ECONOMIC BULLETIN November - December, 2012

Contents

- Editor's Corner ii
- 2012: The Year in Review 03
- The Changing World of Oil 12
- Quarterly Performance of Selected Banks – 2012 15
- Market Analysis 19
- Book/Report Reviews 21
- Pakistan Economy — Key Economic Indicators 23

NBP Performance at a Glance

Editor's Corner

Dear Readers,

The International Monetary Fund (IMF) presents a grim picture of Pakistan's economy. The Fund expects GDP growth of 3.25 percent in 2012-13 and the fiscal deficit to be around 6.25 percent of GDP against the budget target of 4.7 percent. Inflation is likely to return to double digits by the end of 2012-13. The external position has weakened and the State Bank of Pakistan's foreign exchange reserves have declined. Banks' non-performing loans remain high at 15.9 percent at end June 2012. Private sector credit growth remains subdued, with adverse consequences for growth.

While some progress has been made, the country faces difficult macroeconomic challenges. Deeper reforms are needed to address the critical issues and boost sustainable growth and reduce poverty. These include comprehensive revenue and expenditure reforms, including broadening key taxes and reducing subsidies, while protecting the most vulnerable. There is a need to consider alternative revenue measures including a modified GST and strengthening the income tax. Efforts should also focus on credit flows to private sector and banks large and rising exposure to government. Energy sector reforms need to be stressed upon. Other reforms include restructuring of loss making public sector enterprises.

The Economist Intelligence Unit (EIU) has similar forecast for the Pakistan economy for the next five years. In 2012-13 – 2016-17 growth will remain lackluster, averaging 3.6 percent a year. Fiscal policy in Pakistan is characterised by the setting of demanding targets that are invariably missed. Pakistan's economic expansion will continue to fall short of potential, owing to poor policymaking, energy and water shortages, security concerns and low investment in human capital.

These are formidable challenges. Growth has slowed down from an average of 7.3 percent in 2003-07 to 3.0 percent during 2007-12 primarily because of persistent energy shortages, security concerns, deteriorating law and order situation, low level of investment both domestic and foreign. A number of industries like petroleum, iron and steel, engineering and electrical have been adversely impacted because of electricity and gas shortages. Uncertain economic environment and a decline in business confidence have steadily undermined investment and raised concern for the country's future growth prospects.

Government continues to borrow from the banking system to finance the fiscal deficit, despite the SBP (Amendment) Act (2012) that requires zero net flow of fiscal borrowings from the SBP during a year. Presently scheduled banks prefer to invest in government securities which is without any risk then to lend to private sector. Private sector credit offtake also suffers from consistent shortages of energy. To avoid the negative consequences of excessive borrowings from the scheduled banks, comprehensive fiscal reforms are needed. These include among others, broadening of the tax base, reduction in subsidies, better implementation and compliance of tax laws. In FY12, budget documents show that bank borrowings at Rs939.2 billion far exceeded Rs303.5 billion targeted for the year. Subsidies were budgeted at Rs166.4 billion or 0.8 percent of GDP for FY12, but revised estimates show a much higher figure of Rs512.3 billion or 2.5 percent of GDP. This was primarily because subsidy to WAPDA jumped from a budgeted figure of Rs122.7 billion to Rs419.0 billion and subsidy to KESC rose from a budgeted figure of Rs24.6 billion to Rs45.2 billion.

Energy shortages are perhaps the largest impediment to higher economic growth. Industrial sector is being subjected to daily electricity load shedding and absence of gas, which is adversely impacting production capacities, risking million of jobs and loss of export earnings. Reducing energy shortages would help in overcoming macroeconomic imbalances. Better cost recovery, improving governance, checking for leakages during distribution and investing in new energy alternatives would help in bringing stability in the economy and reviving growth.

Ayesha Mahmood

2012: The Year in Review

Significant developments during the year 2012

As the year 2012 comes to a close, let us look back at some of the year's highlights and lowlights. During the year, global economic growth slowed down, the European sovereign debt crisis made it difficult for some countries in the eurozone to repay their government debt, world trade was expected to remain sluggish, there was continuing job crisis affecting young people in many parts of the world, world central banks boosted their gold reserves, global food prices rose in an unprecedented summer of droughts and high temperatures and millions of people suffered food shortages. Many parts of the world moved towards political change, the year saw opposition to the regime in Syria escalate into full civil war, anti-austerity protests in Spain and Greece, Portugal. Russia became the 156th member of the World Trade Organisation, Barack Obama was re-elected as the US President for the second time, London hosted the Olympics for the third time in its history, Singapore topped the annual ranking of 185 economies on the ease of doing business, with Poland, Sri Lanka and Greece among those registering the biggest improvements; natural disasters alone cost the world $160 billion in 2012; and the world did not meet its inevitable end as predicted in the Mayan calendar.

Growth estimates

The World Bank's latest *Global Economic Prospects*, estimates global GDP growth of 2.3 percent in 2012. Growth is expected to remain unchanged at 2.4 percent in 2013. Developing countries recorded a GDP growth of 5.1 percent and is projected to expand by 5.5 percent in 2015. In high income countries growth remained weak, with their GDP growing only 1.3 percent in 2012 and expected to show an identical growth of 1.3 percent in 2013. Region-wise, the World Bank estimates growth in the East Asia and Pacific region to have slowed to 7.5 percent in 2012, against 8.3 percent in 2011, while GDP growth in Europe and Central Asia is estimated to have slowed sharply to 3 percent from 5.5 percent in 2011. Growth also declined in the Latin America and the Caribbean region to an estimated 3 percent in 2012 because of a slowdown in domestic demand in some of the largest economies in the region and a weak external environment. Political uncertainty and unrest in several countries in the Middle East and North Africa affected GDP growth, which is estimated to have grown by 3.8 percent in 2012. Growth weakened in South Asia to an estimated 5.4 percent in 2012 (7.4 percent in 2011) mainly due to a sharp slowdown in India.

Subdued performance

According to an IMF Report, *Asia in 2013: Grounds for Optimism, but Challenges Ahead*, economic performance remained subdued in emerging Asia in 2012. Growth in the region is expected to pick up gradually in 2013. At about 5.5 percent, Asia's growth in 2012 is estimated to have been about 0.5 percentage point below 2011. Weaker external demand was the main factor. Recent indicators suggest that economic momentum is stabilizing and a modest pick up in growth to about 6 percent is envisaged for 2013.

The OECD has warned the world's major economies could go back into recession if eurozone and US policy makers fail to tackle their fiscal crises. The OECD believes an escalation in the ongoing European crises poses the biggest threat to global economies and could drag Europe into a deep recession in the next two years and the US alongwith it. The OECD has lowered its growth forecast for its 34 member nation to 1.4 percent in 2013, down from a forecast of 2.2 percent made just six months ago.

Crisis in some European countries

The economic crisis that affected many European countries, is now in its fifth year. Over the past year, the countries hit hardest by the crisis — Greece, Spain, Portugal and Ireland have struggled to bring down their debts. Some countries in the eurozone are way over leveraged, meaning they have too much debt relative to the size of their

economies. Portugal, Ireland, Italy, Greece and Spain are some of the most highly leveraged eurozone countries. Italy's debt is 121 percent the size of its economy, Ireland 109 percent and Greece 165 percent. They have raised taxes, laid off workers, reduced services and have begun charging for medical care that had been free for decades. Spain has taken steps to clean its banks' balance sheet. These banks get cash and in return they have promised to cut their balance sheets, stop lending to risky property developers and focus instead on lending to small and medium sized businesses. Between 2007 and 2010, the Irish debt to GDP ratio went up from 25 to near 100 percent. With the European debt crisis ongoing, slowing growth has had an impact on bank credit ratings. According to Global Finance, credit ratings and rankings of most European banks have suffered except for those at the very top of the list.

World trade

World trade is expected to grow by 2.5 percent in 2012, according to WTO. The slowdown is attributed to the global economy losing momentum due to a number of shocks, including the European sovereign debt crisis. The volume of trade growth in 2013 is now forecast to be at 4.5 percent. During the year there was a marked deceleration in imports of developed countries and a corresponding weakness in the exports of developing economies. For whole of 2012, merchandise exports from developed countries are expected to grow by 1.5 percent and those from developing countries by 3.5 percent.

Commodity prices

Commodity prices rose in the third quarter of 2012 because of supply shortfalls. Food prices rose to the highest level since May 2011, driven by weather related disruptions to key crops – soyabeans, corn and wheat. The US suffered the worst drought in over half a century and persistent dryness in other key grain producing countries affected output. Wheat crop estimates were downgraded in Kazakhstan, Russia, Ukraine and in China due to adverse weather conditions. Rice prices remained fairly stable, despite some supply concerns due to below average rainfall in India.

Oil prices increased. Brent crude ended 2012 averaging over $111 a barrel, the highest annual average on record, after geopolitical threats to production offset worries about flagging oil demand. It was also affected by lower exports from Iran due to US sanctions and EU embargo and ongoing geopolitical concerns. Metals prices weakened in the third quarter of 2012, and were 28 percent lower from highs in April 2011 on weak demand. There was weakened import demand in China, where the country accounts for more than 40 percent of the world's base metal consumption. Gold prices hit a 2012 record of $1787.40 an ounce on September 21.

Falling US harvests

The year saw falling harvests in the US, as it experienced record heatwaves and droughts in 2012. Supplies were tight across the world and reserves at low level. FAO figures showed that 870 million people were malnourished, with growing food crisis in the Middle East and Africa. In 2012, for the sixth time in eleven years, the world consumed more food than it produced, largely because of extreme weather in the US and other major food exporting countries.

The number of poor declines

The World Bank Annual Report 2012 states, 'for the first time, in every region of the developing world, the number of poor declined, and despite recent crises, global poverty overall continued to fall.' It further states, that the global poverty rate at $1.25 a day fell to less than half its 1990 value indicating the first Millennium Development Goal (MDG) target of cutting the extreme poverty rates to half its 1990 level was already achieved before 2015. Average annual GDP per capita in developing countries increased. Gender parity in primary and secondary schools improved. However, the poorest population groups remain vulnerable, and only limited progress has been made in employment, governance, as well as other priority areas. Maternal mortality and child

mortality are falling significantly short of their MDG targets.

There was continuing job crises affecting young people in many parts of the world. The global youth unemployment rate is not expected to come down until at least 2016 says the ILO. Projections show 12.7 percent of the global youth labour force will be unemployed this year, unchanged from the peak of the crisis in 2009 and slightly up from last year's 12.6 percent. In terms of numbers, there will be nearly 75 million unemployed youth aged 15 to 24 in 2012, an increase of nearly 4 million since 2007.

Job crisis affects young people

A World Bank Report *IFC Jobs Study*, shows that large numbers are entering the job market. Some 200 million people are currently unemployed, many of them young people, and it is estimated that by 2020, some 600 million jobs need to be created, mainly in Africa and Asia. The private sector, which provides some 90 percent of jobs in developing countries, must be at the core of any approach designed to address the jobs challenge, states the Report. To create jobs it is necessary to address the obstacles to job growth, investment climate, infrastructure, access to finance and education and skills.

According to the World Bank *International Debt Statistics 2013*, net external debt inflows and aggregate net capital inflows (debt and equity) to developing countries fell in 2011, driven by a sharp contraction in net inflows from official creditors and a collapse of portfolio equity flows. The downturn was partially offset by inflows from commercial banks, sustained access to international bond markets and a rise in foreign direct investment. The Report shows that the combined stock of developing countries' external debt increased by $464 billion to $4.9 trillion at end 2011. Net external debt inflows to developing countries fell 9 percent in 2011 to $465 billion due to the sharp contraction in inflows from official creditors, which fell to $30 billion (from $73 billion in 2010).

Debt increases

The world's richest people got richer in 2012, adding $241 billion to their collective net worth, according to Bloomberg Billionaires Index. The aggregate net worth of the world's top 100 stood at $1.9 trillion at the market close December 31, according to the index.

The share of national income going to the richest 1 percent of Americans has doubled since 1980, from 10 percent to 20 percent. The share going to the top 0.01 percent – some 16,000 families with an average income of $24 million has quadrupled, from just over 1 percent to almost 5 percent. This development is not confined to America, but many countries, including Britain, Canada, China, India have seen a rise in the share of national income taken by the top 1 percent. The numbers of the ultra-wealthy have soared around the globe. According to Forbes magazine's rich list, America has some 421 billionaires, Russia 96, China 95 and India 48, says the Economist, October 13, 2012 in its special report on world economy.

