

# economicletter

a weekly publication of The Institute of Bankers Pakistan

## Pakistan

The SBP in its second quarterly report on the State of Pakistan's Economy, covering the October – December 2015 period, has observed that despite challenging global economic conditions the country's overall macroeconomic outlook appears stable. Some of the relatively more important assessment and forecasts are noted below:

- GDP growth may be in the range of 4-5 % during the full July – June 2015 – 16 fiscal;
- growth in the large – scale manufacturing sector would be significantly higher in FY 16 over FY 15;
- favourable weather conditions in the second half of FY 16 are likely to offset agricultural sector losses in the first half of the current fiscal due to inclement weather conditions;
- CPI inflation in the full fiscal would be about 3-4 %
- decline in international oil prices would help improve the balance of payments position;

- external debt servicing at about \$ 5.5 bn would be fairly manageable;
- trade deficit is likely to be lower in the current fiscal compared to last fiscal
- sustainability of the growth momentum rests on reforms in the fiscal and energy sectors.

The SBP has launched a new domestic payment scheme, the first of its kind in the country's history, titled "PayPak" focusing on promoting e-commerce and enhance financial inclusion.

According to SBP, repatriation of profits and dividends by foreign firms operating in Pakistan rose to \$ 1.14 bn during July – February 2015 – 16 against \$ 950 mn in the same period of 2014 – 15.

## 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. 150.2	Rs. 119	Rs. 105.75	33,449	Rs. 42,428
Ending	6.10	6.35	Rs. 147.7	Rs. 119.1	Rs. 105.6	33,967	Rs. 42,257
Change	+0.01	+0.01	-2.5	+0.1	-0.15	+518	-171

According to SBP, total liquid foreign exchange reserves as on April 01, 2016 stood at \$ 20.885 bn of which \$ 15.588 bn was held by SBP and the rest with banks.

According to Pakistan Bureau of Statistics (PBS) CPI inflation during July – March 2015 – 16 averaged 2.64 % against 5.12 % in the same period of 2014 – 15, Non-food-non-energy (NFNE) trimmed core inflation rose by 4.7 % in March against 4.5 % in February. Food – inflation in March stood at 3.7 %, year-on-year.

Arrival of new crop seed-cotton (phutti) at ginneries across the country at 9.7 mn bales (PCGA data) by end – March 2016 was lower by 34.21 % over the same period last crop season. Arrivals from Punjab and Sindh were lower by 44.81 % and 5.25 % respectively, during the same periods.

The Federal Board of Revenue (FBR) has placed gross revenue collection during July – March 2015 – 16 at Rs. 2.103 trillion, higher by 19.7 % over the same period of 2014 – 15.

## International

Non – performing loans of Chinese banks reached a level of \$ 195 bn or 1.67 % of all loans by end – 2015, highest for ten years.

Saudi Arabia has signed five agreements with India focused mainly on counter – terrorism but also including bilateral investment and trade through the private “sectors” of the two countries. Saudi Arabia supplies 19 % of India’s crude oil imports. Bilateral trade between the two stood at \$ 39 bn in 2015.

The Reserve Bank of India (RBI) has cut its key repo lending rate by 25 basis points to 6.50 %, the lowest level for five years.

The Reserve Bank of Australia has left its key lending rate unchanged at 2.0 % for the tenth consecutive meeting.

The central bank of Philippine has kept on hold its key lending rate at 4.0 %, a level since September 2014.

The central bank of Sril Lanka has left its benchmark standing deposit facility (SDF) and standing lending facility (SLF) interest rates unchanged at 6.5 % and 8.0 % respectively.



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