

economicletter

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Pakistan

The SBP in its second “Quarterly Report ”on the “State of the Economy” covering the October-December 2014 period has forecast that GDP growth in the current fiscal ending June 2015 would be higher than realized in July-June 2013-14 fiscal. Some of the relatively more important observations and expectations for the ongoing fiscal are noted below:

- the full fiscal **budgetary deficit** may be higher than the targeted 4.9%
- **current expenditures** are rising significantly while **development expenditure** pace is slower.
- **gross revenue collection** growth is slower than hoped for;
- **economic performance** broadly, in the first half of the current fiscal has been better over the same half of last fiscal;
- the external sector appears to be fairly comfortable given higher home remittances, lower import cost of crude oil rising foreign exchange , and rupee value stability have combined to **improve the overall balance of payments position**;
- **CPI Inflation** is well under control and may hover around 4-5% in the full fiscal , well below the target of containing it at 8.0%;
- **losses** being suffered by public sector enterprises (**PSE's**) need urgent attention;
- **private sector credit offtake** in the first half of current fiscal has registered a growth of 6.0%over the same half of the last fiscal;
- **weak growth in agro based industries** has pulled down growth in large scale manufacturing in the first fiscal half of 2014-15 over the same half of 2013-14.

According to SBP, the current account deficit narrowed to \$1.364bn during July- April 2014-15 against 2.931bn in the same period of 2013-14.

The Asian Development Bank (ADB) expects the economy to grow by 4.2% in 2015 rising to a growth of 4.5% in 2016 compared to the realized growth of 4.1% in 2014.

According to SBP, total liquid foreign exchange reserves as on May 15,2015 stood at \$17.749bn of which \$12.512bn was held by SBP and the rest with banks.

Markets at a glance

Weekly Review	KIBOR (6 months)		Foreign Exchange Rates			KSE	Gold Rate
	Bid %	Offer %	UK (£)	Euro (€)	US (\$)	100 Index	(10 gm)
Beginning	6.77	7.02	Rs. 160.43	Rs. 115.80	Rs. 101.96	33,039	Rs. 39,857
Ending	6.81	7.06	Rs. 159.71	Rs. 114.11	Rs. 101.95	32,605	Rs. 40,242
Change	0.04	0.04	- 0.72	- 1.69	- 0.01	-434	+385

A **United Nations** study of the Asian and Pacific region countries has forecast that Pakistan's economy may grow by 5.1% in the fiscal ending June 2015.

The International Finance Corporation (**IFC**), the private sector arm of the World Bank Group, has launched a "**lighting Pakistan**" programme aimed at providing safe and affordable electricity to more than a million people in the country.

The **government** has launched a "**Credit Guarantee Scheme**" for **small farmers** to protect them against unforeseeable adverse natural calamities.

According to Pakistan Bureau of Statistics (**PBS**), the large-scale manufacturing (LSM) sector registered a growth of 2.49% during July- March 2014-15 over the same period of 2013-14 when it had grown by 5.48% over 2012-13.

According to Pakistan Bureau of Statistics (**PBS**), **cell-phone handset import cost** during July. March 2014-15 stood at \$1.076bn, higher by 14.7% over the same period of 2013-14.

INTERNATIONAL

China has committed an investment of \$ **22.0bn** in various sectors of **India's economy** besides taking step to redress the trade imbalance.

China has consented to opening of a **branch** in Shanghai of **ICICI bank**, India's largest commercial bank.

China is to invest \$50.0bn for ageing infrastructure development in **Brazil**, the largest Latin – American economy.

The **Russian economy contracted** by 1.9 % in the first quarter of 2015 after an expansion of 0.4 % in the last quarter of 2014.

CPI inflation in Britain turned negative at "-0.1 %" in April 2015, year-on-year. The recording was the lowest in the last 60 years.

The **central bank of South Korea** has left its key lending rate **unchanged** at 1.75 % for the second consecutive time.

The central bank of **Indonesia** has left its **key lending rate** unchanged for the third consecutive month at 7.50%.

The central bank of **Nigeria** has left its **key lending rate** unchanged at 13.0 %.

China has become the world's **top crude oil importer** having overtaken the U.S. from the position.

Greece has shipped back into recession having contracted consecutively in the final quarter of 2014 and the first quarter of 2015 by 0.4 % and 0.2 % of respectively.



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