Rich becoming richer

In 2012, world central banks boosted their gold reserves in a bid to protect assets from global economic turmoil. For instance, Ukraine increased the percentage of gold in its reserves in 2012 to 7.72 percent from 4.36 percent a year earlier. Brazil doubled its gold holdings in two months, buying 17.2 metric tons in October and 14.7 metric tons in November. The IMF said that in August and September Iraq increased its gold reserves to 31.07 metric tons from 5.8 metric tons. In the third quarter, according to the World Gold Council, the world's central banks bought a total 97.6 metric tons of gold.

Central banks gold reserves increase

The Banker magazine in its issue of July 2012 says that China's banking sector strengthened in 2012. Chinese banks contributed 29.3 percent of the profits and 13.6 percent of the assets of the top 1000 world banks, against contributing only 4.6 percent of profits and 6.2 percent of the total assets five years ago. In contrast, European banks in 2007 accounted for 58 percent of the total assets of the top

China's banking sector strengthens

1000 banks and 46 percent of the profits. In the 2012 ranking, European banks account for 45 percent of the assets but only 6.3 percent of the profits. US banks are starting to recover from their crisis. Profits for US banks are 18.7 percent of the total compared with 23.6 percent five years ago.

Pakistan faces challenging environment

Pakistan faced a challenging environment in 2012. Volatile security environment, deteriorating law and order, structural imbalances in the economy, low savings and investment, poor governance, ongoing electricity and gas shortages constrained GDP growth. Pakistan's GDP growth is expected at 3.7 percent in 2012, against 3.0 percent in 2011, according to *World Bank Global Economic Prospects, January 2013*. This is against India's GDP growth of 5.1 percent in 2012 and 6.9 percent in 2011 and Bangladesh's 6.3 percent and 6.7 percent respectively.

Real GDP Growth (Percent)

	2011	2012	2013	2014	2015
South Asia	7.4	5.4	5.7	6.4	6.7
India	6.9	5.1	6.1	6.8	7.0
Pakistan	3.0	3.7	3.8	4.0	4.2
Bangladesh	6.7	6.3	5.8	6.2	6.5

Source: Global Economic Prospects, World Bank

Given the growing population in the country, low growth in the economy fails to absorb the growing labour force, or to maintain an adequate standard of living or to provide basic health and education facilities to its citizens. Pakistan is home to a large young population. Catering for decent work for the rising labour force remains a challenge, more so in the face of declining economic growth. Pakistan's total labour force is almost 55 million, making it the 9th largest country in terms of labour force size. Majority of them work in the large agriculture and informal sectors.

The government has also to achieve the goal of increasing labour productivity so to ensure that incomes are rising and poverty is falling. Education and training thus become critical to match the demand and supply skills. Lack of competency based vocational/technical skills, insufficient coverage of social security systems and poor safety and health standards contributes to problems, in turn affecting the labour productivity.

Growth in CPI moderates

Inflation moderated in 2012. Consumer Price Index (general) has fallen from 10.2 percent in November 2011 to 6.9 percent by end November 2012, but rose to 7.9 percent by the end of the year. Food inflation dropped from a high of 11.3 percent in May 2012 to 5.3 percent in November 2012, but rose to 7.7 percent at end December 2012, while non-food inflation dropped from 13.0 percent to 8.1 percent in the corresponding period. A similar decline was seen in core inflation (non-food non-energy) from 11.2 percent to 9.8 percent in the corresponding period.

Inflation Monitor, November 2012, State Bank of Pakistan, shows that the weighted contribution of food group in the overall inflation declined from 41.90 percent in November 2011 to 32.78 percent during November 2012, while the weighted contribution of non-food group increased to touch 67.22 percent from 58.1 percent in the corresponding period.

Top 15 Contributors to CPI Inflation

Items/Contributors	Weights	YoY Change Nov-11	YoY Change Nov-12	Weighted Contribution
Ranked by Weighted Contribution				
1 House Rent	21.81	7.07	6.27	16.09
2 Milk Fresh	6.68	21.11	11.81	13.73
3 Electricity	4.40	3.19	16.39	10.89
4 Wheat Flour	4.16	0.30	9.64	5.91
5 Education	3.94	11.92	9.84	4.90
6 Transport Services	2.70	9.72	9.64	4.15
7 Cigarette	1.39	6.59	18.14	3.65
8 Text Books	0.57	3.32	39.99	3.36
9 Motor Fuel	3.03	18.07	7.37	3.21
10 Meat	2.43	19.35	7.06	3.14
11 Rice	1.58	18.83	12.87	2.78
12 Footwear	1.55	1.59	16.22	2.77
13 Household Servant	1.04	28.65	18.21	2.72
14 Cooking Oil	1.75	19.56	11.76	2.69
15 Personal Equipments	0.84	23.74	14.03	2.44
Total	**57.90**			**82.42**

Source: State Bank of Pakistan

Meanwhile, since August 2012 the State Bank of Pakistan (SBP) has successively reduced its discount rate by a total of 250 basis points. From October 10, 2011 to June 8, 2012 the SBP had held the policy rate unchanged at 12 percent. In the subsequent Monetary Policy announcements on August 13, it was reduced to 10.5 percent, 10 percent in October and 9.5 percent in December. Reduced price pressures coupled with subdued private sector credit growth and declining investment, influenced the SBP's decision to cut rates. The year-on-year CPI inflation for November 2012 stood at 6.9 percent with food inflation dropping to 5.3 percent and non-food inflation coming down to 8.1 percent. The deceleration in inflation is expected to keep average inflation for FY13 below the 9.5 percent target for the year, says the *Monetary Policy Decision, December 14, 2012*. As inflation slows, the Central Bank could announce gradual reduction in interest rates in 2013 to support economic expansion.

Discount rate lowered

Pakistan's economic expansion has been adversely impacted by energy and water shortages, security concerns and low investment in human capital. This makes it unlikely for the country to benefit from the potential demographic dividend arising from its large working age population. Also government's investment spending as a proportion of GDP has almost halved in the past five years. Total investment has declined from 22.1 percent of GDP in 2007-08 to 12.5 percent of GDP in 2011-12, because of domestic and external factors. Investment and savings have to be raised to increase resource availability for investment.

Investment level declines

The government continued to borrow from the banking sector for budgetary support. These fiscal borrowings from the banking system continue to remain the main source of monetary expansion. During July 1- November 30, FY13, the government borrowed Rs586 billion from the scheduled banks and retired Rs106 billion to the State Bank. Almost all of the fiscal borrowings from the scheduled banks and the retirement to the SBP took place during July-September FY13. In Q2-FY13, the fiscal authority has mostly relied on the SBP to meet its financing requirements while just rolling over the maturing scheduled bank debt, states the *Monetary Policy December 2012*. The recent amendments in the SBP Act, require the fiscal authorities to ensure at least zero borrowings from the SBP during a quarter.

Govern-ment continues to borrow from banking sector

During July-December 2012 exports are provisionally estimated at $12.051 billion, an increase of 7.58 percent over the exports of $11.202 billion in the corresponding period of FY11. Imports in the corresponding period declined to $21.92 billion from $22.68 billion, thereby reducing the trade deficit to $9.87 billion from $11.47 billion. During the first half of fiscal 2012, exports of textile group showed a growth of 8.55 percent, where earnings increased from export of cotton yarn, cotton cloth, knitwear etc. Major items showing declines in export earnings over the corresponding period of FY11 included rice (12.33%), with basmati rice showing a fall of 35.6 percent. Export earnings from wheat fell by 61.5 percent, raw cotton 51.5 percent, cotton carded 85.1 percent, bedwear 7.2 percent, art silk & synthetic textile 19.7 percent, petroleum products 96 percent, coal 12.6 percent, leather manufactures 4.5 percent among few others.

Exports increase

Imports during July-December 2012 declined by 3.3 percent to $21.92 billion over last year's corresponding figure of $22.68 billion. However, the oil import bill rose. Petroleum imports were of a sum of Rs7.70 billion against $7.61 billion in the corresponding period of FY11. Import of fertilizer, insecticides and plastic materials showed declines of 56.9 percent, 54.4 percent and 13.8 percent respectively. Import of palm oil, sugar, pulses also fell. Import of milk products was up by 3.3 percent, tea 6.5 percent soyabean oil 26.5 percent and machinery was up by 4.12 percent.

Imports contained

In 2011-12, the fiscal deficit reached 8.5 percent of GDP, well above the target of 4 percent, because of slippages in both revenue

Fiscal deficit

and expenditure targets. For 2012-13 budget targets a deficit of 4.7 percent of GDP, but IMF expects it to be closer to 6.5 percent of GDP. Comprehensive revenue and expenditure reforms would strengthen the fiscal position. Currently tax revenue is about 10 percent of GDP, as there is general unwillingness to pay taxes, and large tax exemptions. Only about 1 percent of the population files income tax returns. On the expenditure side, subsidies and interest payments consume almost half of government revenue. Large budget deficits become difficult to finance, especially when inflows of foreign assistance become uncertain.

For FY13, tax revenues are budgeted at Rs2503.6 billion and non tax revenues at Rs730.3 billion. Of the total current expenditures of Rs2611.9 billion, 35.4 percent have been allocated for interest payments which are budgeted at Rs925.8 billion. Subsidies will receive Rs208.6 billion. Revised figures for FY12 show subsidies at Rs512.3 billion against a budgeted figure of Rs166.4 billion mainly because of substantial increase in subsidy to WAPDA. Higher spending on subsidies, security and interest has crowded out more productive spending.

IMF suggest measures to raise tax revenue

The IMF in the *Country Report on Pakistan February 2012* have recommended a set of measures to boost revenues and contain expenditures. They have among others suggested; A substantial increase in tax revenue is a necessary condition for sustainable deficit reduction, and another attempt should be made at implementing the reformed General Sales Tax (GST). The effort to improve tax administration and tax compliance will have to continue unabated, but in terms of revenue-generating capacity, they cannot yield as much as a broad-based integrated GST, which could generate up to 3 percent of GDP in additional tax revenue. The authorities could also consider adopting a broader income tax regime and property taxes. On the spending side, the problems in the power sector and loss-making PSEs will need to be resolved, to remove these large drains on budgetary funds and to make room for more productive uses of public funds, especially for health, education, and poverty alleviation through better-targeted transfers, and to improve public service delivery.

The targeted deficit reduction could be achieved with a combination of spending restraint, carryover effects of last fiscal year's measures to broaden the tax base by removing exemptions and zero ratings, collection of past due taxes, and measures to improve tax administration and tax compliance. Regarding the latter, the authorities have used risk-based tax audits and implemented a campaign to identify and bring into the tax net wealthy individuals who do not pay taxes. On the spending side, they plan to ensure that non-discretionary spending is kept within the budget limit, and to strictly contain electricity subsidies.

The fifth *Annual Report 2012 of Institute of Public Policy* states, 'the present low tax to GDP ratio of around 10 percent should be gradually increased to 14 to 15 percent over the next five years or so. However, this cannot be done by simply reducing tax evasion and strengthening federal taxation. To increase the tax-to-GDP ratio by nearly 1 percent per annum, two other pre-requisites are necessary – a growth rate of at least 6 percent per annum in the economy and a major effort by provinces to increase the presently abysmal provincial tax-to-GDP ratio of 0.4 percent. This ratio, which was over 1 percent of GDP in the earlier decades of Pakistan's history, can be improved by effective taxation of property and services and institution of meaningful agricultural income tax.

Workers remittan-ces

Overseas workers' remittances rose during July-December FY2012-13 to $7116.7 million, an increase of 12.5 percent against inflows of $6325.34 million received in the corresponding period of FY2011-12. The inflow of remittances during the second half of 2012, from Saudi Arabia, UAE, USA and UK amounted to $1960.62 million, $1460.9 million, $1155.54

million and $1005.01 million respectively. Remittances received from Bahrain, Kuwait, Qatar and Oman amounted to $811.2 million, an increase of 12.5 percent over $721.2 million remitted in the second half of 2011. Remittances received from EU countries showed a marginal decline of 0.2 percent to $188.8 million in July-December FY13 against $189.1 million received in the corresponding period of FY12. Remittances received from Japan nearly halved to $3.05 million against $6.3 million earlier.

