

economicletter

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Pakistan

According to SBP, total liquid foreign exchange reserves as on February 26, 2016 stood at \$ 20.352 bn of which \$ 15.507 bn was held by SBP and the rest with banks.

The large scale manufacturing (LSM) sector registered a growth (PBS data) of 3.89 % in the first half of the current fiscal (July – December 2015) over the same half last fiscal.

The weekly sensitive price indicator (SPI) was recorded higher by 0.22 % (PBS provisional figure) in the week ending February 18, 2016 over the previous week. The SPI monitors changes in prices of 53 essential commodities, mostly kitchen items, data for which is collected from 17 urban centres.

The Organization for Economic Cooperation and Development (OECD), grouping of 38 most industrialized countries in the world has revised downwards the global growth prospect for 2016 citing the slowing Chinese economy, the depreciating value of its yuan, falling oil prices, volatility of stock prices and falling commodity prices, including those of food items, as the main factors behind its forecast of lower against earlier estimates.

Chinese banks lending in January hit a record \$ 385 bn, highest for any single month ever.

The German economy, largest in Europe, recorded a growth of 1.7 % in 2015, the fastest pace in four years.

International

Iran has chalked out plans to attract private foreign direct investment (FDI) worth \$ 45 bn in various sectors of its economy.

Markets at a glance

Weekly Review	KIBOR (6 months)		Foreign Exchange Rates			KSE	Gold Rate
	Bid %	Offer %	GBP(£)	EURO(€)	USD(\$)	100 Index	(10 gm)
Beginning	6.11	6.36	Rs. 148.70	Rs. 116.00	Rs. 106.20	31,228	Rs. 41,614
Ending	6.10	6.35	Rs. 149.80	Rs. 115.60	Rs. 106.25	32,439	Rs. 41,742
Change	-0.01	-0.01	+1.1	-0.6	+0.05	+1211	+128

Germany has become the largest trading partner of the U.S in Europe having displaced France from that position in 2015.

India has identified projects in various sectors of its economy to attract \$ 222 bn over the medium term of private foreign direct investment (FDI) with controlling stake to bear its insignia of "Made in India" on finished products.

Iran proposes to pump, now free of sanctions, 2 mn barrels per day (bpd) of oil in world's markets in a supply situation already far in excess of demand.

CPI inflation in the U.S rose to 0.3 % in January the highest monthly reading for the last four and a-half years this year against 0.2 % last December, both year-on-year. The rise suggests strengthening of the economy and end of any deflationary spell.

Major stock markets in the Middle East are experiencing pruning in share – values mainly due to falling oil prices with limited prospects of their rising in the near future.

Stocks markets around the world suffered losses during the week following the U.S. Federal Reserve Chief's warning that a global recession may be on the anvil.

Commodity prices are experiencing sharp falls in prices particularly of coal and iron-ore whose main market was China whose economy continues to slow-down with prospects of a sharp upturn this year or the next appearing somewhat dim.

According to the Institute of International Finance, China witnessed an outflow of \$ 113 bn in January driven mainly by falling stock prices and a slowing economy.

Russia has come to conclude that almost half of the oil glut can be removed and prices could rebound if agreement could be reached particularly by the OPEC group of countries to reduce its output to fairly well below the current level of 31 mn barrels per day (bpd). Saudi Arabia, the world's top exporter of crude oil, has refused to cut its production and exports.

The Federal Budget of India has allocated over 22 % on the budgetary outlay for the agricultural sector for the fiscal beginning April 01, 2016 in order to spur demand for goods of the rural population which constitutes 80 % of the country's population.

The 29 member states of the European Union (EU) have adopted a unified policy to stop the flow of illegal immigrants with the EU countries which stand threatened lest the so recovery in the economies of the region which had started showing signs of mild recovery gets disrupted.



Editor: Syed Mahdi Mustafa [M.Sc. London School of Economics]

Composer: Fizza Rizvi

Published by: The Institute of Bankers Pakistan, M.T. Khan Road, Karachi 74200, Pakistan

UAN: 111-000-427 | Fax: (021) 35222416 | Email: publications@ibp.org.pk | Website: www.ibp.org.pk

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