

economicletter

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Pakistan

According to SBP data analyzed by a private sector brokerage firm, the banking spread – difference between averaged interest paid to depositors and averaged interest charged from borrowers – fell by 54 basis points (bps) to 7.11% during January-October 2012 against 7.65% in the same period of 2011. The latest level was seen as the lowest level for the last seven years, aided mostly by SBP's monetary policy stance.

According to the Ministry of Finance, the budgetary deficit in the first quarter of the current fiscal was contained at 1.2% of GDP which if sustained and improved upon would help achieve the full fiscal target of it being at 4.7% of GDP.

According to the Ministry of Finance, the revenue-to-GDP ratio improved to 2.9% in the first three months of the current fiscal against 2.5% in the same period last fiscal. Total government expenditure, however, rose to 4.1% against 3.8% of GDP during the above periods.

According to the Ministry of Finance, debt servicing of domestic and foreign loans in the first quarter of the current fiscal (July-September 2012) amounted to Rs 314 bn against Rs 181 bn in the same period last fiscal.

The Economic Coordination Committee (ECC) of the Cabinet has raised the support price of wheat by 14.3% from Rs 1,050 per 40 kg to Rs 1,200 per 40 kg.

The Economic Coordination Committee (ECC) of the Cabinet has approved reduction in age of used importable cars from 5 years to 3 years.

According to SBP, liquid foreign exchange reserves as on November 23, 2012 stood at \$ 13.575 bn of which \$ 8.860 bn was held by the SBP and the rest with banks.

According to Pakistan Bureau of Statistics (PBS), export earnings of textiles and clothing in the first four months of the current fiscal (July-October 2012) amounted to \$ 4.392 bn, a rise of 4.78% over the earnings of \$ 4.192 bn in the same period last fiscal.

According to PBS, export earnings of some relatively low-profile traditional goods like carpets and rugs, sports goods, surgical instruments and footwears, amongst other rose by 5.1% to \$ 3.81 bn during July-October 2012 against \$ 3.62 bn in the same period last fiscal.

According to PBS, total food import cost during July-October 2012 at \$ 1.514 bn was lower by 7.88% against \$ 1.634 bn in the same period of 2011.

According to PBS, import cost of crude oil and petroleum products during July-October 2012 rose by 5.04% to \$ 5.266 bn against \$ 5.013 bn in the same period of 2011. Import cost of crude oil was higher by 8.22% to \$ 1.835 bn against \$ 1.321 bn while that of petroleum products registered an increase of 3.42% to \$ 3.431 bn against \$ 3.317 bn during the above periods.

According to Pakistan Bureau of Statistics, manufacturing of urea fertilizer during the first quarter of the current fiscal (July-September 2012) at 462,138 nutrient tons was lower by 28.46% against 645,950 nutrient tons in the same period last fiscal.

The government has announced the National Science, Technology & Innovation Policy-2012 to focus on environment science, bio-technology, energy, water, minerals, ocean sciences and engineering as essential tools for promoting economic development in the country.

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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	9.29	9.54	Rs 152.74	Rs 122.65	Rs 95.96	16,237	Rs 53,957
Ending	9.28	9.53	Rs 154.70	Rs 125.36	Rs 96.60	16,573	Rs 54,000
Change	- 0.01	- 0.01	+ 1.96	+ 2.71	+ 0.64	+ 336	+ 43

The World Bank in its Development Report, 2013, has expressed its intention to cooperate with Pakistan to promote measures in the creation of new jobs. Jobs availability of qualified personnel is the key to economic development with gains far beyond income levels alone.

According to a "World Food Program" October 2012 update, more than half of Pakistan's 180 million people are experiencing food insecurity as per a sample survey conducted by an arm of the above U.N. agency.

International

Heads of State and Governments of D-8 (eight developing countries) at their Summit meeting in Islamabad, Pakistan, in a joint declaration have urged the need to promote collaboration in research, higher intra-regional trade and seek energy security by developing nuclear energy power plants for peaceful civilian use, and through renewable clean energy means. The D-8 group of countries comprises of Bangladesh, Egypt, Indonesia, Iran, Pakistan, Nigeria, Turkey and Malaysia.

The World Bank in its latest "Migration and Development Brief-2012", expects Pakistan and Bangladesh to attract \$ 14 bn each by way of home remittances in 2012. It has forecast inflows of \$ 70 bn in India, of \$ 66 bn in China, of \$ 24 bn each in the Philippines and Mexico, of \$ 21 bn in Nigeria, amongst other countries. Worldwide remittances including those to high income countries has been forecast to reach a level of \$ 685 bn by 2015 against \$ 534 bn in 2012. Home remittance inflows into developing countries has been projected to rise from \$ 406 bn in 2012 to \$ 534 bn by 2015.

The Organization for Economic Cooperation and Development (OECD), a grouping of 34 leading economies of the world, has warned that the debt crisis in the eurozone bloc remains the greatest threat to the world economic recovery as at present. It expects GDP growth in the OECD area to rise by an average of 1.2% both in 2012 and 2013 and then by 2.3% in 2014, with global growth at 2.9% in 2012 and 3.4% in 2013.

India is to provide "direct cash transfer (DCTs)" instead of providing subsidized fuel, fertilizer and food grains entailing a subsidy of \$ 65 bn as of now. Under the DCTs to be launched from January 2013, impoverished families would receive cash in their bank accounts with discretion of disposal. Initially, the scheme would cover 51 administrative districts and by end-2013 it would cover the nation's entire 640 such districts. According to a 2001 official survey, India was home to 5.9 million impoverished people living on dollar one or less a day. The new scheme aims at focused poverty alleviation and corruption elimination.

The IMF and Eurozone Finance Ministers have rescheduled debt repayment obligations of Greece thus preempting the default and bankruptcy prospect of the country as also the looming possibility of its exit from the euro bloc.

China and India have signed multi-billion deals for enhanced cooperation mostly by way of investment in key sectors of the two economies including clean energy, infrastructure, electric power and steel, amongst others, making use of comparative advantage. The two countries have also agreed to adopt measures to boost bilateral trade from the current \$ 75 bn an year level to a level of \$ 100 bn by 2015.

The Reserve Bank of South Africa, the central bank of the country, has left its key lending rate unchanged at 5.0%.

Egypt's budgetary deficit in the current fiscal ending June 2013 is being officially projected at 10.4% of GDP against the target of 8.0% and estimated 11.0% in 2011-12.

Unemployment in New Zealand rose to over a 13-year high at 7.3% of workforce in the third quarter of 2012 against 6.7% in the second quarter of the year.

New car sales across Europe slumped by varying levels to a 20-year low in October mainly due to high levels of unemployment and austerity measures afflicting the eurozone bloc in particular.



Editor: Syed Mahdi Mustafa

Published by: The Institute of Bankers Pakistan, M.T. Khan Road, Karachi 74200, Pakistan

Phone: (021) 35689718, 35680783 | Fax: (021) 35683805 | Email: ibp@ibp.org.pk | Website: www.ibp.org.pk

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