Foreign private investment

Total foreign private investment picked up during the second half of 2012 to $690.5 million, compared with $421.3 million in the corresponding period of 2011. During this period while inflow of foreign direct investment had declined by 3.0 percent to $1110.7 million against $1145.3 million earlier, the outflow of FDI had also fallen to $547.9 million, resulting in a net FDI of $562.8 million, against the corresponding period of July-December FY12, when outflow was $614.2 million against an inflow of $1145.3 million, resulting in net FDI of $531.1 million. During this period foreign private investment showed a fall of $109.8 million, resulting in $421.3 million of total FPI.

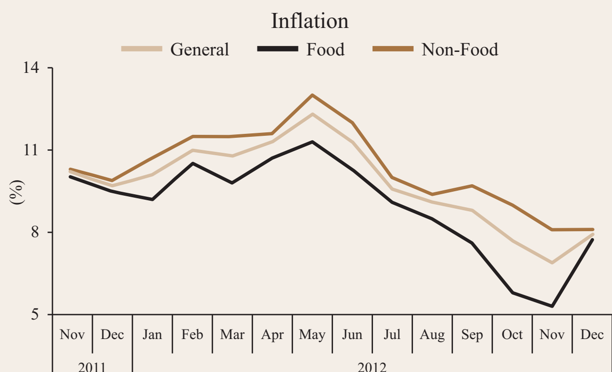
Energy crisis continues

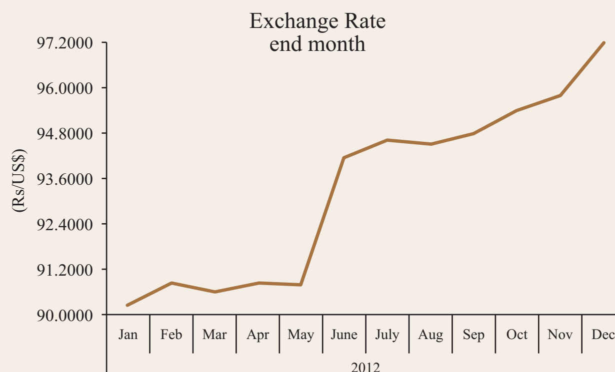
The domestic economy continues to be adversely impacted by the ongoing energy shortfall. While energy consumption has grown phenomenally supplies have fallen short. At one point during the summers the gap between supply and demand had hit 7500 megawatts or nearly 40 percent of national demand. The system suffers from many weaknesses. For instance there are large number of customers who don't pay their bills, there is poor recovery of dues, widespread electricity theft, transmission losses, reliance on imported oil causes inefficiencies and structural weaknesses. The biggest consumers do not pay their electricity bills, and the bills that have been paid are not enough to cover the cost of generation. There is a huge circular debt, estimated at over $850 million which is an ongoing problem.

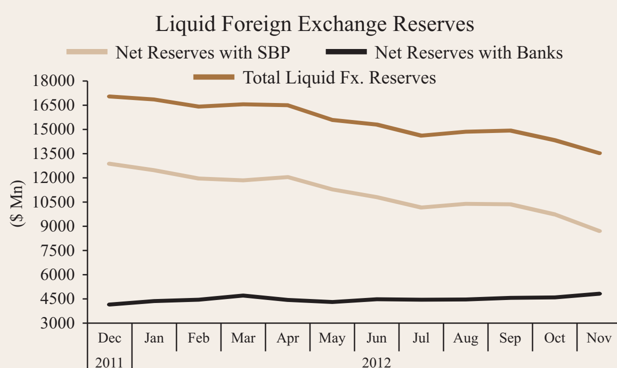
Along with power shortages is the gas shortfall which is affecting the industrial sector, transport and households, and subsequently impeding Pakistan's economic development. In the PIDE monograph *'Pakistan's Energy Sector: From Crisis to Crisis – Breaking the Chain'*, the author Ziad Alahdad writes that many countries are affected by the absence of integrated energy planning and policy formulation (IEP), which is a fundamental drawback to Pakistan's energy sector.

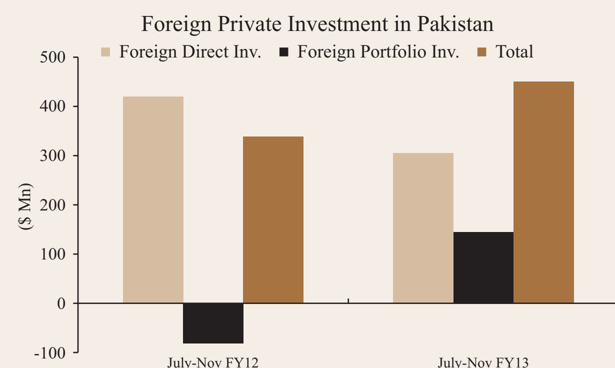
IEP is a means of integrating energy sector plans and policies with national objectives while ensuring close coordination between each of the energy subsectors. Tried and tested the world over, IEP develops indigenous capacity to optimize the sustainable exploitation and utilization of energy within existing resource constraints in the short, medium and long term. It is critical that policy-makers in Pakistan tackle on an informed basis both the urgent and long-term problems facing the sector, and replace the primary crisis-driven approach that has hitherto dominated the scene.

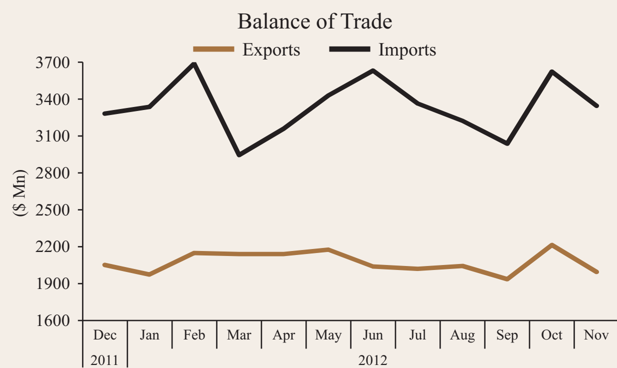
Pakistan Economy – The Year 2012

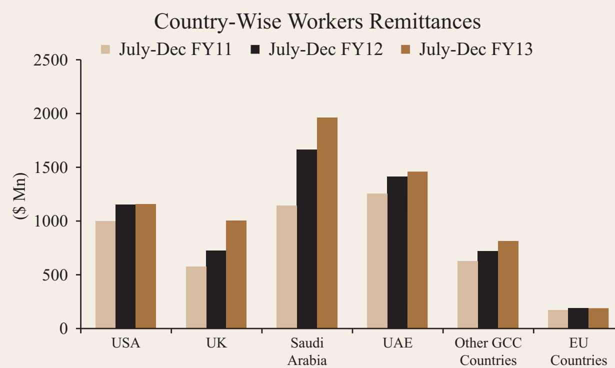


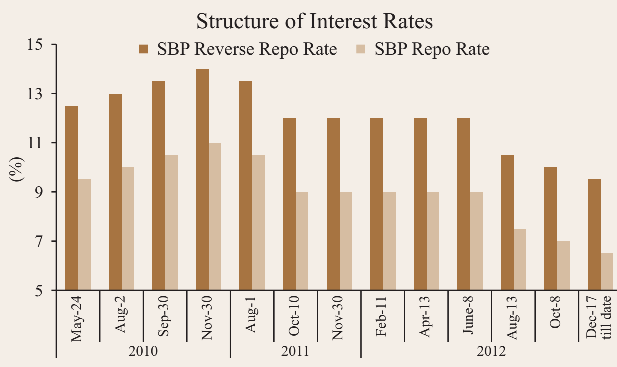


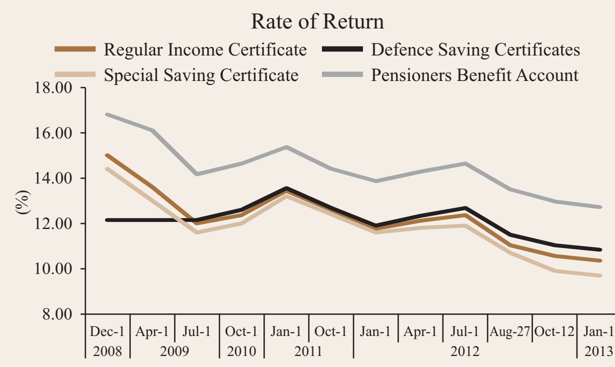


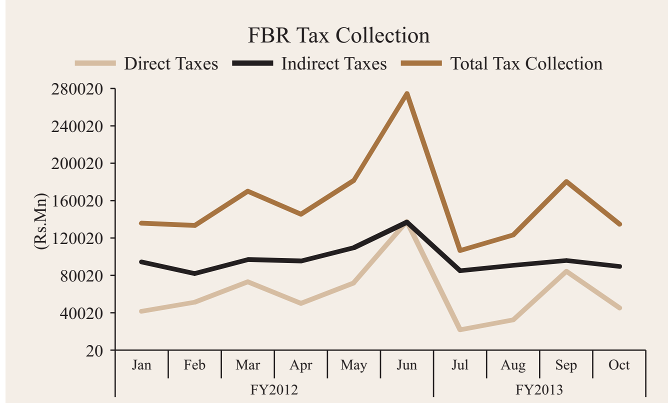


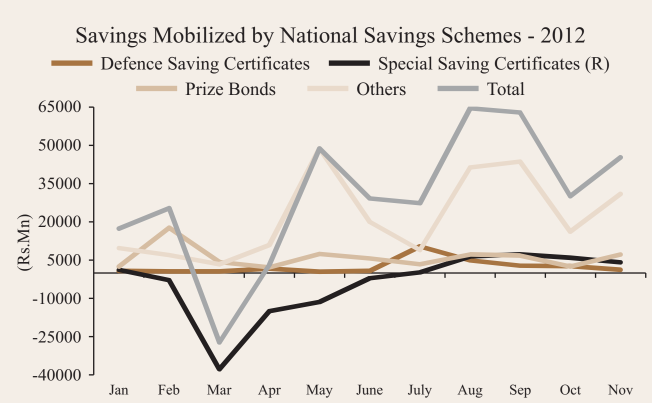


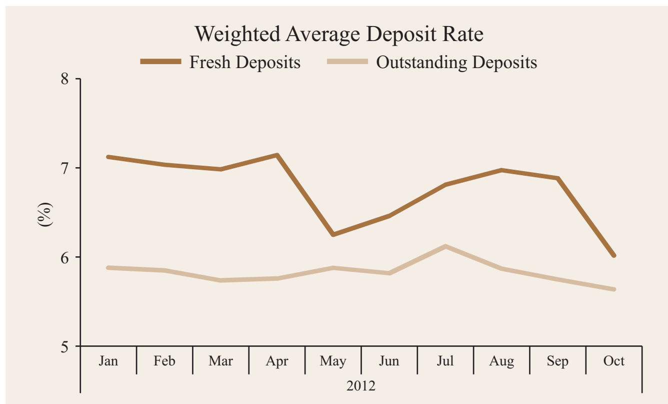


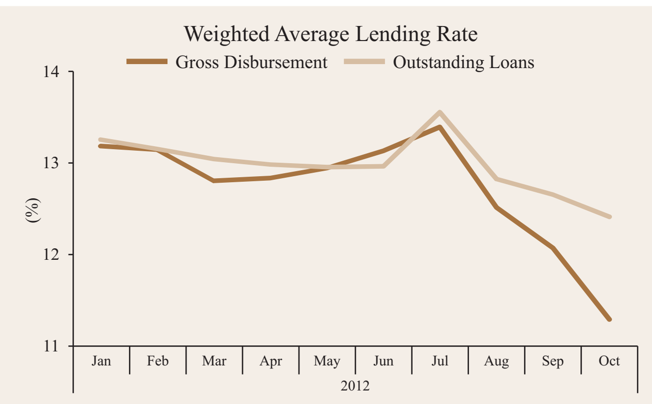


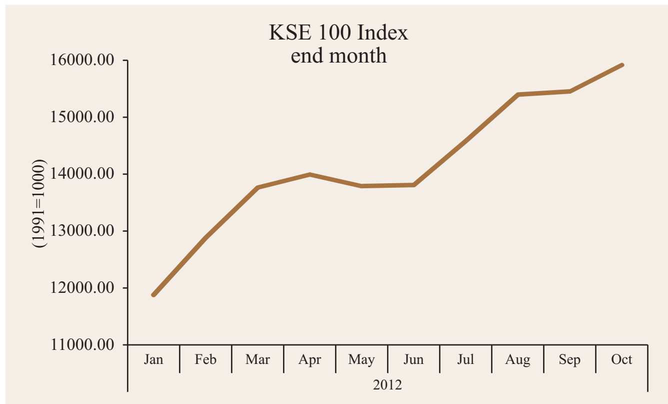


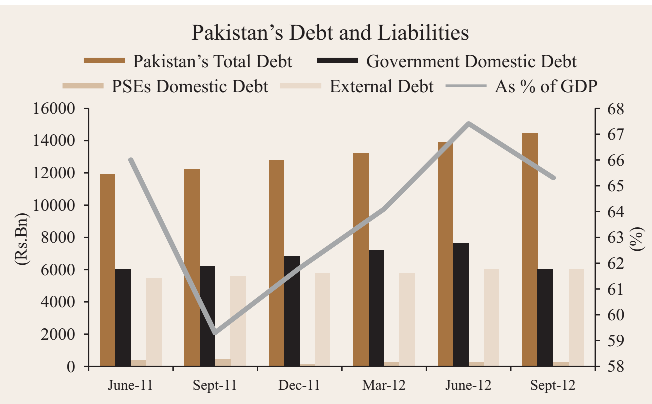

FBR Tax Collection
Direct Taxes
Indirect Taxes
Total Tax Collection
(Rs.Mn)
280020
240020
200020
160020
120020
80020
40020
20
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
FY2012
FY2013

