

economicletter

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Pakistan

According to SBP's economic review for the third quarter (January – March 2016) broad improvements in macroeconomic indicators including energy supplies and security situation point towards a higher and higher sustainable growth. While large – scale manufacturing (LSM) sector growth has rebounded sharply in the first nine months of FY 16, the drop in the agricultural sector output needs to be looked into lest it drags down overall GDP growth.

The SBP has cut its markup rate on export finance from 4.5 % to 3.0 % effective July 01, 2016.

The SBP has made the incorporation of International Bank Account Number (IBAN) mandatory for banks under Pakistan (home) remittances initiative (PRI) by end – December 2016.

The SBP has revamped branchless banking regulations to conform closer to international norms as also to enhance financial inclusion.

According to SBP, foreign firms operating in Pakistan repatriated \$ 1.816 bn by way of profits and dividends during July – May 2015 – 16 against \$ 1.381 bn in the same period of 2014 – 15.

According to SBP, home remittances growth was lower at 12.3 % in CY 15 compared to 17.9 % in CY 14. It expects it to fall further in CY 16 mainly due to falling oil prices.

The SBP has noted that investment banks are losing ground to commercial banks mainly for want of sufficient funding sources and better investment strategy of commercial bankers.

According to SBP, total liquid foreign exchange reserves as on 8th July 2016, stood at \$ 23.063 bn of which \$ 18.104 bn was held by SBP and the rest with banks.

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	5.84	6.09	Rs. 143.95	Rs. 143.95	Rs. 105.55	37,389.88	Rs. 41,742
Ending	5.79	6.04	Rs. 141.07	Rs. 116.75	Rs. 105.06	39,188.49	Rs. 40,385
Change	-0.05	-0.05	-2.88	-27.2	-0.49	+1798.61	-1357

The **FBR** has provisionally placed **gross revenue collection** by it at Rs. 3.09 trn in the fiscal ending June 2016, higher by 19.31 % over the previous fiscal and target mobilisation.

The **FBR** has introduced **zero – rated** sales tax regime for five sectors of industry namely textiles, carpets, leather, surgical and sports goods.

CPI inflation (PBS data) in the 2015 – 16 fiscal averaged 2.86 %, lowest for 13 years, against 4.53 % last fiscal. Food inflation in June 2016 stood at 2.3 % compared to 3.2 % in June 2015.

International

The **Chinese President** in a surprise statement has urged orderly and quick solution of issues resulting from the Brexit referendum a failing which **international financial stability**. The statement is surprising as China normally does not comment on political issues even when they have consequences at the global level.

GDP growth in the U.K. slowed to an annualised pace of 0.4 % in the first quarter of 2016 against 0.7 % in the last quarter of 2015.

China's external debt at end – March 2016 stood at \$ 1.36 trn, lower by 3.6 % over the end – December 2015 level

The Bank of England (**BoE**) has left its key **lending rate** unchanged at 0.50 %.

The central bank of **Taiwan** has cut its **interest rate** for the fourth consecutive meeting to 1.375 %, lowest since mid – 2010.

The Bank of **Korea** (BoK) has kept on hold its **lending rate** at 1.25 %.

The Reserve Bank of **Australia** has left its **lending rate** unchanged at 1.75 %.

Private **foreign direct investment (FDI)** into China, excluding in the financial sector, rose to \$ 69.42 bn in the first half of 2016, a rise of 5.1 % over the same half of 2015.

The **G-20** group of countries have agreed on a Resolution to adopt **freer trade** policies with least application of tariff barriers particularly the invisible ones lest global growth following Brexit stalls and another recession takes hold.



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