

economicletter

a weekly publication of The Institute of Bankers Pakistan

Pakistan

The SBP Governor has reiterated the soundness of the fundamentals of the economy notwithstanding the transient pressures being experienced by the economy particularly related to GDP growth, lower than targeted agricultural production and fiscal deficit which stand to be countered by lower current account deficit in the ongoing fiscal, higher home remittances and lower inflationary pressures.

According to SBP, net private foreign direct investment (FDI) in the first 8 months of the current fiscal rose to \$ 751 mn against \$ 716 mn in the same period last fiscal.

The SBP has introduced a new format for reporting of payments system for banks and DFIs.

According to SBP, total liquid foreign exchange reserves as on March 11, 2016 stood at \$ 20.718 bn of which \$ 15.859 bn was held by SBP and the rest with banks.

The International Finance Corporation (IFC), the private sector arm of the World Bank Group has committed as investment of \$ 1.2 bn in the current fiscal in such sectors of the economy where value – added production can be geared up including in the energy sector.

Pakistan and Turkmenistan have signed 8 different agreements in various fields of economy particularly for supply of natural gas.

South Korea has agreed to provide \$ 500 mn over the next 5 years for development of infrastructure projects.

Sales of locally assembled cars in the first 8 months of the current fiscal registered an increase of 38 % over the same period of the last fiscal.

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. 148.35	Rs. 114.68	Rs. 104.5	22,449	Rs. 42,042
Ending	6.10	6.35	Rs. 151.22	Rs. 118.06	Rs. 104.68	33,080	Rs. 42,821.35
Change	-0.01	-0.01	+2.87	+3.38	+0.18	+10631	+779.35

Merchandise trade deficit during July – Feb 2015-16 was recorded at \$ 15.102 bn against \$ 14.490 bn in the same period of 2014-15.

International

The U.S federal reserves has left its lending rate unchanged at 0.25 % for the second consecutive meeting sighting stable growth with rising inflation dispelling doubts about any deflationary trend taking hold as also waiting for interest rate rises in major market economies.

The U.S based Moody's Investors Services has downgraded China's economy from "stable" to "negative" sighting slowing economy weakening yuan, draw down on foreign exchange reserves, pruning of stock prices and weak banking portfolios including the level of non-performing loans (NPLs) as the main factors behind the downgrade.

The European Central Bank (ECB) has restarted its policy of buying back bonds at a level of 80 bn euros (\$ 88 bn) for an unspecified period. It has also furthered its negative interest rate policy.

The Greek Finance Minister has held that bailout packages provided by the so-called Troika, namely the ECB, the EU and the IMF siphons off almost 80 % of credit provided by them by way of servicing of the debt.

The Greek economy already under intense pressure with public debt being 180 % of the country's GDP has come under further pressure due to the illegal immigrants crises. The economy is set to go into deep recession in 2016.

The International Finance, a highly respected international research body, has forecast that bank closures in the EU region particularly, in the euro bloc may be greater in 2016 than was the case in 2008 when global economies plunged into recession worse than that experienced in the early 1930's.

The International Energy Agency (IEA) has forecast that oil prices would progressively get firmed up during the course of the current year and may hover around \$ 40 a barrel against having dropped below \$ 30 a barrel in the last quarter of last year.

Zimbabwe is negotiating a credit deal with the IMF, the first of its kind in nearly 2 decades.



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