

economicletter

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Pakistan

The SBP has reclassified aspects of Islamic financing and related asset issues for inclusion in monetary and credit data in order to bring them in the mainstream which determines the broad money supply (M2).

According to SBP, private sector credit off-take during July – April 2015 – 16 stood at Rs. 296 bn against Rs. 204 bn in the same period of 2014 – 15.

According to SBP, non-performing loans (NPLs) of housing finance provided by banks, DFIs and specialised institutions was recorded lower at Rs. 13.28 bn by end-calendar year 2015 against Rs. 15.51 bn during the same period of 2014.

According to SBP, total liquid foreign exchange reserves as on April 29, 2016 stood at \$ 20.787 bn of which \$ 15.905 bn was held by SBP and the rest with banks.

The China-led Asian Infrastructure Bank (AIIB) and the Asian Development Bank (ADB) have signed an agreement to co-finance a motorway stretching 64 kilometers connecting the districts of Shorkot with Khanewal in the province of Punjab. The co-financing venture is first of its kind in the country as also of between the AIIB and the ABB.

According to Pakistan Bureau of Statistics (PBS), inflation measured by different parameters has been as under:

- **CPI inflation** in April was higher by 4.17%, year-on-year (YoY);
- **Averaged inflation** during July – April 2015-16 was higher by 2.79 %, period on period (PoP);
- Non-food-non-energy (NFNE) trimmed core inflation was recorded at 4.4 % in April;
- **Food inflation** in April rose by 2.4 %, YoY;

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	6.12	6.37	Rs. 150.7	Rs. 118.5	Rs. 105.55	33,739	Rs. 42,227
Ending	6.12	6.37	Rs. 151.95	Rs. 119.5	Rs. 105.3	35,973	Rs. 42,342
Change	+0.00	+0.00	+1.25	+1	-0.25	+2234	+115

- Non-food inflation in April was higher by 1.0%, YoY.

The Federal Board of Revenue (FBR) has reduced sales tax on all petroleum products from Rs. 12.89 per litre to Rs. 9.89 per litre effective May 01, 2016.

The China Development Bank is to provide \$ 500.0 mn to Habib Bank Ltd. (HBL) for long – term financing of \$ 300 mn to energy related projects and the balance of \$ 200 mn for offshore working capital needs. The deal is first of its kind in the country's banking history.

A provincial government of China has signed deals worth \$ 2.0 bn in various sectors of Pakistan's economy as part of the \$ 46.0 bn China – Pakistan Economic Corridor (CPEC) agreement.

The World Bank has approved a credit line of \$ 100 mn for job creation particularly in Punjab with focus on women employment.

International

The IMF expects the Chinese economy, the second largest in the world after the U.S. and a crucial driver of global growth, to

growth by 6.5 % in 2016 – the lowest end of the government's target – and then by 6.2 % in 2017. The country's growth was recorded at 6.9 % in 2015.

The IMF has revised downwards growth prospects of the Japanese economy, third largest in the world after the U.S. and China, to 0.5 % in 2016 against earlier estimates of it being 1.0 %.

Non – performing loans (NPLs) in India's banking system currently stand at \$ 121.0 bn of which \$ 100.0 bn was on the books of state – owned banks.

Iran and South Korea have signed 19 cooperation documents to increase bilateral economic ties. Of them, one relates to increase Iran's export of crude oil from 100,000 barrels per day (bpd) to 400,000 bpd. Another agreement aims at tripling bilateral trade to \$ 18.0 bn annually against \$ 6.0 bn presently in the near future.

The 19 – nation euro bloc registered a growth of 0.6 % on an annualised basis in the first quarter of 2016, year-on-year. The pace was faster than Britain's 0.4 % and of the U.S. at 0.5 %.

The Central Bank of Russia has left its base lending rate unchanged at 11.0 %, a level holding since July 2015.



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