

economicletter

a weekly publication of **The Institute of Bankers Pakistan**

Pakistan

The **SBP** in its latest Monetary Policy Statement (MPS), valid for two months effective 25 May 2015, has reduced its key Discount Rate by 100 basis points(bps)for the fourth successive time to 7.0%. Some of the relatively more important observation and forecasts of the MPS are noted below:

- the SBP's **target discount rate** is 6.5%, a level dependent on the state of the economy;
- **macroeconomic performance** continues to show signs of improvement;
- non-food-non energy (**NFNE**) trimmed **core inflation** stood lower at 5.4% in April against 5.9% in March
- the **current account deficit** during July- April 2014-15 nearly halved to \$1.36bn against \$2.93bn in the same period of 2013-14
- **foreign exchange reserves** held by SBP are continuing to grow and were recorded at 12.5bn as on 15 May 2015;
- **credit growth** during July- May FY2015 has been well diversified both in terms of coverage and type of finance;
- **private sector investment** in fixed capital category has increased to Rs.84.4bn during July-May FY15 against Rs.50.3bn in the same period last fiscal;
- broad money supply (M2) has shown signs of expansion;
- **real GDP growth** may be 4.2% in the full 2014-15 fiscal against realized 4.1% last fiscal;
- **CPI inflation** in the full fiscal may be in the range of 4-5% against the target of containing it at 8.0%

According to **SBP agricultural credit disbursement** by banks and specialized institutions in the first ten months of the current fiscal (July- April 2014-15) rose to **Rs.368.7bn** against **Rs.288.4bn** in the same period of 2013-14. The disbursement equals 73.7% of the full fiscal indicative target of Rs. 500bn.

According to **SBP**, the **services sector exports** during **July-April 2014-15** amounted to \$5.023bn against \$4.023bn in the same period of 2013-14. **Imports of the sector** during the above periods stood at \$6.717bn against \$6.646 bn. >>

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	6.53	6.78	Rs. 155.98	Rs. 112.00	Rs. 102.00	33,056	Rs. 39,985
Change	- 0.24	- 0.24	- 4.45	- 3.8	+ 0.04	+ 17	+ 128