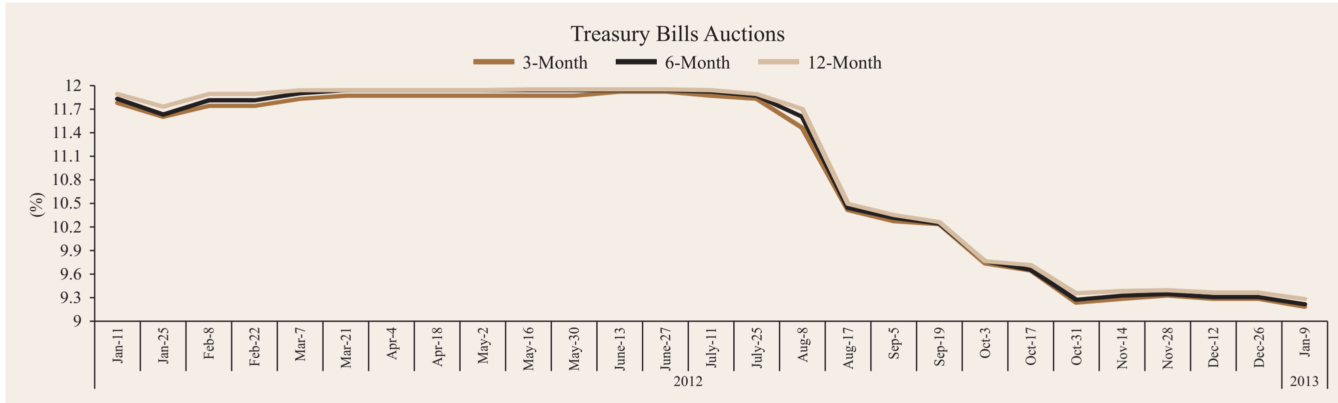

Savings Mobilized by National Savings Schemes - 2012
Defence Saving Certificates
Special Saving Certificates (R)
Prize Bonds
Others
Total
(Rs.Mn)
65000
50000
35000
20000
5000
-10000
-25000
-40000
Jan
Feb
Mar
Apr
May
June
July
Aug
Sep
Oct
Nov


Weighted Average Deposit Rate
Fresh Deposits
Outstanding Deposits
(%)
8
7
6
5
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
2012


Weighted Average Lending Rate
Gross Disbursement
Outstanding Loans
(%)
14
13
12
11
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
2012


KSE 100 Index
end month
(1991=1000)
16000.00
15000.00
14000.00
13000.00
12000.00
11000.00
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
2012


Pakistan's Debt and Liabilities
Pakistan's Total Debt
Government Domestic Debt
PSEs Domestic Debt
External Debt
As % of GDP
(Rs.Bn)
16000
14000
12000
10000
8000
6000
4000
2000
0
68
67
66
65
64
63
62
61
60
59
58
(%)
June-11
Sept-11
Dec-11
Mar-12
June-12
Sept-12


Treasury Bills Auctions
3-Month
6-Month
12-Month
(%)
12
11.7
11.4
11.1
10.8
10.5
10.2
9.9
9.6
9.3
9
Jan-11
Jan-25
Feb-8
Feb-22
Mar-7
Mar-21
Apr-4
Apr-18
May-2
May-16
May-30
June-13
June-27
July-11
July-25
Aug-8
Aug-17
Sep-5
Sep-19
Oct-3
Oct-17
Oct-31
Nov-14
Nov-28
Dec-12
Dec-26
Jan-9
2012
2013

The Changing World of Oil

The International Energy Agency (IEA) in its annual World Energy Outlook 2012 predicts US oil output to surpass Saudi Arabia in the next decade with prospects to become a net oil exporter. Presently US imports 20 percent of its total energy, which is predicted to become largely self sufficient by 2035. The increased supplies of crude from the US would be driven by a new technology of crude oil extraction known as hydraulic fracturing or fracking. This involves pumping huge amounts of water underground alongwith sand and some chemicals. The pressure breakups shale formations and releases oil. This method has allowed access to oil within rock formations which just a few years ago geologists deemed impenetrable.

IEA is not alone in these forecasts. OPEC and the UN Energy Information Administration is predicting a sharp rise in US oil production in the coming years. US oil production is expected to be at 11.1 million barrels a day in 2020, up from 8.1 million in 2011. Saudi Arabia's production, meanwhile, will decline from 11.1 million barrels per day to 10.6 million barrels per day. By around 2020, the US will have a changed role in global energy trade. It will overtake Saudi Arabia and is projected to become the largest global oil producer and start to see the impact of new fuel-efficiency measures in transport. The result is a continued fall in US oil imports to the extent that North America becomes a net oil exporter. With regard to natural gas, by 2015, the US should be producing 679 billion cubic meters of natural gas, up from 604 billion cubic meters in 2010. This would surpass Russia's output which is projected to reach 675 billion cubic meters in three years.

In the coming years US oil production to rise

World oil demand was forecast to grow steadily, reaching 99.7 million barrels a day by 2035, up from 87.4 million barrels a day in 2011. China alone will account for 50 percent of the increase in world oil demand between now and 2035. Increased energy saving measures could cut worldwide oil demand by almost 13 million barrels a day by 2035. If the efficiency measures suggested by the IEA are enacted in full, the increase in world energy demand over the period would be halved.

Changes in oil flows, usage

By 2035, almost 90 percent of Middle Eastern oil will flow to Asia says the IEA. And although the US will shrink its per capita use of fossil fuels, the nation will remain among the highest energy users in the world, the Report said. New fuel efficiency standards for automobiles, alongwith increased usage of renewable energy and biofules, will cut the nation's per capita use of fossil fuel energy 17 percent between 2010–2035. Decreasing domestic consumption and increasing production would allow US energy companies to sell more of their oil elsewhere. A report shows unconventional oil and natural gas drilling will generate jobs. It probably supports 1.7 million jobs. The report projects that number will increase to 3 million jobs by 2020. Another consequence of this new opportunity would be revival of manufacturing in the US.

This turnaround in the US oil industry will weigh upon Opec nations. Opec however, will continue to be the powerhouse of global production, but where they lose the US they will gain customers from rapidly developing nations, and a growing portion of its output will go to these nations. China and India for example, will require more oil and natural gas as the nations become more developed.

Direction of oil trade to change

The Report estimates that by 2035, nearly 90 percent of Middle East oil exports will head for Asia. This shift would require Asian countries to put more resources towards keeping strategic shipping routes of oil secure, says the Report. As the direction of international oil trade switches towards Asia, it would put a focus on the security of the strategic routes that bring Middle East oil to

Asian markets. Another effect of the altered energy landscape is a large variance in natural gas prices. Natural gas prices in Europe are five times higher than in the United States and Asia's are eight times greater. As more gas becomes available for global export, prices outside the US should go down.

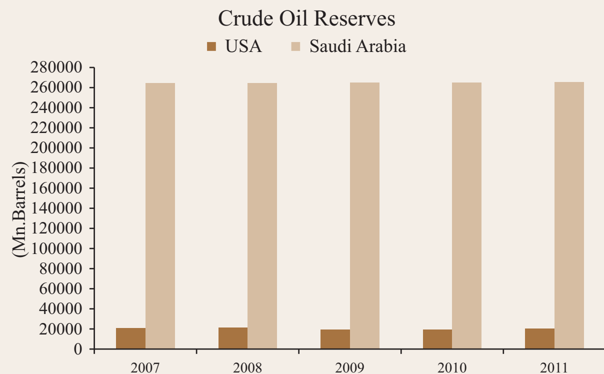
The overall demand for energy is expected to grow from 12380 million tons of oil equivalent (Mtoe) in 2010 to 16730 Mtoe in 2035, an increase driven by the rise in living standards in China, India and the Middle East.

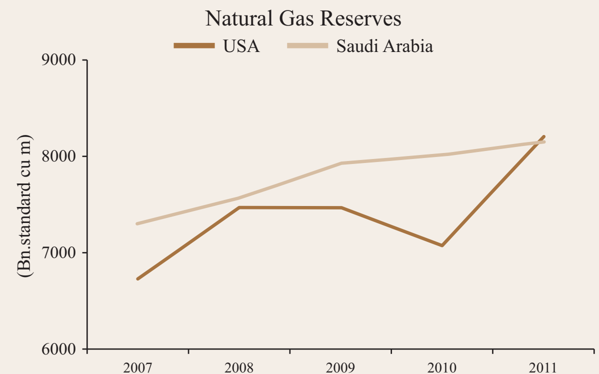
Implications of higher US oil output

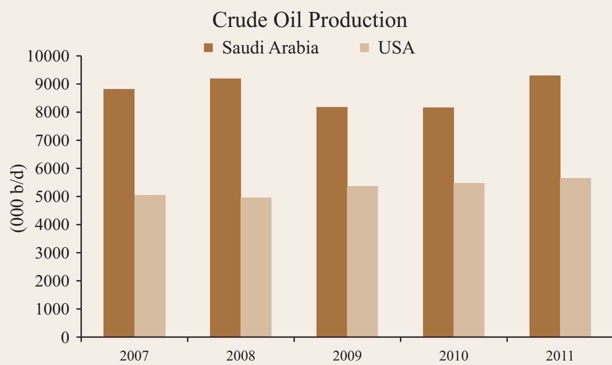
The US Energy Information Administration in its weekly analysis issued on December 19, 2012 says a higher level of US oil production can significantly boost the US economy and also hold down global oil prices through its effect on global crude oil and product market balances. However, regardless of how much the United States is able to reduce its reliance on imported oil through increased domestic production, it will not be insulated from developments that affect the global oil market. And Saudi Arabia will likely continue its role as the only holder of significant spare oil production capacity among world oil producers.

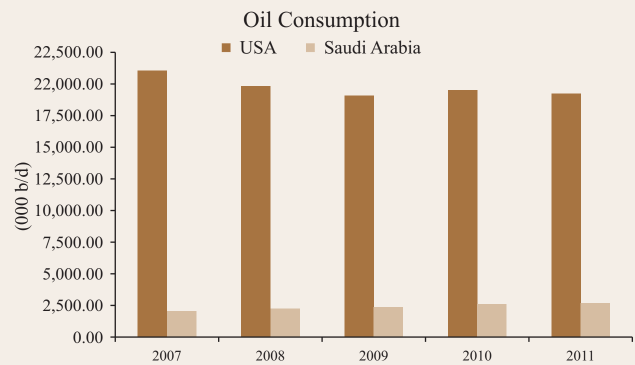
As oil imports in the world's biggest consumer declines, the trade balance would be impacted in a positive way. The value of the dollar would be affected. The dollar will see a sustained rise in value as the US lowers its trade deficit on the back of oil exports rather than oil imports. A lower trade deficit in the US has a huge positive affect on the dollar. A sustained strong dollar will pull down value of many commodities, including gold. Gold prices that have doubled since 2008 on the back of worries of value of the dollar will come down as the dollar strengthens and inflation expectations fall sharply on stable to lower oil prices.

