

economicletter

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Pakistan

The SBP in its first quarterly (July-September 2017) report on the state of the economy during the July-June 2016-17 fiscal has forecast a GDP growth of 5-6% during the full fiscal as the expansion trajectory is on course, challenges notwithstanding. Some of the relatively more important observations and forecasts of the report are noted below:

- CPI inflation during the fiscal would be between targeted 4.5-5.5%;
- The current account deficit may rise to between 1.0-2.0% against earlier estimates of it being between 0.5-1.5% of GDP;
- Revenue inadequately may result in widening of the budgetary deficit against targeted 3.8% of GDP;
- Growth in the agricultural sector is likely to be positive against negative last fiscal;
- Growth in large scale manufacturing (LSM) has been slower in the quarter compared to the same quarter last fiscal.
- Growth in home remittances during FY 17 would likely be slower than in FY 16.

According to SBP, the cumulative government debt by end-October 2016 stood at Rs. 19.647 trn compared to Rs. 17.645 trn by end-October 2015.

The SBP has modified Prudential Regulations for infrastructure project financing by banks and DFIs.

According to SBP, total liquid foreign exchange reserves as on December 30, 2016, stood at \$ 23.163 bn of which \$ 18.269 bn was held by SBP and the rest with banks.

CPI inflation (PBS data) during the first half of the current fiscal (July-December 2016) averaged 3.88% against 2.08% in the same half last fiscal. Food inflation in December was recorded as 3.0% year-on-year. Non-food-non-energy (NFNE) core inflation was higher by 0.1% in November to 5.2% in December.

The Federal Board of Revenue (FBR) has provisionally placed its gross revenue collection in the first half of the current fiscal at Rs. 1,466 bn, short by targeted Rs. 127 bn fixed for the period.

Markets at a glance

Weekly Review	Kibor (6 Months)		Foreign Exchange Rates			Psx	Gold Rate
	Bid %	Offer %	GBP (£)	Euro (€)	USD (\$)	100 Index	(10 gm)
Beginning	5.90	6.15	Rs. 133.5	Rs. 113.7	Rs. 108.5	47806.97	Rs. 39,285
Ending	5.89	6.14	Rs. 134.5	Rs. 114.95	Rs. 108.65	49038.23	Rs. 39,246
Change	-0.01	-0.01	+1	+1.25	+0.15	+1231.26	-39

Arrival of new crop seed cotton (phutti) at ginneries (PCGA data) by end-December 2016 was higher by 11.72% over the same period last crop season. Arrivals from Punjab and Sindh were higher by 18.71% and 1.2% respectively during the above periods.

The total outlay of the China-Pakistan Economic Corridor (CPEC) projects has been revised upwards to \$ 54 bn against the original envisaged \$ 46 bn as new projects have been added into it.

Agreement has been signed with China State Grid Corporation under which it would build the country's first high voltage direct-current line linking Lahore with Matiari, 1,000 kms apart, costing \$ 1.5 bn to be operational by about mid-2018.

According to Pakistan telecommunication Authority (PTA) the telecom sectors' revenue contribution rose to Rs. 157.8 bn in FY 16 against Rs. 126.3 bn in FY 15.

Some Chinese firms would invest about \$ 2.0 bn in various social infrastructure projects in Sindh over the next few years.

Bloomberg has ranked Pakistan Stock Exchange (PSX), measured by the KSE 100 index as the fifth best stock market in the world gaining 43.05% in 2016 over 2015.

International

Britain's blue-chip FTSE index gained 14.4% in 2016 over 2015, Brexit notwithstanding, outperforming European markets by a wide margin.

CPI inflation in Germany in December 2016 was recorded at 1.7%, highest since July 2013, YoY. The level indicates end of the deflationary spell, coming close to the ECB's target of being near 2%.

Total liquid foreign exchange reserves of Bangladesh at end-December 2016 stood at \$ 32.09 bn, enough to meet import costs for nine months, higher by \$4.60 bn over end-December 2015 level.

CPI inflation in Russia slowed to an average of 5.4% in 2016 against 12.9% in 2015, year-on-year, the slowest pace for about 18 years.

The central bank of Sri-Lanka has left its standing deposit facility rate (SDFR) and the standing lending facility rate (SLFR) unchanged at 7.0% and 8.5% respectively.

China's foreign debt during July-September was recorded at \$ 1.43 trn, higher by 3% over the second quarter.



Editor: Syed Mahdi Mustafa [M.Sc. London School of Economics] | Composer: Mahreen Channa

Published by: The Institute of Bankers Pakistan, M.T. Khan Road, Karachi 74200, Pakistan
UAN: 111-000-IBP (427) (Ext.506) | Fax: (021) 35683805 | Email: publications@ibp.org.pk | Website: www.ibp.org.pk

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