

economicletter

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Pakistan

The SBP has allowed the merger of Burj Bank Ltd. with and into AI – Baraka Bank (Pakistan) Ltd. effective from November 1, 2016.

The SBP has exempted Islamic banks from using KIBOR in working out their pricing of products and instruments.

The SBP has opened two new nostro accounts namely the Chinese Yuan and the Japanese yen to support diversification in foreign exchange reserves management. A nostro account is that which banks hold in foreign currency abroad in another bank.

The SBP, for the first time, has set targets for SME financing by banks and DFIs and hopes such financing to lead to a growth of 16 % by end – 2016 over end – 2015 in availability of funds to the sector.

The SBP has raised the financing limit under markup subsidy and guarantee facility for rice husking mills by Rs. 6.0 mn to 16 mn.

According to SBP, small and medium enterprises (SMEs) outstanding financing provided by banks and DFIs stood at Rs. 297.52 bn by end – June 2016 compared to Rs. 283.58 bn as by end – March of the year.

According to SBP's performance review of the banking sector for the fiscal ending June 2016, the industry registered a growth of 16.1 % over the previous fiscal as per various parameters taken together, helping the government achieve a GDP growth rate of 4.7 % during the fiscal. Other notable features were high solvency levels, strong capital base, containment of non-performing loans, improving risk management systems and doubling of private sector credit offtake over FY 15.

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	5.80	6.05	Rs. 127.3	Rs. 113.97	Rs. 104.4	39,872.88	Rs. 40,542
Ending	5.81	6.06	Rs. 132.75	Rs. 117.7	Rs. 106.1	41,839.54	Rs. 40,739
Change	+0.01	+0.01	+5.45	+3.73	+1.7	+1966.66	+197

According to SBP, total liquid foreign exchange reserves as on October 28, 2016, stood at \$ 24.189 bn of which \$ 19.130 bn was held by SBP and the rest with banks.

Standard & Poor's has upgraded Pakistan's long – term sovereign credit rating from Bminus to "B" on the back of improved economic outlook and better fiscal and external accounts.

International

Taiwan's economy which had entered recession during April – June has come out of it with an expansion of 2.06 % during July – September, the fastest quarterly pace since the first quarter of 2015.

The British economy expanded by 0.5 % during the July – September following a growth of 0.7 % in the previous quarter, year-on-year, resulting in an annualised growth pace of 2.3 % this year. It suggests that Brexit may not lead to a hard – landing of the economy.

The U.S Justice Department has initiated action against dozens of India – based call centres for fraudently cheating victims, mostly from South – Asia, involving millions of dollars.

The regional government of Belgium has finally agreed to the free trade agreement between the European Union and Canada after protracted negotiations spread over seven years. It would lead to dismantling of 98 % of tariff barriers as the agreement unfolds over the next few years.

The U.S. economy expanded by an annualised pace of 2.9 % during July – September against 1.4 % in the previous quarter, year-on-year, the fastest quarterly pace since the third quarter of 2014.

The Bangladesh economy expanded by 7.11 % in the fiscal ending June 2016 against the growth of 6.5 % in the previous fiscal. The government has set a growth target of 7.2 % for 2016 – 17.

The IMF has forecast that India's gross national savings as a proportion of GDP would slip to 30.7 % by end – 2016, lowest since 2013, undermining growth prospects of the economy as it is crucial for a sustainable long-term enlargement of any economy.

GDP growth in the Eurozone during July – September stood a 27 – month high at 0.3 % or at an annualised rate of 1.6 % with CPI inflation during September, YoY, at 0.5 %, highest since June 2014.



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