

# economicletter

a weekly publication of The Institute of Bankers Pakistan

## Pakistan

According to SBP, private foreign direct investment (FDI) during July-May 2014-15 fell to \$0.803bn against \$1.509bn in the same period of 2013-14. **Portfolio investment** rose to 669.4mn against \$212.3mn during the above periods.

Some of the main features of **SBP's Quarterly Performance Review** of the **banking system** for the year ending March 2015 over the same period of 2014 are noted below:

- **Return on assets** improved to 2.6% against 1.9%;
- **Capital adequacy ratio (CAR)** improved to 17.4% against 17.1%
- **Assets base** registered an increase of 3.5%;
- **Non-performing loans (NPL's)** base increased by 0.50%;
- **Net loans to net NPL's** by 09 basis points(bps) to 2.8%;
- **Pre-tax profit** rose by 58%.

According to SBP, total liquid foreign exchange reserves as on June 12, 2015 stood at \$ 17.448 bn of which \$ 13.284 bn was held by SBP and the rest with banks.

**Moody's Investors services**, one of the top international credit rating agencies, has **upgraded Pakistan's sovereign credit rating** by a notch to "B3" from "coal" with outlook as steady.

According to Pakistan Bureau of statistics (PBS), f.o.b. data, total **merchandise export** earnings during July-May 2014-15 fell to \$21.875bn against \$22.082bn in the same period of 2013-14. Total **merchandise import** payments rose to \$41.610bn against \$40.755bn during the above periods.

According to PBS, **exports** of the **services sector** during July-April 2014-15 stood at \$5.022bn, a rise of 19.50% over the same period of 2013-14. **Imports** of the sector was recorded at \$6.716bn higher by 1.07% over the same period last fiscal.

The government has given its approval to a **Chinese firm** to build a **power plant** of a capacity of 1,400 MW's based on the **coal reserves of Thar** in Sindh Production is scheduled from the 2017-18 fiscal.

The International Finance Corporation (IFC) the private sector arm of the World Bank Group is to directly invest \$50 mn besides mobilizing another \$72mn for the construction of the **Gulpur** run of the river Poonch near the Mangla Dam **power plant** capable of generating 102 MWs of cheap electricity. The total cost of the project has been placed at \$365.1mn.

## 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	6.63	6.88	Rs. 157.30	Rs. 114.57	Rs. 101.80	34,651	Rs. 39,728
Ending	6.68	6.93	Rs. 161.01	Rs. 115.56	Rs. 102.07	34,526	Rs. 39,857
Change	+0.05	+0.05	+3.70	+0.99	-0.09	-125	+129

The **Punjab budget** for July-June 2015-16 envisages a revenue outlay of Rs.1.447 bn and the annual development programme(ADP) of Rs.400bn.

The **Sindh budget** for 2015-16 has proposed a revenue expenditure of Rs. 739.3 bn. The size of the annual development programme (ADP) has been set at Rs.214bn.

The **provincial budget of Khyber Pakhtunkhwa** 2015-16 envisages expenditure of Rs.488bn. The annual development programme(ADP) has been sized at Rs. 175bn.

The **Balochistan budget** for 2015-16 entails a revenue expenditure of Rs. 243 bn. The size of the annual development programme (ADP) has been set at Rs. 54.5 bn.

The **Azad Jammu and Kashmir budget** for 2015-16 entails an expenditure of Rs.68bn including an allocation of Rs. 11.5bn for the annual development programme(ADP).

## International

The Reserve Bank of India (RBI), the central bank of the country has introduced **new regulations** under which banks would acquire controlling shares in companies defaulting with **non - performing loans (NPLs)**.

**India's current account deficit** narrowed to \$ 1.3 bn or 0.2 % of GDP in the first quarter of 2015. The narrowing of the deficit has now been for six consecutive quarters.

The Central bank of **South Korea** has cuts its **key lending rate** to a record low at 1.5 %.

The Central bank of **Russia** has cut its **key lending rate** by 1.0 % to 11.0 %.

**Standard e Poor's**, one of the top international credit rating agencies of the world, has affirmed **Britain's sovereign credit rating** at "AAA" but has put the country's future outlook as negative on account of the referendum on EU membership.

**Saudi Arabia** has allowed **foreign investors** to operate in the kingdom's **stock market**, the largest in the Arab world, with a market capitalisation of \$ 560 bn, The measures, first of its kind, is being seen as diversification of the economy currently too dependent on heavy - crude oil production and export.

**Brazil**, the largest Latin American economy, is to invest **\$ 64 bn** over the next five years to upgrade its infrastructure development needs.

**Standard e Poor's**, an international credit rating agency, has felt its **sovereign rating** of the **U.S.** unchanged at "AA+" compared to its triple A ("AAA") rating assigned to the country previously.

**CPI inflation in China** fell to 1.2 % in May against 1.5 % in April, year - on - year, stoking fears of a deflationary spell in a slowing economy.



**Editor: Syed Mahdi Mustafa [M.Sc. London School of Economics] | Composer: Jahangir Ishaq**

Published by: The Institute of Bankers Pakistan, M.T. Khan Road, Karachi 74200, Pakistan  
Phone: (021) 35277538 | Fax: (021) 35222416 | Email: publications@ibp.org.pk | Website: www.ibp.org.pk

General Disclaimer: Data used in the Economic Letter is based on government sources besides recognised representative private sector trade bodies as reported in the print media. They are cross-checked before release. Yet an error or two may creep in, regrettable as they may be as part of human nature. Reporting is unopinionated. The Institute of Bankers Pakistan stands totally absolved of any error contained in the Economic Letter, either in reporting or composing.