

economicletter

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Pakistan

According to the Deputy Governor of the SBP, housing finance as a proportion of GDP is one of the lowest in the world. As of now, there is a shortage of 9mn units to overcome which the need is to construct 0.6 mn units annually but only 0.3 mn units are being constructed.

The SBP has revised downwards the processing fee of banks related to handling of home remittances.

According to SBP, total liquid foreign exchange reserves as on June 29, 2015 stood at \$ 17.028 bn of which \$ 11.913 bn was held by SBP and the rest with banks.

The government has raised the prices of some petroleum products by varying margins. These include ex-depot per litre increase in the cost of petrol by Rs. 3.50 to Rs. 77.79, of kerosene oil by Rs. 3.50 to Rs. 64.94, of light speed diesel by Rs. 3.57 to Rs. 66.56 and of high speed diesel by Rs. 3.5 to Rs. 87.12

According to provisional PBS data, averaged CPI inflation during July-May 2014-15 registered an increase of 4.65%, year-on-year, Non-food-non-energy (NFNE) trimmed core

inflation fell to 4.9 % in May against 5.4 % in April. Food and non-food inflation in May registered increases of 1.90 % and 0.63 % respectively, year-on-year.

According to Pakistan Bureau of Statistics (PBS), f.o.b. data, movement of some tradable items in the first ten months of the current fiscal (July-April 2014-15) against the same period of 2013-14 has been as under:

- export earnings of the textile sector fell to \$ 11.281 bn against \$ 11.420 bn;
- oil import payments, comprising of crude oil and petroleum products fell to \$9.855 bn against \$ 12.221 bn.
- import cost of food products rose to \$ 4.205 bn against \$ 3.453 bn;
- import cost of generators rose to \$ 1.1 bn against \$ 873 mn;

The government has reduced the level of sales tax on various petroleum products by varying margins.

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	6.53	6.78	Rs. 155.98	Rs. 112.00	Rs. 102.00	33,056	Rs. 39,985
Ending	6.56	6.81	Rs. 157.13	Rs. 115.62	Rs. 101.86	34,032	Rs. 39,942
Change	+0.03	+0.08	+1.15	+3.62	-0.14	+976	-43

A memorandum of understanding (MoU) has been signed with a Chinese firm for the development of **China Pakistan Economic Corridor**.

Pakistan and Belarus has signed **20 agreements** and memorandums of understanding (MoUs) to promote economic relations between the two countries including trade and investment in each other's country as also in some social sectors besides defence cooperation.

The **K- Electric** has initiated a **Rs. 22.0 bn** insurance of **Sukuk Bonds** including a green shoe option of Rs. 2.0 bn to shore up its finances for fixed capital investment for upgrading its infrastructure distribution system.

International

The **U.S economy** contracted by an annualized pace of 0.7 % in the first quarter of 2015.

Latest estimates suggest that the **Indian economy** grew by 7.3 % in the fiscal ending March 2015.

The **Venezuelan economy** shrank by 3.0 % in 2014 against a growth of 1.3 % in 2013.

The **Italian economy** grew by 0.3 % in the first quarter of 2015 over the last quarter of 2014.

The Reserve Bank of India (RBI) has cut its key lending **repo rate** by 0.25 % to 7.25 %. The cut is the third since the beginning of 2015.

The reserve Bank of Australia (RBA) has left its key **lending rate** unchanged at 2.0 %.

The **G-7** group of countries comprising of the U.S, Japan, Germany, Britain, France, Italy, and Canada have **lacked** the **IMF decision** to include the **Chinese yuan** in its basket of currencies which determine the value of special Drawing Right (SDR) being the top international reserve currency.

Tanzania has awarded a contract worth **\$ 9.0 bn** to various **Chinese companies** to build new and upgrade existing **railways network** in the country.

China and South Korea have signed a **free trade pact** aimed at progressively dismantling of trade related tariff barriers between the two countries.

Saudi Arabia's foreign exchange reserves fell by \$ 49 bn in the first four months of 2015 following the drop in international oil prices.

Russia is to invest \$ 14 bn in the oil and gas sectors of **Venezuela**, a member of the OPEC group of countries, with the stated objective of doubling the country's production in both sectors in the near future.



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