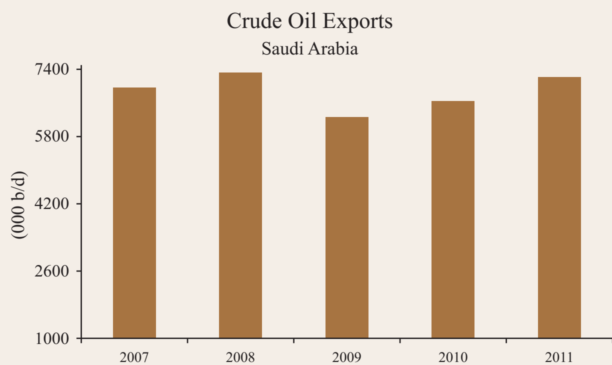
Lower oil prices would help many economies build their infrastructure. Countries which are net oil importers will benefit from stable to lower oil prices. Expenditure on the import of oil consumes a major chunk of the import bill of many developing countries. Lower bill would help reduce the trade deficit.

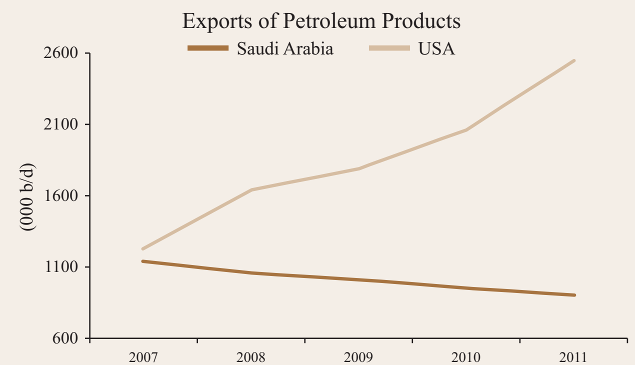

Crude Oil Reserves
USA
Saudi Arabia
(Mn.Barrels)
280000
260000
240000
220000
200000
180000
160000
140000
120000
100000
80000
60000
40000
20000
0
2007
2008
2009
2010
2011

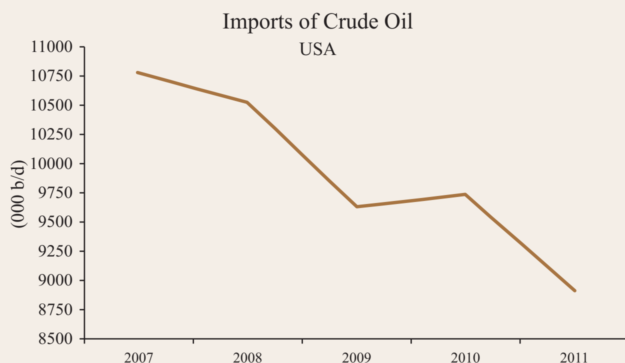

Natural Gas Reserves
USA
Saudi Arabia
(Bn.standard cu m)
9000
8000
7000
6000
2007
2008
2009
2010
2011

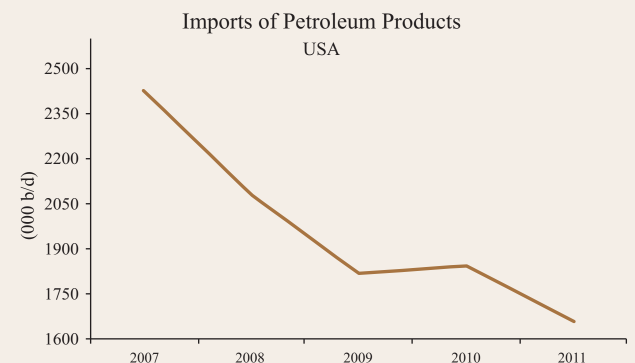

Crude Oil Production
Saudi Arabia
USA
(000 b/d)
10000
9000
8000
7000
6000
5000
4000
3000
2000
1000
0
2007
2008
2009
2010
2011


Oil Consumption
USA
Saudi Arabia
(000 b/d)
22,500.00
22,000.00
17,500.00
15,000.00
12,500.00
10,000.00
7,500.00
5,000.00
2,500.00
0.00
2007
2008
2009
2010
2011


Crude Oil Exports
Saudi Arabia
(000 b/d)
7400
5800
4200
2600
1000
2007
2008
2009
2010
2011


Exports of Petroleum Products
Saudi Arabia
USA
(000 b/d)
2600
2100
1600
1100
600
2007
2008
2009
2010
2011


Imports of Crude Oil
USA
(000 b/d)
11000
10750
10500
10250
10000
9750
9500
9250
9000
8750
8500
2007
2008
2009
2010
2011


Imports of Petroleum Products
USA
(000 b/d)
2500
2350
2200
2050
1900
1750
1600
2007
2008
2009
2010
2011

Quarterly Performance of Selected Banks – 2012

(Rs. Bn)

		Major Banks							Provincial Banks		
		National Bank of Pakistan	Habib Bank	United Bank	MCB Bank	Allied Bank	Bank Al-Falah	Standard Chartered Bank	Bank of Punjab	Bank of Khyber	Sindh Bank
Assets											
2011	*December*	1149.6	1063.9	778.1	653.2	515.7	468.2	356.4	281.0	68.4	47.7
2012											
Q1	*March*	1129.7	1119.5	818.3	666.6	532.5	469.1	363.7	269.8	65.3	47.0
Q2	*June*	1162.8	1227.0	852.6	686.1	556.3	494.6	357.2	288.7	69.9	50.7
Q3	*September*	1166.8	1303.6	854.7	761.3	601.1	515.7	385.9	302.4	76.9	64.8
Deposits											
2011	*December*	927.4	875.3	613.0	491.2	399.6	401.2	236.0	237.9	45.5	23.5
2012											
Q1	*March*	875.0	901.5	614.0	512.1	418.0	404.7	247.3	230.6	49.9	20.8
Q2	*June*	945.6	1022.8	685.4	529.4	454.6	422.4	249.4	261.7	54.5	30.3
Q3	*September*	889.7	1036.5	653.1	541.6	455.7	418.8	267.4	242.1	58.5	29.3
Advances											
2011	*December*	525.0	416.3	325.3	225.8	244.4	198.5	129.6	127.1	22.3	7.3
2012											
Q1	*March*	542.7	429.5	345.4	230.5	242.8	200.2	138.6	125.5	19.2	9.9
Q2	*June*	578.2	446.5	357.7	241.0	260.7	216.6	135.3	136.4	27.4	17.1
Q3	*September*	583.7	437.2	355.5	228.3	251.3	211.7	138.5	137.1	26.5	17.5
Investment											
2011	*December*	319.5	399.9	294.4	316.7	195.7	166.5	104.4	92.6	36.7	26.1
2012											
Q1	*March*	308.3	480.7	331.2	327.6	174.6	169.2	120.6	88.0	37.8	26.8
Q2	*June*	304.7	541.9	322.8	327.5	199.1	182.4	116.3	94.5	30.1	24.1
Q3	*September*	305.6	617.2	347.1	415.2	256.7	205.9	134.3	115.0	39.6	36.0
Equity											
2011	*December*	110.5	93.5	70.6	78.9	37.6	22.8	51.3	-6.9	9.7	10.7
2012											
Q1	*March*	102.8	95.1	68.4	81.8	38.5	21.7	49.0	-6.7	10.0	10.9
Q2	*June*	107.0	101.5	72.9	84.8	40.2	23.1	49.9	-6.5	10.2	11.1
Q3	*September*	110.9	102.6	75.3	86.5	41.6	24.2	49.0	-6.2	10.5	10.8
Interest Income											
2011	*December*	95.3	96.4	70.4	68.1	51.8	44.3	32.0	20.6	6.9	3.7
2012											
Q1	*March*	24.8	26.0	18.0	17.5	12.0	11.1	7.7	6.0	1.7	1.2
Q2	*June*	25.2	27.4	18.6	16.9	12.4	11.6	7.4	5.8	1.7	1.3
Q3	*September*	25.2	29.5	19.2	17.4	12.6	12.0	8.5	6.6	1.9	4.2
Interest Expense											
2011	*December*	48.5	41.6	31.0	23.6	26.6	25.7	11.4	21.0	4.6	2.2
2012											
Q1	*March*	14.6	12.2	8.1	6.8	7.1	6.5	2.8	5.5	1.2	0.8
Q2	*June*	14.4	13.0	8.9	6.7	7.3	7.1	2.8	5.4	1.1	0.9
Q3	*September*	15.4	15.4	9.3	7.1	8.2	7.3	3.0	5.9	1.1	2.7
Net Interest Income											
2011	*December*	46.8	54.9	39.4	44.5	25.2	18.6	20.5	-0.4	2.4	1.5
2012											
Q1	*March*	10.9	13.8	9.6	10.7	4.9	4.6	4.9	0.5	0.6	0.4
Q2	*June*	10.8	14.5	17.7	10.2	5.1	4.5	4.6	0.5	0.6	0.5
Q3	*September*	9.8	14.1	9.9	10.3	4.4	4.8	5.5	0.7	0.8	1.4
Non Interest Income											
2011	*December*	19.3	12.1	12.7	8.1	6.9	5.4	6.2	1.9	0.7	0.2
2012											
Q1	*March*	3.9	3.1	4.1	2.4	2.9	1.5	1.7	0.5	0.2	0.05
Q2	*June*	6.6	3.2	3.6	2.8	4.0	1.6	1.6	0.7	0.2	0.07
Q3	*September*	5.4	2.8	5.5	1.7	3.8	2.0	2.1	1.0	0.2	0.3
Admn. Expense											
2011	*December*	30.1	27.1	19.8	15.6	13.2	13.8	13.2	3.9	1.5	0.5
2012											
Q1	*March*	7.9	6.4	5.5	4.1	3.3	3.5	3.4	1.0	0.4	0.2
Q2	*June*	8.6	7.6	5.8	4.1	3.5	4.0	3.5	1.1	0.4	0.3
Q3	*September*	8.5	7.1	6.1	4.0	3.6	4.0	3.5	1.1	0.4	0.8
Profit/(Loss) B.T											
2011	*December*	26.0	32.0	24.2	31.5	15.1	5.4	8.4	0.5	1.3	1.1
2012											
Q1	*March*	6.8	9.3	7.2	8.7	4.4	1.8	2.4	0.2	0.3	0.2
Q2	*June*	4.9	8.7	6.6	8.6	5.0	1.8	1.5	0.4	0.4	0.3
Q3	*September*	5.1	8.2	7.2	8.2	3.3	1.6	3.1	0.4	0.5	0.9
Profit/(Loss) A.T											
2011	*December*	17.6	20.7	15.5	19.4	10.1	3.5	5.4	0.3	0.9	0.7
2012											
Q1	*March*	4.6	5.6	4.9	5.6	3.0	1.2	1.6	0.1	0.2	0.1
Q2	*June*	3.6	5.3	4.5	5.7	3.6	1.1	1.0	0.3	0.2	0.2
Q3	*September*	3.6	4.9	4.7	5.3	2.8	1.1	2.0	0.2	0.3	0.6

