

economicletter

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Pakistan

The SBP Governor has urged continued collaboration amongst the central banks of the D-8 group of countries to achieve sustained economic growth. Macroeconomic policies of the Group need to be balanced to check overheating pressures from strong recovery, high credit growth, volatile capital flows, high commodity prices and renewed risk of inflation. Free capital flows amongst member countries should be opted for as against in debt-ridden economies of advanced countries.

The SBP Deputy Governor has identified four areas of cooperation amongst the central banks of the D-8 group of countries to ensure inclusive economic growth. The areas identified are: (i) sustainable growth strategy, (ii) innovative financial inclusion, (iii) Islamic financing, and (iv) information exchange. The D-8 group of countries comprise of Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan & Turkey.

According to SBP, net private foreign investment, comprising of foreign direct investment (FDI) and portfolio investment, registered an increase of near 50% at \$ 370.8 mn in the first four months of the current fiscal (July-October 2012) against \$ 274.8 mn in the same period last fiscal. Of the total, FDI fell by 24.2% to \$ 244.4 mn against \$ 322.7 mn while portfolio investment attracted an inflow of \$ 126.4 mn against an outflow of \$ 74.9 mn during the above periods.

According to SBP, the current account recorded a surplus of \$ 258 mn in the first four months of the current fiscal (July-October 2012) against a deficit of \$ 1.655 bn in the same period last fiscal. It was positive to the extent of 0.3% of GDP during July-October 2012 against being negative to the extent of 2.1% of GDP in the same period last fiscal.

The SBP has issued fresh instructions to all Islamic banking institutions (IBIs) including to conventional banks having Islamic banking windows with a view to ensure greater transparency and standardization in profit and loss distribution policies and practices.

Pakistan has signed a joint declaration with the EFTA group of countries comprising of Iceland, the Principality of Liechtenstein, Norway and the Swiss Confederation to enhance economic cooperation as a stepping stone for higher trade and capital investment inflows leading eventually towards the conclusion of a free trade agreement (FTA) as it obtains between the four countries.

The Pakistan Telecommunication Authority (PTA) has obtained the services of Independent Advisory Group, comprising of experts and consultants of international repute, to undertake the auction of 3G spectrum licenses which is estimated to generate \$ 900 mn of fresh revenue to the national exchequer.

The Chief Minister of Khyber Pakhtunkhwa and the Governor General of Iran's Fars province have signed 10 memorandums of understanding for promoting bilateral cooperation in the fields of health, education, energy, mining, industry, irrigation, agriculture, livestock, tourism and information.

The National Electric Power Regulatory Authority (NEPRA) in its Annual Report, 2011-12, has come to conclude that about 3% of GDP growth is being lost due to power shortages due to various reasons. These include lack of integrated energy planning, demand forecasting, imbalanced energy mix with an undue reliance on costly oil imports, non-utilization of domestic coal and hydel potential, amongst other factors.

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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	9.25	9.50	Rs 152.04	Rs 121.98	Rs 95.83	16,197	Rs 53,742
Ending	9.26	9.51	Rs 152.74	Rs 122.65	Rs 95.96	16,251	Rs 54,600
Change	+0.01	+0.01	+ 0.70	+ 0.67	+ 0.13	+ 54	+ 858

According to Pakistan Bureau of Statistics, the services sector trade deficit in the first quarter of the current fiscal (July-September 2012) was recorded lower by 140% at \$ 299.80 mn against \$ 745.57 mn in the same period last fiscal. Export earnings of the sector rose by 78.14% to \$ 2.120 bn against \$ 1.190 bn while import payments fell by 5.95% to \$ 1.820 bn against \$ 1.935 bn during the above periods.

According to Pakistan Bureau of Statistics, the trade deficit during July-October 2012 narrowed by 6.79% to \$ 6.44 bn with exports rising by 4.98% to \$ 8.20 bn and imports falling by 0.54% to \$ 14.64 bn over the same period of 2011.

The Sindh government is to provide a subsidy of Rs 600 mn on wheat production in the current rabi crop season of 2012-13.

According to Pakistan Cotton Ginners Association, the arrival of phutti (seed cotton) at ginneries across the country till November 15, 2012 stood higher by 6.91% over the same period of 2011 to 8.51 million bales. Arrivals from the Punjab were lower by 5.97% while they were higher by 48.45% from Sindh during the above periods. The PCGA is forecasting bumper crop of 14 million bales in the current crop season.

According to the UN's Food & Agriculture Organization (FAO), Pakistan's paddy production in the crop season ending November would be higher by about 2% to 9.4 million tons or 6.3 million tons of milled rice.

International

The Asian Development Bank and the OPEC Fund for International Development have signed a risk distribution agreement to support trade in developing and emerging Asian economies. The first beneficiaries to the estimated extent of \$ 800 mn – 1.2 bn would be Bangladesh, Mongolia, Pakistan, Sri Lanka, Uzbekistan, amongst others.

Europe has agreed in principle to provide Egypt 5.0 bn euros (\$ 6.4 bn) for rehabilitative needs of its economy mauled badly following the political events of 2011.

According to a World Bank study, Bangladesh economy needs to grow by at least 8% an year over the next decade to graduate from its current status of a low-income country to a middle-income country by 2021.

Headline inflation in India measured by the wholesale price index (WPI) – the country's main inflation gauge – fell to 7.45% in October, lowest since February, against 7.81% in September, year-on-year.

According to Bank Negara, the central bank of Malaysia, GDP growth in the country was recorded at 5.2% in the third quarter this year with growths of 5.4% and 4.9% in the second and first quarters respectively. Given the trend, the 2012 full-year growth may beat the growth of 5.1% realized in 2011.

The U.S. has lifted the ban on most of the importables in the country from Myanmar (Burma) imposed since 2003.

The IMF is to provide a 22-month credit line to Egypt of \$ 4.8 bn for the country's economic rehabilitation needs following the political turmoil of 2011.

The 17-nation Eurozone bloc economy shrank by 0.1% in the third quarter following a shrinkage of 0.2% during the April-June quarter and thus entered into a recessionary phase, the double-dip since late 2008,. The total size of the bloc's economy is 9.4 trillion euros (\$ 12.0 trillion).

The Bank of England has revised downwards growth prospect of the economy to 1.0% against the earlier estimate of it being at 2.0%. The Bank expects that Britain would by-pass a double-dip recession this year as was expected earlier.

Moody's Investors Services has downgraded France's top "AAA" rating to "Aa1" citing long-term economic growth outlook negatively affected by multiple structural challenges, sustained loss of competitiveness and the long-standing rigidities of its labour, goods and service markets.



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