

economicletter

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Pakistan

The SBP Governor has urged central banks of the South-Asian Association for Regional Co-operation (SAARC) group of countries to develop correspondent banking channels to promote intra-regional trade, investment and greater facilitation in handling home remittances.

According to SBP, private foreign direct investment (FDI) into Pakistan during the first ten months of the current fiscal (July – April 2015-16) amounted to \$ 1.016 bn compared to \$ 964 mn in the same period of 2014-15.

According to SBP, private foreign portfolio investment witnessed an outflow of \$ 381.2 mn during July – April 2015-16 against an inflow of \$ 836.8 mn during the same period last fiscal.

The SBP has signed a memorandum of understanding (MoU) with the Pakistan Telecommunications Authority (PTA) to develop

a regulatory framework for the introduction and promotion of mobile banking in the country.

The SBP in its budgetary proposals for the next fiscal (July – June 2016-17) has urged the Federal Board of Revenue (FBR) to introduce a standard procedure and time framework for compliance of tax recovery notices by banks within a reasonable period for acting on such notices.

According to SBP, total liquid foreign exchange reserves as on May 13, 2016 stood at \$ 21.319 bn of which \$ 16.518 bn was held by SBP and the rest with banks.

The Federal Minister for Water and Power has informed the National Assembly that the circular debt of the power sector by end-April 2016 stood at Rs. 318.0 bn.

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	6.14	6.39	Rs. 150.87	Rs. 118.86	Rs. 104.5	36,122	Rs. 42,212
Ending	6.14	6.39	Rs. 152.52	Rs. 117.03	Rs. 104.5	36,693.50	Rs. 42,257
Change	+0	+0	+1.65	-1.83	+0	+571.5	+45

Services sector trade deficit (PBS data) in the first nine months of the current fiscal (July – March 2015-16) shrank to \$ 1.64 bn against \$ 1.76 bn in the same period last fiscal.

The large-scale manufacturing (LSM) sector registered a growth of (PBS data) 4.7 % during July – March 2015-16 over the same period of 2014-15.

The government has constituted a new Citrus Development Board (CDB) to help improve citrus orchards, and processing management to lead to higher export earnings.

The Cabinet Committee on Privatisation (CCoP) has approved divestment of government held residual shares of Kot Adu Power Co. Ltd. as also of Mari Petroleum Co. to strategic buyers domestic or foreign.

International

Revised data has shown that the Chinese economy grew by 6.7% in the first three months of 2016, quarter-on-quarter, faster than first provisional estimates of it being 6.5 %.

The Reserve Bank of India (RBI) has allowed foreign banks increase of upto 40 % in shares-holding of private sector banks of the country.

The euro bloc registered a growth of 0.7 % in the first quarter this year propelled mainly by the growth of 1.7 % in Germany, the region's largest economy as also of Europe. The bloc's growth was the fastest since the first quarter of 2014.

The Organisation of Petroleum Exporting Countries (OPEC) has forecast that oil prices cannot be expected to rise in 2016, or any time soon, as Iran and even Iraq have entered the global export market.

The Russian economy shrank by 1.2 % in the first quarter of 2016 compared to the shrinkage of 3.8 % in the last quarter of 2015, both year-on-year, thus confirming that the economy has entered recession. The slower contraction in the above quarter of 2016 however, suggests that recovery out of recession is in the offing.

Moody's Investors Services has downgraded Saudi Arabia's long-term rating by a notch to "A1" from "Aa3" mainly due to low oil prices which constitute the kingdom's main revenue base. Similar one notch downgrades have been placed on the ratings of Bahrain and Qatar.



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-IBP (427) (Ext.539) | Fax: (021) 35683805 | Email: publications@ibp.org.pk | Website: www.ibp.org.pk

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