		Domestic Private Banks										
		Askari Bank Limited	Faysal Bank	Bank Al-Habib Limited	Soneri Bank	Habib Metropolitan Bank	Summit Bank	KASB Bank	Silkbank	Samba Bank Limited	NIB	Meezan Bank
Assets												
2011	*December*	343.8	292.6	384.3	129.7	288.2	119.3	71.3	90.7	31.3	154.8	200.5
2012												
Q1	*March*	344.3	301.3	398.9	132.0	278.1	120.0	109.8	90.0	29.5	161.6	205.6
Q2	*June*	341.9	298.7	397.1	148.4	267.2	119.2	83.5	90.9	32.4	143.2	224.0
Q3	*September*	358.7	300.7	449.8	137.6	301.1	129.2	87.4	86.6	32.8	189.9	238.8
Deposits												
2011	*December*	291.5	214.6	302.1	99.7	185.4	89.6	61.3	64.1	17.7	85.5	170.0
2012												
Q1	*March*	280.7	215.4	313.9	103.9	191.5	85.7	91.8	68.5	18.0	81.5	175.8
Q2	*June*	294.5	236.5	317.2	115.3	208.6	89.0	73.5	70.9	20.5	90.2	194.4
Q3	*September*	293.2	227.1	319.5	112.2	216.5	87.7	71.2	67.4	20.9	88.2	207.6
Advances												
2011	*December*	150.7	148.2	114.9	65.3	109.7	56.0	28.4	49.9	15.8	60.8	59.2
2012												
Q1	*March*	148.0	160.8	125.9	68.5	112.1	57.2	29.3	50.9	15.7	63.4	61.2
Q2	*June*	155.2	168.8	121.6	67.5	111.4	56.2	30.4	51.3	13.7	64.1	52.6
Q3	*September*	148.5	174.8	136.8	69.0	108.4	53.2	31.0	49.7	13.7	63.8	56.1
Investment												
2011	*December*	133.8	93.4	223.0	45.8	147.5	36.2	16.9	17.5	9.7	49.6	98.5
2012												
Q1	*March*	137.3	91.7	224.8	43.4	127.7	37.0	39.7	17.0	5.2	66	110.4
Q2	*June*	133.7	80.4	232.5	59.7	120.4	35.7	25.1	16.4	9.0	45.3	133.0
Q3	*September*	147.5	77.2	269.2	47.9	156.4	48.0	34.3	12.1	10.7	90.7	147.1
Equity												
2011	*December*	16.5	17.8	17.8	10.2	24.2	5.6	2.7	5.5	8.2	13.6	13.3
2012												
Q1	*March*	17.1	18.0	16.9	10.8	23.5	5.0	2.5	5.6	8.2	13.4	14.2
Q2	*June*	17.5	18.2	18.2	11.7	24.5	4.6	2.9	5.7	8.2	13.4	15.2
Q3	*September*	17.9	18.7	19.6	11.4	25.5	4.3	2.9	5.5	8.4	13.0	14.6
Interest Income												
2011	*December*	32.8	28.8	36.5	12.9	27.2	9.5	4.5	8.4	3.4	14.2	18.0
2012												
Q1	*March*	8.5	6.8	10.5	3.4	6.9	2.8	1.5	2.2	0.7	3.4	5.0
Q2	*June*	8.5	7.3	10.3	3.6	6.4	2.8	1.6	2.3	0.7	3.6	5.3
Q3	*September*	8.3	7.5	10.5	3.6	7.0	2.7	1.8	2.1	0.8	3.4	5.7
Interest Expense												
2011	*December*	22.7	19.6	22.4	9.0	19.5	9.0	5.0	6.5	1.9	12.2	8.7
2012												
Q1	*March*	6.2	5.1	6.8	2.3	4.7	2.7	1.1	1.8	0.4	2.8	2.5
Q2	*June*	6.2	4.9	6.5	2.4	4.2	2.7	1.0	1.8	0.4	2.8	2.7
Q3	*September*	5.8	5.1	6.4	2.2	4.9	2.5	1.0	1.6	0.5	2.7	3.0
Net Interest Income												
2011	*December*	10.1	9.2	14.1	3.9	7.7	0.5	-0.5	1.9	1.4	2.0	9.4
2012												
Q1	*March*	2.4	1.7	3.7	1.1	2.2	0.1	0.5	0.4	0.3	0.6	2.5
Q2	*June*	2.3	2.3	3.8	1.2	2.2	0.1	0.6	0.5	0.3	0.8	2.6
Q3	*September*	2.5	2.5	4.0	1.3	2.1	0.2	0.9	0.5	0.3	0.7	2.8
Non Interest Income												
2011	*December*	2.9	4.0	2.6	2.0	5.2	0.7	0.7	0.8	0.2	2.1	2.5
2012												
Q1	*March*	1.0	1.4	0.7	0.5	1.2	0.3	0.08	0.2	0.02	0.6	0.8
Q2	*June*	1.1	0.9	0.8	0.4	1.5	0.5	1.1	0.3	0.02	0.5	0.6
Q3	*September*	0.9	1.9	0.7	0.5	1.4	0.4	0.2	0.3	0.05	0.7	0.5
Admn. Expense												
2011	*December*	8.6	10.8	7.6	3.4	4.9	3.8	2.3	3.8	1.4	4.7	6.0
2012												
Q1	*March*	0.2	2.5	2.1	0.9	1.4	1.0	0.6	1.0	0.4	1.3	1.7
Q2	*June*	2.3	2.8	2.0	1.1	1.4	1.0	0.6	1.1	0.4	1.3	1.7
Q3	*September*	2.5	2.9	2.6	1.1	1.4	1.1	0.7	1.1	0.4	1.3	1.8
Profit/(Loss) B.T												
2011	*December*	2.4	1.5	7.2	1.1	1.5	-3.0	-0.3	1.4	0.2	-3.5	4.4
2012												
Q1	*March*	0.8	0.3	2.0	0.7	1.2	-0.5	-3.0	0.2	0.03	0.09	1.3
Q2	*June*	0.8	0.4	2.4	0.5	1.6	-0.3	0.6	0.09	0.08	-0.06	1.4
Q3	*September*	0.6	1.0	2.1	0.5	1.4	-0.3	0.01	0.4	0.04	-0.4	1.2
Profit/(Loss) A.T												
2011	*December*	1.6	1.3	4.5	0.8	1.3	-1.5	-2.4	0.7	0.2	-2.0	3.3
2012												
Q1	*March*	0.6	0.3	1.2	0.5	0.8	-0.6	-0.3	0.1	0.01	-0.1	0.9
Q2	*June*	0.5	0.2	1.3	0.3	1.0	-0.4	0.4	0.01	0.04	-0.04	0.9
Q3	*September*	0.4	0.6	1.4	0.3	0.9	-0.4	0.007	-0.2	0.2	-0.4	0.8

		Foreign Banks				
		Citibank	HSBC	Deutsche Bank AG	HSBC Bank of Oman*	Barclays
Assets						
2011	*December*	96.9	59.4	22.2	4.4	58.0
2012						
Q1	*March*	88.5	63.4	24.0	4.5	58.8
Q2	*June*	88.3	59.1	22.0	4.5	47.4
Q3	*September*	84.1	54.5	25.1	4.3	46.6
Deposits						
2011	*December*	61.7	46.2	11.1	0.7	44.7
2012						
Q1	*March*	59.2	50.6	11.6	0.7	40.8
Q2	*June*	61.0	46.5	11.3	0.7	31.3
Q3	*September*	60.6	42.9	15.1	0.6	32.4
Advances						
2011	*December*	18.8	20.8	3.0	0.6	21.0
2012						
Q1	*March*	18.2	21.0	4.1	0.5	20.7
Q2	*June*	19.8	20.5	4.3	0.4	16.8
Q3	*September*	20.1	20.0	6.5	0.3	18.3
Investment						
2011	*December*	60.4	22.1	5.6		23.8
2012						
Q1	*March*	42.3	24.1	7.9		22.9
Q2	*June*	42.0	21.9	4.6		20.8
Q3	*September*	42.6	19.6	6.4		20.3
Equity						
2011	*December*	10.9	7.5	6.0	3.1	6.9
2012						
Q1	*March*	10.3	7.8	6.3	3.1	6.9
Q2	*June*	10.5	8.1	5.7	3.3	6.7
Q3	*September*	11.3	8.2	5.9	3.3	6.7
Interest Income						
2011	*December*	10.3	5.8	1.7	0.07	5.5
2012						
Q1	*March*	2.2	1.3	0.5	0.01	1.4
Q2	*June*	2.2	1.3	0.4	0.02	2.0
Q3	*September*	2.1	1.1	0.5	0.008	1.0
Interest Expense						
2011	*December*	4.6	2.9	0.6	0.09	3.5
2012						
Q1	*March*	0.8	0.7	0.2	0.02	0.9
Q2	*June*	0.8	0.7	0.2	0.03	0.7
Q3	*September*	0.8	0.6	0.2	0.02	0.6
Net Interest Income						
2011	*December*	5.7	2.9	1.1	-0.01	2.0
2012						
Q1	*March*	1.4	0.6	0.3	-0.006	0.5
Q2	*June*	1.4	0.6	0.3	-0.007	0.5
Q3	*September*	1.3	0.5	0.3	-0.01	0.4
Non Interest Income						
2011	*December*	2.0	1.1	0.7	0.01	0.5
2012						
Q1	*March*	0.3	0.3	0.1	0.006	0.1
Q2	*June*	0.5	0.2	0.2	0.06	0.1
Q3	*September*	1.1	0.2	0.1	0.04	0.07
Admn. Expense						
2011	*December*	4.0	2.4	0.8	0.07	9.4
2012						
Q1	*March*	0.9	0.6	0.2	0.001	0.5
Q2	*June*	0.9	0.6	0.2	0.02	0.5
Q3	*September*	0.9	0.5	0.2	0.02	0.5
Profit/(Loss) B.T						
2011	*December*	2.5	1.5	1.1	-0.07	5.8
2012						
Q1	*March*	0.7	0.4	0.2	-0.02	0.02
Q2	*June*	1.0	0.1	0.3	-0.02	-0.9
Q3	*September*	1.5	0.05	0.2	-0.03	0.03
Profit/(Loss) A.T						
2011	*December*	1.8	1.0	0.7	-0.07	3.8
2012						
Q1	*March*	0.5	0.2	0.1	-0.02	0.01
Q2	*June*	0.7	0.06	0.2	-0.02	-0.9
Q3	*September*	0.8	0.02	0.2	-0.03	0.02

