

economicletter

a weekly publication of The Institute of Bankers Pakistan

Pakistan

The Asian Development Bank (ADB) has raised its projection of GDP growth in the current fiscal to 3.7% against earlier estimates of its being at 3.6%.

According to the Minister of Petroleum & Natural Resources, huge gas reserves have been discovered in Sindh estimated to be holding 300-400 cubic feet. Once fully exploited, they would add 30 million cubic feet daily (mmcf) to the current supply chain. New oil fields discovered in Khyber-Pakhtunkhwa are estimated to push production from 60,000 barrels per day (bpd) to between 90,000 – 100,000 bpd in the near future. The country's present oil need is 380,000 bpd which is met through imports after domestic production.

According to the Ministers of Petroleum & Natural Resources, the country would start importing 200 mmcf of liquefied natural gas (LNG) over the next 12 to 18 months onwards to meet the domestic supply-demand gap.

The National Assembly's Standing Committee on economic affairs has been informed by the chief executive of the Neelum-Jhelum hydro-power project that building of the Kishanganga dam on river Indus by India is likely to lead to 13% water shortage for Pakistan involving a financial loss of \$ 141 mn annually.

The Senate Standing Committee on finance has been informed by the Economic Affairs Division that the construction of Bhasha Dam currently estimated to cost \$ 12.0 bn is getting delayed as lenders for the project, led by the World Bank, have as yet not been lined up.

According to SBP, liquid foreign exchange reserves as on September 28, 2012 stood at \$ 14.90 bn of which \$ 10.36 bn was held by the SBP and the rest with banks.

The government has decided that future coal-based power plants would be allowed to be setup only if they are based on coal from the Thar district of Sindh.

The Senate sub-committee on Finance has been informed by the Planning Commission that an amount of Rs 19.1 bn has been set aside for ongoing major development projects in Balochistan.

The government is to provide Rs 2.0 bn to the province of Gilgit-Baltistan as grant to help it overcome its economic woes.

According to Pakistan Cotton Ginners Association, arrival of phutti (seed-cotton) at the ginneries till October 1, 2012 at 3.44 million bales was higher by 23.17% over the crop season of 2011.

According to National Clearing Company of Pakistan foreign portfolio investment in the equity markets of the country stood lower at \$ 11.657 mn in September against \$ 49.277 mn in August.

According to Pakistan Bureau of Statistics, inflation measured by the consumer price index (CPI) fell to 8.79% in September against 9.05% in August, both year-on-year. Inflation measured by the wholesale price index (WPI) was recorded at 7.8% against 7.7% during the above periods. Non-food-non-energy trimmed core inflation stood lower at 10.4% in Sep. against 10.8% in August, year-on-year.

The Sensitive Price Indicator (SPI) registered an increase of 7.46% in the week ending September 27, 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.

Markets at a glance

| Weekly Review | KIBOR (6months) | | Foreign Exchange Rates | | | KSE | Gold Rate |
|---------------|-----------------|---------|------------------------|-----------|----------|-----------|-----------|
| | Bid % | Offer % | GBP (£) | Euro (€) | USD (\$) | 100 Index | (10gm) |
| Beginning | 9.99 | 10.24 | Rs 153.68 | Rs 121.97 | Rs 94.87 | 15,495 | Rs 53,574 |
| Ending | 9.55 | 9.80 | Rs 153.61 | Rs 123.39 | Rs 95.34 | 15,754 | Rs 54,428 |
| Change | -0.44 | -0.44 | - 0.07 | + 1.42 | + 0.47 | + 259 | + 854 |

The Oil & Gas Regulatory Authority (OGRA) has revised the prices of various petroleum products by different margins by way of its weekly fuel adjustment policy related to changes in prices of crude oil and natural gas at the international level. These include a decrease of Rs 6.00 to Rs 102.45 of petrol a litre and of kerosene oil by Rs 0.40 to Rs 101.23 a litre. The CNG price has been reduced by Rs 5.49 to Rs 93.79 for the northern region and by Rs 5.02 to Rs 85.68 per Kg for the southern region.

The price of liquefied petroleum gas (LPG) has been increased by Rs 5.0 per Kg by the marketing companies of the commodity.

International

The International Monetary Fund (IMF) has cautioned emerging market and developing economies to brace themselves against looming risks due to the slow and sluggish growths in the U.S. and Europe.

The Basel Committee on Banking Supervision, the international global regulatory body, has come to conclude that the current banking crisis in the eurozone area is due to the failure of bloc's regulators to apply international capital rules properly.

Unemployment in the 17-nation eurozone bloc was recorded at 11.4% of workforce in August, unchanged from the July level, leaving 18.2 million people out of any regular full-time job. It was the highest level since the single currency came into being in 1999. Unemployment was recorded highest in August in Spain at 25.1% of workforce and lowest in Austria at 4.5% of workforce.

Fitch Ratings, an international credit rating agency, has left its rating unchanged for Britain at "AAA" with a negative outlook on grounds of weak economic growth and rising debt level with both combined posing the risk of a downgrade.

British GDP growth contracted by 0.5% during April-June 2012 over the same quarter of 2011 thus experiencing a mild recession.

Standard & Poor's has forecast an expansion of 0.6% for the German economy in 2012 to be followed by a growth of 1.4% in 2013.

The European Central Bank (ECB) as also the Bank of England (BoE) have left their key lending rates unchanged at 0.75% and 0.50% respectively.

The Spanish government expects the country's public debt to reach a level of 85.3% of GDP in 2012 and rise of further to 90.5% of GDP in 2013 before moderating thereafter. Funding the debt needs in 2012 are placed at 207.173 bn euros.

According to IMF, the U.S. known global reserves at \$ 5.8 trillion was lower at 61.9% of known global reserves in the second quarter of 2012 against 62.1% in the first quarter of the year.

The French government is to legislate an austerity budget seeking spending cuts of 30 bn euros (\$ 39 bn) aimed at bringing down the fiscal deficit from the anticipated level of 4.5% of GDP this year to 3.0% of GDP, the ECB norm, in 2013. In addition to fresh levies on businesses, the mopping includes 75% tax on the annual income of the super rich.

According to the Reserve Bank of India (RBI), the central bank of the country, the overall balance of payments recorded a surplus of \$ 0.5 bn in the April-June 2012 quarter against a deficit of \$ 5.7 bn in the January-March quarter of the year.

According to the U.S. Commerce Department, the country's GDP growth slowed to 1.3% in the second quarter (April-June 2012) against 2.0% in the first quarter of the year, the pace being the slowest since the first quarter of 2011.



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