

economicletter

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Pakistan

According to SBP, home remittances in the first half of the current fiscal (July-December 2016) fell to \$ 9.458 bn against \$9.688 bn in the same half last fiscal.

According to SBP outstanding infrastructure project financing by banks and DFIs reached a level of Rs. 452.4 bn by end September 2016 against Rs. 417.8 bn by end-June of the year.

The SBP has allowed clearing house facility to Central Directorate of National Savings (CDNs) to facilitate saving depositors avail profit returns from banks without delay.

According to SBP, total liquid foreign exchange reserves as on 6th January 2017, stood at \$ 23.201 bn of which \$ 18.309 bn was held by SBP and the rest with banks.

The Prime Minister has unveiled the largest ever trade package of Rs. 180 bn to be effective from January 2017 to June 2018 aimed essentially to augment the sagging export earnings particularly of the textile sector. The package includes duty drawbacks, abolition of customs' duty on imports of textile

machinery and sales tax abolition on import of cotton. The measures are projected to raise export earnings by about \$ 3 bn during the above period.

The 870 MWs Suki Kinari hydropower project in the province of Khyber-Pakhtunkhwa has achieved financial close. Initiated by Private Power Infrastructure Board (PPIB), it would be setup as one of the projects under the China-Pakistan Economic Corridor (CPEC) programme. It is the largest private sector venture in the country. It is projected to \$ 1.8 bn and would be operational by 2022.

The Economic Coordination Committee (ECC) of the cabinet has approved tax relief of Rs. 20 bn to Lahore Orange Line Metro Train project with a commitment to provide similar relief to like projects in Karachi, Quetta and Peshawar from the period they are taken in hand.

The government has notified withdrawal of Rs. 400 per bag of subsidy scheme on fertilizer introduced earlier for the full 2016-17 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	5.89	6.14	Rs. 134.5	Rs. 114.95	Rs. 108.65	49,038.23	Rs. 39,246
Ending	5.87	6.12	Rs. 133	Rs. 115.45	Rs. 108.7	49,210.50	Rs. 39,914
Change	-0.02	-0.02	-1.5	+0.5	+0.5	+172.27	+668

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The ECC of the Cabinet has approved extension in the levy of Neelum Jhelum hydropower project for the next 18 months ending June 2018 which would lead to additional revenue generation of Rs. 9 bn.

The World Bank in its latest update expects the economy to expand by 5.2% in 2017 and then by 5.5% in 2018 against earlier estimates of 5.0% and 5.4% respectively.

International

The IMF has estimated that China remained the main vehicle of world growth in 2016 contributing 1.2 percentage points to global economic expansion compared to contributions of 0.3 and 0.2 percentage points by the U.S and Europe respectively.

Liquid foreign exchange reserves held by the central bank of China stood at \$ 3.011 trn by end-December 2016, having fallen by \$ 320 bn during the year, yet highest any single country in the world.

China has emerged as the top country in the world with an overseas investment of \$ 32 bn in 2016, higher by 60% over

2015, in renewable energy projects. It plans to invest about \$ 361 bn in renewable energy projects at the domestic level by 2020, thus moving away almost entirely from coal-fired energy projects.

India's Statistics Ministry is expecting GDP growth to slowdown to 7.1% in the April-March 2016-17 fiscal compared to 7.6% achieved in the 2015-16 fiscal. This would be largely due to the abrupt decision of the government of 8th November 2016 to demonetize Rs. 500 (\$ 7.5) and Rs. 1000 currency notes which accounts for almost 90% of all business transactions in the country. The failure of the central bank to provide adequate currency exchange has added to the financial woes of the economy.

Growth in Saudi Arabia's non-oil sector economy measured by the purchasing manager's index (PMI) rose for the second consecutive month in December 2016 to 55.5 points against 55.0 points in November. A level above 50 points means business is expanding.

CPI inflation in the 19-nation eurozone registered an increase of 1.1% last December, highest level for over three years, and almost double the level of 0.6% recorded in November suggesting that recovery in the region is on the anvil as the rise signals the end of the deflationary spell.

Unemployment in the 19-nation eurozone held steady at 9.8% of workforce in last November, the same as in October and the lowest since July 2009.



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