** Formerly Oman Internatonal Bank S.A.O.G*

Credit Ratings of Banks, DFIs & MFBs as of September 2012

Sr. #	Name of Bank/DFI/MFB	Rating Agency	Short Term	Long Term	Date of Rating	Remarks
PUBLIC SECTOR BANKS						
1	First Women Bank Limited	PACRA	A2	A-	June 2012	Rating Outlook - Stable
2	National Bank of Pakistan	JCR-VIS	A-1+	AAA	June 2012	Rating Outlook - Stable
3	Sindh Bank Limited	JCR-VIS	A-1	AA-	May 2012	Rating Outlook - Stable
4	The Bank of Khyber	PACRA	A2	A-	June 2012	Rating Outlook - Positive
		JCR-VIS	A-2	A	June 2012	Rating Outlook - Stable
5	The Bank of Punjab	PACRA	A1+	AA-	June 2012	Rating Outlook - Stable
SPECIALIZED BANKS						
6	SME Bank Limited	JCR-VIS	A-3	BBB	July 2012	Rating Outlook - Negative
7	Zarai Taraqiati Bank Limited	JCR-VIS	A-1+	AAA	June 2012	GoP Guaranteed Obligations Rating Outlook - Stable
		JCR-VIS	B	B+	June 2012	Entity Rating Rating Outlook - Stable
PRIVATE SECTOR BANKS						
8	Allied Bank Limited	PACRA	A1+	AA+	June 2012	–
9	Askari Bank Limited	PACRA	A1+	AA	June 2012	–
10	Bank Alfalah Limited	PACRA	A1+	AA	June 2012	–
11	Bank Al-Habib Limited	PACRA	A1+	AA+	June 2012	–
12	Faysal Bank Limited	PACRA	A1+	AA	June 2012	–
		JCR-VIS	A-1+	AA	June 2012	Rating Outlook - Stable
13	Habib Bank Limited	JCR-VIS	A-1+	AA+	June 2012	Rating Outlook - Stable
14	Habib Metropolitan Bank Limited	PACRA	A1+	AA+	June 2012	–
15	JS Bank Limited	PACRA	A1	A+	June 2012	–
16	KASB Bank Limited	PACRA	A3	BBB	June 2012	Rating Outlook - Positive
17	MCB Bank Limited	PACRA	A1+	AA+	June 2012	–
18	NIB Bank Limited	PACRA	A1+	AA-	June 2012	–
19	Samba Bank Limited	JCR-VIS	A-1	AA-	June 2012	Rating Outlook - Stable
20	Silkbank Limited	JCR-VIS	A-2	A-	August 2011	Rating Watch - Developing
21	Soneri Bank Limited	PACRA	A1+	AA-	June 2012	–
22	Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA	June 2012	–
23	Summit Bank Limited	JCR-VIS	A-2	A-	March 2012	Rating Outlook - Stable
24	United Bank Limited	JCR-VIS	A-1+	AA+	June 2012	Rating Outlook - Stable
FOREIGN BANKS OPERATING IN PAKISTAN						
25	Barclays Bank PLC	Standard & Poor's	A-1	A+	June 2012	–
		Moody's	P-1	A2	June 2012	–
		Fitch	F1	A	December 2011	–
26	Citibank N.A.	Moody's	P-1	A1	June 2012	–
27	Deutsche Bank AG	Standard & Poor's	A-1	A+	December 2011	Credit Watch - Negative
		Moody's	P-1	Aa3	August 2011	Rating Outlook - Stable
		Fitch	F1+	A+	December 2011	Rating Outlook - Stable
28	HSBC Bank Middle East Limited	Moody's	P-1	A1	December 2011	–
		Fitch	F1+	AA-	December 2011	–
29	Industrial and Commercial Bank of China Limited	Standard & Poor's	A-1	A	December 2010	Rating Outlook - Stable
		Moody's	P-1	A1	July 2012	Rating Outlook - Stable
30	Oman International Bank SAOG	JCR-VIS	A-2	BBB	July 2011	Rating Outlook - Stable
31	The Bank of Tokyo-Mitsubishi UFJ Limited	Standard & Poor's	A-1	A+	July 2012	–
		Moody's	P-1*	Aa3	July 2012	* Deposit rating only
		Fitch	F1	A-	July 2012	–
DEVELOPMENT FINANCE INSTITUTIONS						
32	House Building Finance Company Limited	JCR-VIS	A-2	A	July 2012	Rating Watch - Developing
33	Pak Brunei Investment Company Limited	PACRA	A1+	AA	June 2012	Rating Outlook - Positive
		JCR-VIS	A-1+	AA+	June 2012	Rating Outlook - Stable
34	Pak China Investment Company Limited	PACRA	A1+	AA-	June 2012	–
35	Pak Kuwait Investment Company (Pvt.) Limited	PACRA	A1+	AAA	June 2012	Rating Outlook - Negative
		JCR-VIS	A-1+	AAA	June 2012	Rating Outlook - Stable
36	Pak Libya Holding Company Limited	PACRA	A1+	AA-	June 2012	Rating Outlook - Negative
37	Pak Oman Investment Company Limited	JCR-VIS	A-1+	AA+	June 2012	Rating Outlook - Stable
38	PAIR Investment Company	PACRA	A1+	AA-	June 2012	Rating Outlook - Positive
39	Saudi Pak Industrial & Agricultural Investment Co.	JCR-VIS	A-1+	AA	June 2012	Rating Outlook - Stable
ISLAMIC BANKS						
40	Al Baraka Bank (Pakistan) Limited	PACRA	A1	A	June 2012	–
		JCR-VIS	A-1	A	June 2012	Rating Outlook - Stable
41	Bank Islami Pakistan Limited	PACRA	A1	A	June 2012	–
42	Burj Bank Limited	JCR-VIS	A-1	A	June 2012	Rating Outlook - Stable
43	Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1	A	June 2012	Rating Outlook - Positive
44	Meezan Bank Limited	JCR-VIS	A-1+	AA-	June 2012	Rating Outlook - Stable
MICRO FINANCE BANKS						
45	Apna Microfinance Bank Limited	PACRA	A3	BBB	April 2012	Rating Outlook - Positive
46	Kashf Microfinance Bank Limited	JCR-VIS	A-3	BBB-	April 2012	Rating Watch - Developing
47	Khushhali Bank Limited	JCR-VIS	A-1	A	April 2012	Rating Watch - Developing
48	NRSP Microfinance Bank Limited	JCR-VIS	A-3	BBB+	April 2012	Rating Outlook - Stable
49	Pak Oman Microfinance Bank Limited	JCR-VIS	A-3	BBB+	April 2012	Rating Outlook - Stable
50	Rozgar Microfinance Bank Limited	JCR-VIS	A-3	BB+	April 2012	Rating Watch - Positive
51	Tameer Microfinance Bank Limited	JCR-VIS	A-1	A	April 2012	Rating Outlook - Stable
52	The First Microfinance Bank Limited	JCR-VIS	A-1	A	April 2012	Rating Outlook - Stable

Disclaimer: The above mentioned ratings represent the opinions of the respective rating agencies and do not reflect the views of the State Bank of Pakistan. Besides they also do not represent investment advice nor should be construed as such.

Source: State Bank of Pakistan

Market Analysis

Market Review – November-December 2012

Market remained positive

The market remained largely positive throughout the month of November, and continuing with its bull run gained by 4.2 percent month-on-month. Positive news on textile and cement sector led to increased interest in these sectors. The market reached an all time high during the month ended Nov 30th' 2012, ending the month at 16,574 level, adding a staggering 664 points to the index. This rise is primarily attributable to the growing expectation of another policy rate cut during the monetary policy review in December'2012 and resultant improvement in profitability of companies, especially leveraged sectors (Cement, textiles etc).

Since most of the activity/appreciation was witnessed in second and third tier stocks, KSE All share index rose by 4.8 percent, while KSE-30 index increased by a lower 3.0 percent in November. The average daily turnover during the month of November 2012 was 216m shares, as compared to 123m shares traded during October, showing a whopping increase of 74 percent month-on-month. Again since most of the activity was concentrated in lower priced stock, value traded rose by 17 percent month-on-month only. In terms of volumes and value traded, November saw the highest participation in FY13TD.

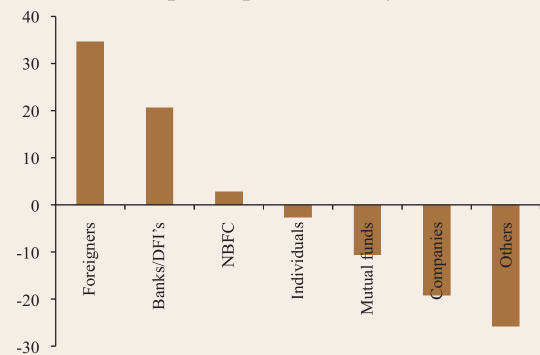
Activity remained skewed towards second half of month

	KSE-100 index points gain	Volumes (Mn)	Value traded (Mn)
1H of Nov	194	165	4,886
2H of Nov	341	262	5,071
Percent change	76%	59%	4%

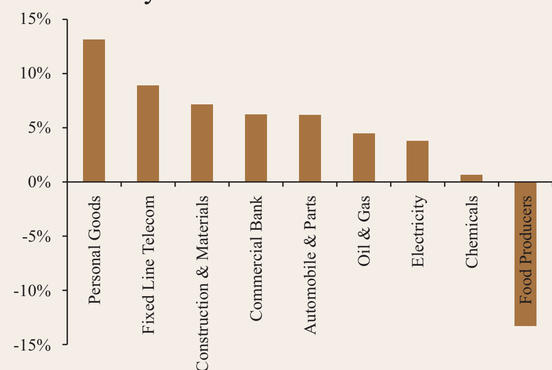
A closer analysis of monthly data shows that activity remain skewed towards the second half of month, with major uptick witnessed in volumes. Following the EU trade package news and expectations of cut in monetary policy, textile stock remained in limelight during the second half of November.

Foreigners and banks/DFIs remained the biggest buyers during the month, whereas others (Fauji Foundation, EOBI etc) and Companies were the main sellers.

Nov'12 participants activity ($ Mn)



Key sector return in November



During the month of November, Personal goods (textile stocks) offered the highest return among the key sectors. Cement stocks also continued their rally due to expectations of discount rate cut and healthy earnings expectation for the 2q. Rumors of reduction on PLS floor rate also led to a rally in banking sector stocks, later in the month. Auto sector also performed well following the decision to ban import of cars older than 3 years. Fertilizer stocks remained on the side lines due to subdued offtake numbers.

Future Outlook

With inflation for November clocking in at 6.9 percent YoY, a further discount rate cut looks eminent in the next monetary policy review, by at least 50 basis points. High

dividend yielding stocks (HUBC, KAPCO, POL and FFC) look a safe bet at current index level and we feel that as return on alternate assets decrease, investor interest will move towards them especially from banks sitting on low yielding government securities.

Market maintains its upward drive

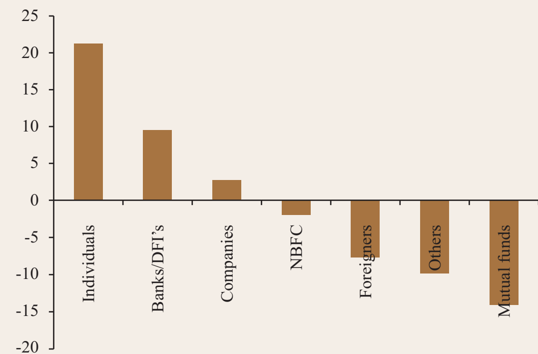
Index return of 2 percent, but there are surprises. The market maintained its upward drive in December 2012 with key policy rates being cut as per market's expectations (50bps). KSE-100 index gave a return of 2 percent in the month, to close at all time high level (on a month end basis). This follows the positive return rally already witnessed most of the year. Trading activity however remained on the lower side, with MoM volumes showing a dip of 24 percent, while value traded also declined by 17 percent. Interestingly, foreigners were net sellers in December (only the second month in CY12). Surprisingly Banks outperformed the market (despite decline in interest rates), while cement and textiles underperformed in December.

Average	Nov-12	Dec-12	MoM
Volumes (mn)	216	165	-24%
Value traded (PKR mn)	4,982	4,127	-17%

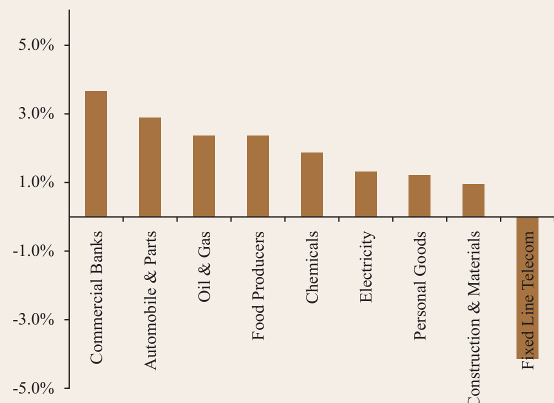
Individuals & Banks/DFI's were the major buyers: Taking a look at market participant's activity, shows that Individuals were the biggest buyers during the month of December. Banks/DFI's were also on the buying side as low yields on fixed income side would have compelled them to shift towards equities. Mutual funds were the biggest seller in the month and have remained the biggest sellers in CY12 as well. Foreigners surprisingly were also on the selling side, though for the year they happen to be the biggest buyers.

Banks outperformed the market, while Cements and textiles underperformed: Surprisingly Banks outperformed the market despite the interest rate cut. Autos were the second best performing sector during December as change in imported car age limit spurred the momentum in its favor. Fixed line telecom remained the biggest underperformer (over the ICH saga), while surprisingly Cements and Textile also underperformed the market in December.

Dec'12 participants activity ($ Mn)



Key sector return in December



Outlook for January

Political developments will likely take front seat in the month. Among the market participants, we expect Banks/DFI's to maintain their buying spree as low fixed income yields would compel them to invest high in yield plays like FFC, HUBCO, KAPCO & POL.

With the result season expected to start we feel that fertilizer and cement sector will retain investor's focus as both the sectors are expected to reports decent QoQ earnings growth over volumetric increase. We feel that with interest rate expected to reverse in CY13, along with annual results/payout expectations, banking sector will also remain in the limelight.

Book/Report Reviews

Turn Down the Heat
Why a 4 ºC Warmer World Must be Avoided
The World Bank (November 2012)

This Report provides an analysis of the likely impact and risks if no action to reduce greenhouse gas emissions is taken. Assuming temperatures to rise by 4 ºC within this century, would result in unprecedented heat waves, severe drought, rise in sea level and major floods in major regions, impacting the ecosystems. The Report is focused on developing countries, while recognizing that developed countries are also vulnerable and at serious risk of major damages from climate change. However, the distribution of impacts is likely to be unequal and tilted against many of the world's poorest regions which have the least economic, institutional, scientific and technical capacity to cope and adapt. The level of impacts that developing countries and the rest of the world experience will be a result of government, private sector, and civil society decisions and choices, including, inaction.

The Report has seven chapters. Chapter 1 is the introduction. Chapter 2 summarizes some of the observed changes to the Earth's climate system and their impacts on human society that are already being observed. Sea levels are rising because of the thermal expansion of the oceans and by the addition of water to the oceans as a result of the melting and discharge of ice from mountain glaciers and ice caps. There is increasing loss of ice from Greenland and Antarctica. If the present acceleration continues, the ice sheets alone could contribute upto 56 cm to sea-level rise by 2100.

