

economicletter

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Pakistan

The SBP in its latest monetary policy statement (MPS) has left its discount rate unchanged at 5.75 % with a view to continuously containing inflation and give a fillip to macro-economic stability now showing signs of sustainability. The recent widening of the current account deficit, and uncertain global oil prices have been cited as areas of concern relative to their impact on the national economy.

The SBP has directed all banks, DFIs, Microfinance banks, Islamic banks and Islamic bank windows to freeze accounts where they may act as conduits of terror-financing.

According to SBP, repatriation of profits and dividends by foreign firms operating in Pakistan during July – August 2016 amounted to \$ 204.3 mn against \$ 117.3 mn in the same period of 2015.

According to SBP, gross investment-to-GDP ratio in the 2015 – 16 fiscal fell to 15.2 % against 15.5 % in the 2014 – 15 fiscal.

The savings-to-GDP ratio improved to 14.6 % against 14.5 % during the above fiscals.

The SBP has directed all banks to install cash authentication machines by end-December 2016.

According to SBP, total liquid foreign exchange reserves as on September 23, 2016, stood at \$ 23.418 bn of which \$ 18.395 bn was held by SBP and the rest with banks.

The Asian Development Bank (ADB) has revised upwards growth prospects of the economy in the current fiscal to 5.2 % against earlier forecasts of it being 4.8 %. GDP growth in 2015-16 was recorded at 4.7 %.

The ECC of the Cabinet has approved in principle issuance of sovereign guaranteed Sukuk Bond to raise between \$ 500 mn – 1.0 bn during the course of the current fiscal.

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	5.81	6.06	Rs. 139.70	Rs. 119.75	Rs. 106.40	39,781.95	Rs. 44,914
Ending	5.81	6.06	Rs. 136.45	Rs. 117.49	Rs. 104.75	40,561.01	Rs. 40,700
Change	+0.00	+0.00	-3.25	-2.26	-1.68	+779.06	-4214

The Economic Coordination Committee (ECC) of the cabinet has approved import of 74 MWs of electricity from Iran after successfully negotiating reduction in tariff rate.

Export earnings of non-textile merchandise goods (PBS f.o.b. data) during July – August 2016 at \$ 1.066 bn was lower by 17 % over the same months of 2015.

The Federal and Azad Jammu and Kashmir governments have jointly signed an implementation agreement with a Chinese consortium for the construction of a 720 MW hydropower project over the Jhelum river. The project cost has been placed at \$ 1.98 bn to be operational by 2020.

The large-scale manufacturing (LSM) sector registered a growth of (PBS data) 2.62 % in July over the same month last year.

International

The Bank for International Settlements – the central bank of all central banks of the world – has cautioned that China's credit-to-GDP gap at 30.1 % by end – March 2016 is far above the internationally accepted norm of 10.0 % and may consequently trigger a possible debt crisis. The China Academy of

Social Sciences, the top government think – tank, has placed the country's total public debt at \$ 25 trn by end – 2015 equalling 249 % of GDP, (about the same proportion as that of Japan).

The U.S. Justice Department has imposed a penalty of \$ 14 bn on Deutsche Bank, Germany's largest bank, to settle claims that it missold mortgage – backed securities. The Bank would contest the penalty.

The central bank of Indonesia has cut its main lending rate by 25 basis points to 5.0 %.

The central bank of Egypt has left its overnight deposit and lending rates unchanged at 11.75 % and 12.75 % respectively. It has already raised its policy rate by 250 basis points this year.

The French economy shrank by 0.1 % in the second quarter after having expanded by 0.7 % in the three months to March.

The World Trade Organisation (WTO) in its latest forecast expects global trade growth this year to be 1.7 % estimated at 3.9 % an year ago.



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