

economicletter

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Pakistan

According to SBP's Branchless Banking Newsletter, branchless banking in the fourth quarter of last fiscal registered a growth of 37% over the preceding quarter in relation to mobile accounts which exceeded a new landmark level of 1.45 mn. The number and value of transactions during April-June 2012 grew by 12% and 36% respectively over the January-March quarter of the year. The overall average size of transactions grew to Rs 4,065 against Rs 3,367 during the above periods. The agents' network offering branchless bank services rose to 29,525 by end-June 2012 against 26,792 as by end-March 2012.

According to SBP, home remittances in the first two months of the current fiscal (July-Aug 2012) amounted to just under \$ 2.464 bn against slightly under \$ 2.407 bn in the same period last fiscal, a rise of 2.36%, maintaining thereby a level of over \$ 1.0 bn a month realized in the last fiscal. The inflows were topped by Saudi Arabia, UAE, the U.S. and the U.K. followed by GCC and EU countries.

The SBP has modified its prudential regulations for further strengthening rules relative to anti-money laundering and combating financing of terrorism both pertaining to the banking and corporate sectors.

The SBP has reduced the rates of interest chargeable under its Export Finance Scheme (EFS) under the long-term financing facility (LTFF) and on its scheme for financing power plants using renewable energy sources by 150 basis points from 11.0% to 9.5% with immediate effect. Financing provided by commercial banks for the above two will contain a spread of only 1.0%.

According to SBP, liquid foreign exchange reserves as on Sep. 7, 2012 stood at \$ 14.828 bn of which \$ 10.432 bn was held by the SBP and the rest with banks.

According to SBP, the country's total domestic debt and liabilities rose by 26% to Rs 7,789 bn by end-2011-12 against Rs 6,231 bn at end-2010-11.

The Reserve Bank of India, the central bank of the country, has removed restrictions enabling Indian nationals to make direct investment into Pakistan at par with the facility available to other foreign nationals.

The government has approved issuance of Privately Placed Term Finance Certificates worth Rs 82 bn by the Power Holding Private Ltd. to overcome the ongoing circular debt problem in the power sector, which cost the exchequer Rs 452 bn in the 2011-12 fiscal by way of tariff differential subsidy caused mainly by rises in line losses and lack of appropriate energy-mix policies.

The Global Competitiveness Report 2012-13 of the World Economic Forum has upgraded the position of the Securities & Exchange Commission of Pakistan (SECP) in its survey of over 140 countries to 55 from last Report's standing of 70 in view of positive and corrective measures introduced by the Commission to regulate operations particularly of the bourses of the country.

The government has decided to establish Special Economic Zones (SEZs) across the country to attract local and foreign investment via a facilitative approach.

The Hong Kong and Shanghai Banking Corporation, a UK based international banking entity, has decided to sell its 10-branch network in Pakistan to the domestic based JS Bank. The transacted amount is as yet unspecified. The deal is subject to SBP's approval.

According to Pakistan Bureau of Statistics (PBS), export earnings of cement in July, the first month of the current fiscal, rose by 18.23% to \$ 46.197 mn against \$ 39.074 mn in the same month last fiscal.

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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	10.17	10.42	Rs 150.50	Rs 119.29	Rs 94.63	15,253	Rs 51,514
Ending	10.20	10.45	Rs 152.40	Rs 122.15	Rs 94.54	15,449	Rs 52,114
Change	+0.03	+0.03	+ 1.90	+ 2.86	- 0.09	+ 196	+ 600

According to PBS, the large scale manufacturing (LSM) sector posted a growth of 0.60% in July 2012 over July 2011.

According to PBS, the trade deficit during July-August 2012 stood at \$ 3.377 bn with exports at \$ 3.969 bn and imports at \$ 7.346 bn. In the comparable period of 2011, the trade deficit stood at \$ 3.392 bn with exports at \$ 4.103 bn and imports at \$ 7.495 bn.

According to Pakistan Automotive Manufacturers Association, total sales of locally produced cars during July-August 2012, the first two months of the current fiscal, dropped by 28.2% to 18,325 units against 25,553 units in the same period last fiscal.

International

According to the Chinese Premier, the country's economy is well on course to expand by 7.5% in 2012 notwithstanding the global slowing of major economies including that of the U.S., Europe and India. Although the current year's GDP growth target is in sharp contrast to double-digit growths realized averagely over the last decade annually, the current years dipping is almost entirely due to extraneous factors rather than any policy failure at the domestic level. The Premier has affirmed that stimulative measures put in place during the last few years would avert any further slowing down and may rebound to double digit growth in the near future.

China posted a trade surplus of \$ 26.7 bn in August. While exports rose by 2.7%, year-on-year to \$ 178 bn imports fell by 2.6% over August 2011 to \$ 151.3 bn.

Japan's economy grew by 0.2% during April-June 2012 over the previous quarter, or by an annualized pace of 1.7% in the first half of 2012.

Myanmar, formerly Burma, has approved a new law which allows foreigners to own upto 50% stake in any joint venture with local partners. The measure comes in the wake of dismantling of sanctions imposed previously by the international community.

Germany's trade surplus during January-July rose by 23.7% to 110.3 bn euros over the same period of 2011. Exports were higher by 5.4% to 644.1 bn euros while imports rose by 2.3% to 533.8 bn euros during the above periods.

The French government plans to curtail government expenditure through new savings and fresh taxation measures to yield 30 bn euros to help the economy turn the corner within a short span of two years.

Italy, the third largest economy in the eurozone area after Germany and France, recorded a contraction of 0.8% each in GDP both in the first and second quarters of 2012 having shrunk by 0.2% and 0.7% in the third and fourth quarters respectively of 2011. The country's GDP growth was recorded at 1.8% in 2010 but was 0.4% negative in 2011.

The European Central Bank (ECB) in a revised policy stance has approved buying unlimited amounts of heavily indebted countries' sovereign bonds in the eurozone area aimed at easing the cost of borrowing of the countries concerned, dubbed as "Outright Monetary Transactions (OMT)". The amount that may be involved remains unspecified.

The U.S. Federal Reserve has pledged to buy \$ 40 bn of mortgage-backed debt per month for so long as the economy gains growth momentum leading to new job creation amid inflation containment.

Although the overall unemployment rate in the U.S. has come down to 8.1% in August against 8.3% in July, the level of its being above 8% in the last three consecutive years has been the longest stretch since the Great Depression of the 1930s, despite the positive, albeit slow, growth of the economy following the 2007-09 recession.

The Russian central bank has raised its key lending rate by 25 bps to 8.25%, the first rise this year, aimed primarily to contain inflation which rose to 6.3% by early-September against 3.6% in May, year-on-year.

The Central Bank of Korea has left its key lending rate unchanged at 3.0%, having reduced it from 3.25% in July.



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