

economicletter

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Pakistan

The **SBP** in its latest Monetary Policy Statement (**MPS**) has cut its key discount rate by 25 basis points (bps) from 6.0 % to **5.75 %** amidst expectation of CPI inflation to be lower than the current fiscal target of 6.0 % and, more importantly, to spur GDP growth which has lately been somewhat sluggish.

According to **SBP**, the **current account deficit** in the first ten months of the current fiscal (July – April, 2015 – 16) narrowed to \$ 1.519 bn (0.6 % of GDP) against \$ 1.846 bn (0.8 % of GDP) in the same period last fiscal.

According to **SBP**, **foreign firms operating in Pakistan** repatriated \$ 1.45 bn by way of profits and dividends during July – April 2015 – 16 against \$ 1.19 bn during the same period of 2014 – 15.

According to **SBP**, net non-performing loans (**NPLs**) of banks during the January – March quarter 2016, at Rs. 105.47 bn was higher by 11 % over the last quarter of 2015.

The **SBP** has revised criteria related to **home remittances** transacted through banks. Under the new criteria banks would be paid the processing fee by the SBP if the amount handled is \$ 200 or above instead of the previous benchmark of \$ 100 or above. The processing charges have also been reduced by 10 %.

The **SBP** has revised the branch **licensing policy** with a view to enhance banking outreach to under-served areas as also to greater rural sector availability.

According to **SBP**, **total liquid foreign exchange reserves** as on May 20, 2016 stood at \$ 21.61 bn of which \$ 16.81 bn was held by SBP and the rest with banks.

The **government** expects **GDP growth** in the current 2015 – 16 (July – June) fiscal to be lower at 4.7 % against the target of 5.5 % driven mainly by a negative growth of 0.19 % in the agricultural sector against the targeted positive growth of 3.9 %.

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. 152.52	Rs. 117.03	Rs. 104.5	36,693	Rs. 42,257
Ending	5.90	6.15	Rs. 154.99	Rs. 118.19	Rs. 105.65	36,540	Rs. 41,485
Change	-0.24	-0.24	+2.47	+1.16	+1.15	-153	-772

Export earnings of value-added textiles and clothing (PBS f.o.b. data) during the first ten months of the current fiscal (July – April 2015 – 16) fell to \$ 10.396 bn against \$ 11.265 bn in the same period last fiscal.

According to the Federal Minister of Petroleum and Natural Resources, the government has lifted the ban on new gas connections.

Pakistan Telecommunication Authority (PTA) has approved the merger of Mobilink and Warid Telecom Pvt. Ltd.

Habib Bank Ltd. (HBL) has acquired 51 % shares of First Micro Finance Bank Ltd.

International

Iran, Afghanistan and India have signed a three-way transit trade agreement to bolster trade between the three countries. India is to also invest \$ 500 mn in the development of Chabahar port in Iran to be followed by development of linkages for a trade route to land-locked central – Asian republics bypassing Pakistan.

Japan has skirted recession with a GDP growth of 0.4 % in the first quarter this year after a contraction in the last quarter of 2015.

The central bank of Turkey has cut its overnight lending rate from 10.0 % to 9.5 % while it has left its benchmark one-week lending rate unchanged at 7.50 %.

The Bank of Korea, the central bank of South Korea, has left its base interest rate unchanged for successive eleven months at 1.50%.

The central bank of Malaysia has left its key overnight lending rate unchanged at 3.25 %.

The IMF has cautioned that Britain's exit (Brexit) from the European Union (EU) would dent its status as a financial hub of the world.

The International Energy Agency (IEA) has forecast that lipid oil prices rise is dependent on recovery in global growth.



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