

# economicletter

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## Pakistan

According to SBP, Pakistan Real-Time Interbank Settlement Mechanism (PRISM) transactions value dropped by 12 % during January – March 2016 while the volume increased by 4 % over the preceding quarter.

The SBP has revised rules and has directed banks and DFIs to submit reports including exposure to stock markets, board meeting minutes, and rescheduling of loans through data acquisition portals (DAP).

According to SBP, total liquid foreign exchange reserves as on 3rd June 2016, stood at \$ 21.267 bn of which \$ 16.462 bn was held by SBP and the rest with banks.

Some of the relatively more important observations and forecasts of the Federal Budget for the July – June 2016 – 17 fiscal are noted below:

- Total outlay has been envisaged at Rs. 4.394 trillion;
- The public sector development programme (PSDP) has been placed at Rs. 1.675 trillion;
- Gross tax revenues are projected to rise by 16 % to Rs. 3.95 trillion;
- Budgetary deficit is expected to be contained at 3.8 % of GDP;
- Super tax has been extended for the 2016 – 17 fiscal;
- Higher taxes have been proposed for non – filers of income tax;
- Minimum wage levels have been raised to Rs. 14,000;
- Capital gains tax on property transactions has been set at 10 % for the next five years;
- Corporate taxation has been cut to 31 %;

## 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	5.89	6.14	Rs. 153.70	Rs. 117.75	Rs. 105.65	37,223	Rs. 40,800
Ending	5.87	6.12	Rs. 151.45	Rs. 118.50	Rs. 105.00	36,940.88	Rs. 41,528
Change	-0.02	-0.02	-2.25	+0.75	-0.65	-283	+728

- Agricultural credit disbursement target has been set at Rs. 700 bn with a mark-up rate cut of 2 %;
- Foreign exchange reserves have been targeted to grow to \$ 30 bn;
- Wages of public sector employees as also of pensioners have been raised by 10 %;
- Defence expenditure has been raised by 11 %;
- Additional revenue mobilization has been set at near Rs. 300 bn;
- Interest payments on domestic and foreign debt are set to rise;
- Current expenditure would be higher by Rs. 400 bn to Rs. 3.844 trillion;
- The amount of subsidies would be lower by 29 %;
- Privatization programmes would yield Rs. 50 bn;
- Total foreign assistance is estimated to be higher;
- New power projects have been allocated Rs. 380.4 bn;
- Railways would receive Rs. 78 bn;
- Sales tax and excise duty exemptions have been proposed for 40 years for the development of Gwadar port and Gwadar free economic zone;

- Special measures have been proposed to boost export earnings.

## International

China has offered the U.S. a quota of \$ 38 bn to buy Chinese stocks, bonds and other assets to promote deepening financial ties and interdependence between the world's two largest economies. It already has such quota allocations with several countries including the U.K., Singapore, France, but the U.S. quota would be largest after Hong Kong's allocation.

China's foreign exchange reserves held by the central bank of the country fell to \$ 3.19 trn by end-May 2016, the lowest level since 2011 yet the highest any single country in the world.

Japan's economy expanded by 0.5 % in the first quarter of 2016 after having contracted in the last quarter of 2015.

The Reserve Bank of India has left its key repo rate unchanged at 6.5 %.

South Korea's Central Bank has cut its key interest rate by 0.25 % to a record low of 1.25 %.



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