

economicletter

a weekly publication of The Institute of Bankers Pakistan

Pakistan

According to SBP, home remittance during July - May 2014 - 15 amounted to \$ 16.663 bn, a record high, and higher by 16.21 % over the same period of 2013 - 14.

The SBP has approved the amalgamation of Barclays Bank Pakistan, into and with Habib Bank Ltd.

The SBP has raised the level of revaluation reserves in the balance sheet of microfinance banks (MFBs) from 50 % to 100%.

The SBP has allowed foreign exchange companies to collect utility bills and install ATMs in their premises.

According to SBP, total liquid foreign exchange reserves as on June 05, 2015 stood at \$ 17.446 bn of which \$ 12.312 bn was held by SBP and the rest with banks.

The Federal Budget for 2015-16 has targeted GDP growth at 5.5 % in the fiscal ending June 2016. Some of the relatively more important features of the budget are noted below:

- total outlay has been placed at Rs. 4.451 trillion, higher by 12.8 % over the previous fiscal;
- gross revenue collection has been targeted at Rs. 4.168 trillion, higher by 9.2 % over 2014 -15;
- the gap between gross revenue and gross revenue expenditure has been anticipated at Rs. 1.328 trillion;
- fresh taxation measures are expected to yield Rs. 253 bn;
- subsidies would be cut by 32.2 % to Rs. 137 bn;
- power sector would be provided Rs. 248 bn to counter load - shedding related problems;
- salaries and pensions of government servants would be raised by 7.5 %;
- defence expenditure has been raised by 11 % to Rs. 781 bn;
- a special income tax holiday regime would be introduced in the province of Khyber Pakhtunkhwa;
- capital gain tax at 7.5 % on share transactions in the bourses has been proposed;
- liquid foreign exchange reserves are anticipated at \$ 20.0 bn by end - 2015 - 16 fiscal;
- public sector development programme (PSDP) has been placed at Rs. 1.513 trillion;

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 | 6.56 | 6.81 | Rs. 157.13 | Rs. 115.62 | Rs. 101.86 | 34,032 | Rs. 39,942 |
| Ending | 6.63 | 6.88 | Rs. 157.30 | Rs. 114.57 | Rs. 101.80 | 34,651 | Rs. 39,728 |
| Change | +0.07 | +0.07 | +0.17 | -1.05 | -0.06 | +619 | -214 |

- special incentives have been introduced for agriculture, construction and manufacturing sector of the economy;
- the minimum wage level has been increased from Rs. 12,000 to Rs. 13,000;
- the fiscal deficit target has been set at 4.3 % of GDP.

The Pakistan Economy Survey, 2014 - 15, has forecast GDP growth in the current fiscal (July - June 2014 - 15) at 4.24 % against the target of 5.10 %. Some of the more important features and forecasts of the Survey for the full fiscal are noted below:

- agricultural sector growth may be lower at 2.88 % against the target of 3.3 %
- industrial sector growth may be lower at 3.62 % against the target of 6.8 %;
- growth in the services sector may slow down to 4.95 % against the target of 5.2 %;
- CPI inflation has been coming down sharply and was recorded at 4.65 % averagely in the first eleven months of the current fiscal YoY, well below the target of containing it at 8.0 % during the full fiscal;
- merchandise exports and imports are likely to be lower by 3.0 % and 1.61 % respectively, over the previous fiscal;
- home remittances in the first ten months of the current fiscal registered a growth of 16 % over the same period last fiscal to \$ 14.97 bn;
- net foreign investment in the first ten months of 2014 - 15 stood lower at \$ 2.6 bn against the target of 5.7 bn compared to in flowed \$ 3.11 bn last fiscal;
- liquid foreign exchange reserves are likely to exceed significantly over the current level of over \$ 17.0 by end - fiscal;
- private sector credit offtake has been lower at Rs. 162 bn against Rs. 371 bn last fiscal;

International

The Bank of England (BoE) has left its key lending rate unchanged at 0.5 %.

The central bank of Brazil has raised its benchmark lending rate by 0.50 to 13.75 %.

The European Central Bank (ECB) has left its key refinancing (refi) rate unchanged at 0.05 %.

Home remittance in the first eleven months of the ongoing fiscal (July - May 2014 - 15) into Bangladesh amounted to \$ 13.87 bn, higher by 7.2 % over the same period of 2013 - 14.

The OPEC group of countries has decided to keep their output level unchanged at 30 mn bpd despite the international oil glut leading to falling prices.

Vietnam's GDP growth has been targeted officially to rise to 6.50 % in 2016 against anticipated 6.20 % in 2015 and realised 5.98 % in 2014.



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