According to the Ministry of Finance, the government obtained \$ 16.3 bn of loans during 2008-09 and 2011-12 from various international financial institutions including \$ 7.878 bn from the IMF. Servicing the debt repayments amounted to \$ 459 mn to the IMF and \$ 1.030 to other international lending institutions.

The International Finance Corporation (IFC), the private sector lending arm of the World Bank Group, has signed a cooperation agreement in a joint venture enterprise of Karachi Electric Supply Company and the Aman Foundation for setting up a renewable energy bio-gas plant in Landhi, Karachi, cattle colony based upon the effluent waste of animals in the area. Once completed, the project would generate 22 MWs of electricity a day and 100,000 tons of organic fertilizer annually.

The Indian government is to provide a special visa line to members of All Pakistan Textile Mills Association (APTMA) in line with the SAARC principles with one-year triple entry visas for APTMA members valid for 10 cities across the country.

According to Pakistan Bureau of Statistics (PBS), merchandise trade deficit during July-October 2012 narrowed by 6.79% to \$ 6.440 bn against \$ 6.909 bn in the same period of 2011. Exports rose by 4.98% to \$ 8.203 bn while imports fell by 0.54% to \$ 14.463 bn during the above periods.

According to PBS, the large-scale manufacturing (LSM) sector registered a growth of 1.85% during July-September 2012 over the same period of 2011.

The Federal Cabinet has approved tax amnesty schemes on undeclared income/wealth estimated to generate Rs 256 bn to the national exchequer besides bringing new 3.1 million payers into the tax-net.

Pakistan has signed an agreement with an oil and gas firm of Poland to develop and produce “tight gas” reserves from a block in Kirthar, Sindh. Upon completion by May 2013, it would result in addition of 30 mmcf of gas to the existing supply chain.

Heavy Industries, Taxila, and Norinco of China have signed a memorandum of understanding (MoU) for joint marketing and sale on private-public partnership basis of jointly manufactured defence and commercial products.

According to Pakistan Automotive Manufacturers Association, total sale of locally assembled cars during July-October 2012 at 34,990 units was lower by 32.3% over the same period of 2011.

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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	9.07	9.32	Rs 153.63	Rs 123.19	Rs 95.94	16,243	Rs 53,914
Ending	9.25	9.50	Rs 152.04	Rs 121.98	Rs 95.83	16,197	Rs 53,742
Change	+0.18	+0.18	- 1.59	- 1.21	- 0.11	- 46	- 172

The government has launched a four-year literacy program under which more than three million children of poor families especially girls will be provided free education upto primary levels.

The EU's duty-free import of 75 items, mostly textile related, has become effective from mid-November, 2012.

According to Pakistan Tanners Association, leather sector exports during 2011-12 fell to \$ 1.043 bn against \$ 1.220 bn in 2010-11. Increased export earnings were achieved by some of Pakistan's main competitors including Bangladesh, India and China. In the global market with a size of \$ 137 bn, Pakistan's share stood at 0.73%.

According to the Central Directorate of National Savings, the agency has mobilized Rs 180 bn of fresh investment in its various savings schemes in the first four months of the current fiscal (July-October 2012) against the target of Rs 75 bn set for the period.

## International

The Organization for Economic Cooperation and Development (OECD) has forecast that China's economy would overtake the 17-nation eurozone's economy by the end of this year. Given India's growth rates China and India combined would overtake the combined GDP of the U.S., the euro area and Japan by 2030, while the two Asian economies would be larger in size of the present G-7 countries by 2025. The combined national output (GDP) of China and India was less than half of G-7 countries combined output in 2010.

According to the World Bank, the size of China's gross domestic product in the last two decades has risen from \$ 400 billion in 1992 to \$ 7.3 trillion in 2011.

Japan's economy shrank by an annualized pace of 3.5% in the third quarter this year.

According to the U.S. Commerce Department, the country's trade deficit in September fell to \$ 41.55 bn, the smallest deficit since December 2010.

The International Energy Agency (IEA) has forecast that the USA would overtake Saudi Arabia and Russia as the world's top oil producer by 2017 and would thus become self-sufficient in its oil needs against the present dependence on its import.

GDP growth in Russia slowed to 2.9% in the third quarter this year against 4.9% and 4.0% in the first and second quarters respectively.

The Bank of Russia has left its refinancing rate unchanged at 8.25%.

The Reserve Bank of Australia, has left its prime lending rate unchanged at 3.25%.

The European Central Bank (ECB) has left its prime lending rate unchanged at 0.75%.

The Bank of England (BoE) has left its prime lending rate unchanged at 0.50%.

The Bank of Korea has left its base lending rate unchanged at 2.75% following a cut of 25 bps last month.

The Bank of France expects the eurozone's second largest economy to contract by 0.1% in the last quarter of 2012 having shrunk by the same margin in the third quarter of the year and thus enter into a double-dip recession. The Bank, however, hopes recovery in 2013 and has forecast a growth of 0.8% during the year. Fiscal deficit has been forecast by the Bank at 3.0% of GDP next year against an estimated 4.5% this year.

France has introduced a 20 bn euros tax breaks a year program to increase the competitiveness in prices of its products both at home and abroad. The funding would come mainly from cuts in public spending and increased value-added taxes (VAT).

Britain is to cut any fresh line of aid to India after 2015 given the country's economic rise from aid-receiving to aid-giving country.



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