

# economicletter

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## Pakistan

According to SBP, the services sector posted a surplus of \$ 300 mn in the first quarter of the current fiscal against a deficit of \$ 75 mn in the same quarter last fiscal. Exports and imports of the sector during July-Sep, 2012 was recorded at \$ 2.12 bn and \$ 1.82 bn against \$ 1.19 bn and \$ 1.94 bn respectively in the corresponding period of 2011.

The Supreme Court of Pakistan has directed the Oil & Gas Regulatory Authority (OGRA) to do away with the Rs 20 per kg operating cost and Rs 10 per kg linkage cost being charged on supply of compressed natural gas (CNG). The order of the court for which a deadline of July 1, 2012 had been stipulated has already gone into effect, resulting in a decrease of Rs 30 per kg in the price of CNG in all retail outlets across the country.

Pakistan and India have agreed to reduce the number of items on the "sensitive list" by 2017 and 2013 respectively to 100 as envisaged under the South Asia Free Trade Agreement (SAFTA). Currently, the list of Pakistan comprises of 1,183 items and of 884 items by India which has reduced tariff lines lately on 300 items including those related to textiles, leather and agricultural commodities.

According to the Ministry of Commerce, the European Union (EU) Parliament has approved the GSP-plus status to Pakistan effective January 1, 2014 leading to removal/relaxation on 75 importable items into the EU member countries. The measure to be valid for three years, would also benefit 88 other developing countries.

According to Pakistan Bureau of Statistics (PBS), import of power generation machinery in the first quarter of the current fiscal rose by 34.50% to \$ 254 mn against \$ 189 mn in the same period last fiscal.

The Small and Medium Enterprises Development Authority (SMEDA) has entered into an agreement in principle with the Planning & Development Department of the Sindh government to undertake selected agri-business initially by way of new projects in agro-processing and value-addition of fruits and vegetables produced in the province.

The Asian Development Bank in one of its report titled "Punjab Devolved Social Services Program" has rated the program as less than successful, less than efficient and less than likely sustainable, sufficiency of external financial resources notwithstanding. Worsening poverty levels is adding to slow progress toward achieving Millennium Development Goals (MDGs).

The Economic Coordination Committee (ECC) of the Cabinet has agreed in principle to lower the energy efficiency benchmarks fixed for the captive power plants and boilers used by the textile industry, other than that provided by the independent power producers (IPPs), from both the public sector entities namely Sui Northern Gas Pipelines Ltd. and Sui Southern Gas Company Ltd.

The World Bank in its 2013 annual report titled "Ease of Doing Business, Smarter Regulations for Small and Medium Enterprises", has placed Pakistan at 107th position, down from 104th position in 2012, in a survey of 185 countries.

According to Pakistan Tanners Association, the country's leather sector export earnings registered a decrease of 3.94% during 2010-12. The decline contrasted with positive growths of 22.68% in India, of 20.7% in China, and of 17.51% in Bangladesh during the above period, the countries being some of Pakistan's main competitors in the sector.

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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	9.35	9.60	Rs 153.12	Rs 123.91	Rs 95.76	15,812	Rs 52,414
Ending	9.11	9.36	Rs 154.75	Rs 123.91	Rs 95.80	16,101	Rs 53,314
Change	-0.24	-0.24	+ 1.63	0	+ 0.04	+ 289	+ 900

According to SBP, liquid foreign exchange reserves as on October 26, 2012 stood at \$ 14.333 bn of which \$ 9.806 bn was held by the SBP and the rest with banks.

The Sensitive Price Indicator (SPI) registered an increase of 5.91% in the week ending October 24, 2012 over the same week of 2011. The weekly SPI monitors changes in prices of 53 essential commodities, mostly kitchen items, data for which is collected from 17 urban centres.

## International

The Indian government has revised upwards the prospects of budgetary deficit in the fiscal ending March 2013 to 5.3% of GDP against the target of it being at 5.1%. In the preceding fiscal it was recorded at 5.8% of GDP. The government hopes to bring it down progressively to 3.0% of GDP by the fiscal ending March 2017.

The Reserve Bank of India (RBI) has left its key repo lending rate unchanged at 8.0% while lowering the cash reserve ratio by 0.25% to 4.25%, the lowest level since 1976.

Foreign direct investment into China has been recorded at \$ 83.4 bn in the first nine months of 2012, down by 3.8% over the same period of 2011.

Britain has awarded the highest ever number of licenses to four international companies to explore proven and probable oil and natural gas reserves in areas of North Sea estimated to be holding 788 million tonnes of oil reserves and 493 billion cubic metres of natural gas.

Moody's Investors Services, an internationally recognized credit rating agency, has upgraded the foreign and local currency bond ratings of the Philippines by one notch to "Ba1" from "Ba2", citing the country's improved economic performance and resilience as also due to prospects for growth particularly over the medium-term.

The central bank of Thailand has lowered the country's GDP growth forecast for 2013 from earlier estimates of 5.0% to current 4.6% leaving unchanged the growth forecast for 2012 at 5.7%.

Turkmenistan envisages a budgetary outlay of \$ 31.5 bn next year with a revenue deficit of \$ 1.5 bn. The country's economy expanded by 11.1% in the first nine months this year over the same period of 2011.

GDP growth in Britain was recorded at 1.0% during July-September 2012, fastest quarterly growth in the last five years, signaling that the country in coming out of the double-dip recession it had entered into in late-2011.

Unemployment in the 17-nation eurozone area was recorded at 11.6% of workforce, highest since 1995 when the common currency was introduced.

Unemployment in Spain was recorded at 25.1% of workforce during the July-September quarter against 24.6% in the previous quarter, a level the same as in Greece, both the worst in the 27-nation European Union.

The People's Democratic Republic of Laos has been admitted into the World Trade Organization (WTO) as its 157th member after 15 years of protracted negotiation.

The European Union (EU) has approved new rules to better protect investors across the whole financial services industry, widely blamed for many of the ills besieging world economic growth. The main objective of the new regulations is to curb speculation and make trade fairer by regulating financial markets as a whole rather than through piecemeal measures targeting specific types of investment.

The South African Government has lowered the growth prospects of the country's economy in 2012 to 2.5% against the earlier forecasts of it being at 2.7%. Budgetary deficit in the current year is being projected to rise to 4.8% of GDP and public debt to 35.7% of GDP.



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