Chapter 3 discusses the likelihood of a 4 ºC warming. It also examines projections for the coming century on the process of ocean acidification, changes in precipitation that may lead to droughts or floods and changes in the incidence of extreme tropical cyclones. Chapter 4 provides an analysis of projected sea-level rise, while Chapter 5 discusses the increase in heat extremes. It is likely that the intensity of heat waves will increase over most land areas, with more warming resulting in more extremes.

Chapter 6, presents a brief overview of the most recent findings on impacts within a selection of sectors. This includes risks to large scale agriculture production, consequences for poverty and welfare, changes to levels of precipitation and water stress, impacts on ecosystems and biodiversity effects on human health. Chapter 7 reviews some of the issues in a number of critical sectors. Rising temperatures will pose unprecedented challenges to humanity. The Report concludes with "the projected 4 ºC warming simply must not be allowed to occur — the heat must be turned down."

Situation Analysis
of children and women in Pakistan
National Report – June 2012
UNICEF

Women and children in Pakistan face serious disadvantages in economic and social development. They remain the most vulnerable members of Pakistani society. Too many of them are deprived of the most basic human right: the right to healthcare, education, protection against violence, exploitation and abuse. Females face discrimination, exploitation and abuse at many levels. This Report provides a comprehensive assessment of the accomplishments and challenges Pakistan faces in ensuring basic human rights to its children and women. The environment in which the women and children live has been discussed. This includes the health issues, health service delivery gaps, etc. There is a chapter which discusses Pakistan's achievements with regard to the millennium development goals.

Another chapter is about the nurturing environment for children and women. Although Pakistan has made some progress in terms of access to education and increased enrolment in schools – education performance

across the country remains marked by deep disparities based on multiple factors, including gender, wealth, location, religion and ethnicity. Moreover, there is growing concern about the quality of education that is being provided. There are large deficits in basic infrastructure and teaching materials, in the system for training teachers, poor levels of learning attainment, and gender gaps remain substantial.

There is also evidence that education in Pakistan has been negatively affected by the ongoing conflict in regions hard hit by violence, such as Khyber-Pakhtunkhwa and FATA. "Lack of education and the resulting illiteracy and skills deprivation remain a major concern for Pakistan, making people more susceptible to extremism", states the Report. With regard to the MDGs, Pakistan lags behind in achieving many of the targets particularly for health, education and sanitation.

There are laws in Pakistan for protection of children. However, effective implementation of laws and policies requires availability of accurate and reliable data. Child abuse is widespread in Pakistan. This takes many forms; young girls and boys used as domestic servants are abused, beaten and made to work long hours, child sexual abuse, child marriages, corporal punishment, harmful traditional practices. There is violence against women, taking many forms; abduction/kidnapping, murder, domestic violence, gang rape, stove burning, acid throwing, honour killing, trafficking, bonded labour.

World Development Report 2013
Jobs

Jobs is the central theme of the World Development Report 2013. More than 3 billion people are working worldwide but their jobs vary greatly. Some 1.65 billion are employed and receive regular wages. Another 1.5 billion work in farming and small household enterprises or as seasonal labour. Meanwhile, almost half of all workers in developing countries are engaged in small scale farming or self employment. These people are not earning enough to have a better future for themselves and their children. Also the working environment is not conducive and they are without protection of their basic rights.

Jobs are the cornerstone of economic and social development. It is through jobs that people earn their livelihood, have better standard of living and can move out of poverty. Jobs are at the top of development agenda everywhere. Countries differ in their level of development, endowments, demography etc. Agrarian societies face the challenge of making agricultural jobs more productive and creating job opportunities outside farms. Resource rich countries need to diversify their exports, so that jobs are connected to global markets. Jobs help acquire skills, empower women, and stabilize post conflict societies.

The Report finds 'that the jobs with the greatest development payoffs are those that make cities function better, connect the economy to global markets, protect the environment, foster trust and civic engagement, or reduce poverty. Critically, these jobs are not only found in the formal sector; depending on the country, context, informal jobs can also be transformational.'

IMF Annual Report 2012
Working Together to Support Global Recovery

Since the financial crisis that started in 2007, and its aftermath, the International Monetary Fund has directed its efforts to restore financial stability and return the world economy to sustainable growth. The Fund was focused intensely on providing the financing, policy advice, and technical assistance that members need to manage economic and financial risks and achieve lasting growth.

New non-concessional financing arrangements were initiated for seven countries. The Fund took major steps to strengthen its approach to surveillance and policy design, and to improve the governance structure of the organization. Technical assistance was enhanced to support and reinforce member capacities in the fiscal, legal, monetary/ financial markets, and statistics area.

Pakistan Economy – Key Economic Indicators

	Unit	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12[P]
Output and Prices								
GNP Size (MP)	Rs.bn	7773	8831	10452	13070	15370	18853	21679
GDP Size (FC)	Rs.bn	7158	8235	9922	12110	14034	17093	19437
Income Per Capita	$	823	904	1015	990	1068	1258	1372
Real Growth	(%)							
GNP		5.6	6.7	3.7	2.1	4.4	2.9	4.2
GDP		5.8	6.8	3.7	1.7	3.1	3.0	3.7
Agriculture		6.3	4.1	1.0	4.0	0.6	2.4	3.1
Manufacturing		8.7	8.3	4.8	-3.6	5.5	3.1	3.6
Services Sector		6.5	7.0	6.0	1.7	2.6	4.4	4.0
Prices*	(%)							
Consumer Price Inflation		7.9	7.8	12.0	20.8	10.1	13.7	11.0
Wholesale Price Inflation		10.1	6.9	16.4	18.2	13.8	21.2	10.4
Food Inflation CPI		6.9	10.3	17.6	23.7	12.9	18.0	11.0
Non Food Inflation CPI		8.6	6.0	7.9	18.4	8.3	10.7	11.0
Core Inflation[†]		7.5	5.9	8.4	17.6	7.6	9.4	10.6
GDP Deflator		10.5	7.7	16.2	20.0	12.4	18.2	9.7
Gold Tezabi (Karachi)	Rs./10 grams	10317	12619	16695	22195	29587	37658	50701
Petrol Super	Rs/Ltr	55.12	56.00	57.83	67.68	67.56	75.70	91.33
Kerosene Oil	Rs/Ltr	36.19	39.09	43.44	66.79	72.65	84.89	103.09
Wheat Flour (Avg. Quality)	Rs/Kg	13.06	13.64	18.07	25.64	28.77	29.56	30.15
Savings and Investment	% GDP							
National Savings		18.2	17.4	13.6	12.5	13.2	13.2	10.7
Domestic Savings		16.3	15.6	11.5	9.8	9.3	13.3	10.9
Gross Fixed Investment		20.5	20.9	20.5	16.6	13.8	11.5	10.9
Public Sector		4.8	5.6	5.4	4.3	3.6	2.9	3.0
Private Sector		15.7	15.4	15.0	12.3	10.2	8.6	7.9
Public Finance								
Revenue Receipts (Fed Govt)	% GDP	14.1	15.0	14.6	14.5	14.0	12.5	8.5
Tax Revenue	% GDP	10.5	10.2	10.3	9.5	10.1	9.5	6.7
Total Expenditure	% GDP	18.4	20.8	22.2	19.9	20.3	19.2	12.8
Fiscal Deficit	% GDP	4.3	4.4	7.6	5.3	6.3	5.9	4.3
FBR Tax Collection (Fed Govt)	Rs.bn	713.5	847.2	1008.1	1161.1	1327.4	1558.2	1952.0
Direct Taxes	% share	31.5	39.4	38.4	38.2	39.6	38.6	38.2
Indirect Taxes	% share	68.5	60.6	61.6	61.8	60.4	61.3	61.8
Internal Debt Outstanding	Rs.bn	2337	2610	3275	3859	4654	6015	7206
Funded Debt	% of Internal Debt	62.3	64.0	68.8	67.1	68.7	72.5	76.1
Unfunded Debt	% of Internal Debt	37.7	36.0	31.2	32.9	31.3	27.5	23.9
Monetary Sector								
Growth of Monetary Assets M2	%	15.1	19.3	15.3	9.6	12.5	15.9	8.1
Currency in Circulation	Rs.bn	740.4	840.2	982.3	1152.2	1295.4	1501.4	1650.8[a]

[P] *Provisional.* [*] *The base for price indices have been changed as 2007-08 new base year.* [†]*non-food non-energy.* [a] *April.*

	Unit	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12[P]
Credit to Private Sector	Rs.bn	2114	2480	2890	2907	3020	3141	3373
Credit to Public Sector	Rs.bn	834	927	1510	2034	2441	3020	3938[b]
Borrowings for Budgetary Support	Rs.bn	708	810	1365	1681	2011	2602	3613[b]
Resident Foreign Currency Deposits	Rs.bn	196	207	263	280	345	375	412[b]
Demand Deposits / Money Ratio	%	31.9	65.0	65.5	62.4	62.2	61.6	60.1
Capital Market (KSE)								
Listed Capital	Rs.bn	496	631	706	782	910	944	1058[†]
Market Capitalisation	Rs.bn	2801	4019	3778	2121	2732	3289	3528
Listed Companies at KSE	Nos	658	658	652	651	652	639	591[†]
Banking Sector								
Scheduled Banks Deposits	Rs.bn	2817	3373	3812	4138	4693	5489	5688[c]
Scheduled Banks Advances	Rs.bn	2071	2376	2816	3080	3174	3311	3310[c]
Non-Performing Loans All Banks	Rs.bn	173	214	314	432	548	579	610[c]
Lending and Deposit Rates	weighted average							
Deposits	% per annum	1.96	2.60	4.13	4.44	4.29	4.53	4.51[c]
Advances	% per annum	10.61	11.55	12.49	14.25	13.63	13.46	13.68[c]
Open Market Operation								
SBP Reverse Repo Rate	% end period	9.00	9.50	12.00	14.00	12.50	14.00	12.00
Treasury Bills Yield - 6 Months	% end period	8.49	8.90	11.47	12.00	12.30	13.70	11.90
KIBOR - 6 Months	% end period	9.36	9.75	13.95	12.65	12.25	13.65	11.90
Pakistan Investment Bonds - 5 yrs	weighted average	9.65	10.00	10.80	14.33	12.56	12.68	12.78
Interbank Call Rates (Overnight)	%	8.80	8.90	9.90	13.20	11.60	12.40	11.33
SBP Export Finance Rate	%	7.50	6.50	6.50	6.50	8.00	10.00	11.00
External Sector								
Exports*	$ bn	16.45	16.98	19.05	17.69	19.29	24.81	23.64
Imports*	$ bn	28.58	30.54	39.97	34.82	34.71	40.41	29.99
Balance	$ bn	-12.01	-13.56	-20.92	-17.13	-15.42	-15.60	-11.60
Current Account Balance	$ mn	-4990	-6878	-13874	-9261	-3946	214	-655
Workers' Remittances	$ mn	4588	5491	6449	7811	8906	11201	13187
Foreign Investment in Pakistan	$ mn	3872	6960	5454	3210	2739	2000	741.5
Direct	$ mn	3521	5140	5410	3720	2151	1635	812.6
Portfolio	$ mn	351	1820	44.3	-510	588	365	-71.1
Debts								
External Debt and Liabilities	$ bn	37.6	40.5	46.2	52.3	55.9	60.1	60.3[a]
Domestic Debt Outstanding	Rs.bn	2337	2610	3275	3859	4654	6016	7207[a]
Internal Debt as % of GDP	%	30.7	30.1	32.0	30.3	31.4	33.4	34.9
National Saving Schemes	Rs.bn	936	1004	1094	1361	1586	1821	1932**
Total Reserves	$ mn	14354	18890	13436	13971	17921	20942	17802**
Gold	$ mn	1268	1344	1926	1935	2575	3117	3419**
Liquid Fx Reserves	$ mn	13086	17546	11510	12036	15346	17825	14383**
Exchange Rate (Average for year)	Rs/US$	59.8566	60.6342	62.5465	78.4983	83.8017	85.5017	90.8376**

[†] July-March [a] end March [b] April, 2012 [c] December, 2011
[*] Trade data compiled by Federal Bureau of Statistics [**] as of April, 2012

Source: Pakistan Economic Survey 2011-12
Annual Report 2011-12, State Bank of Pakistan