

# economicletter

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## Pakistan

The SBP has reduced the rate of interest on its Export Finance Scheme (EFS) from 6.0 % to 4.5 %.

The SBP has reduced its markup rate / service charges by 1.50 % to 6.0 % for Flood Affected Areas Scheme, 2014.

According to SBP, foreign firms operating in Pakistan repatriated \$ 1.636 bn by way of profits and dividend in the 2014 – 15 fiscal against \$ 1.222 bn in the preceding fiscal.

According to SBP, interest payment by the government on domestic debut during July – May 2014 – 15 rose to Rs. 1.119 trillion against Rs. 988 bn in the same period of 2013 – 14.

According to SBP, the services sector export earnings during the July – June 2014 – 15 fiscal rose to \$ 5.741 bn against \$ 5.345 bn in the 2013 – 14 fiscal. Import payment of the sector was recorded at \$ 8.258 bn against \$ 7.901 bn during the above fiscals.

The SBP has allowed Meezan Bank, the largest Islamic bank in the country, to start due diligence for taking HSBC Oman banking operations in Pakistan.

According to SBP, total liquid foreign exchange reserves as on July 31, 2015 stood at \$ 18.822 bn of which \$ 13.766 bn was held by SBP and the rest with banks.

The World Bank has offered a credit line of \$ 2.0 bn over the next four years to support the government's macro development programmes currently on course both in the public and private sectors.

According to Pakistan Bureau of Statistics (PBS) CPI inflation in July, the first month of current 2015-16 fiscal, was recorded at 1.8%, year-on-year (YoY), the lowest level since September 2003. Non-food-non-energy (NFNE) trimmed core inflation fell to 4.1 % in July against 4.6 % in June. Food inflation in July was lower by 0.33 % over June.

## 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	6.79	7.04	Rs. 158.35	Rs. 111.54	Rs. 101.78	35,741	Rs. 37,757
Ending	6.82	7.07	Rs. 158.98	Rs. 110.87	Rs. 101.79	36,222	Rs. 38,014
Change	+0.03	+0.03	+0.63	-0.67	+0.01	+481	+257

The government has reduced significantly the per litre cost of various petroleum products including that of petrol, light and high speed diesel and kerosene oil by varying margins for the month of August.

According to PBS, f.o.b data, import cost of the oil sector, comprising of crude oil and petroleum products, fell to \$ 11.695 bn in the 2014 – 15 fiscal against \$ 14.860 bn in the previous fiscal.

According to PBS, f.o.b data, import cost of mobile telecom equipment in the July – June 2014 – 15 fiscal was recorded at \$ 654.558 mn, lower by 10 % over the previous fiscal.

According to SBP, the per-acre yield of major crops namely wheat, rice, sugarcane and maize declined by 4.5 % in FY 15 over FY 14 due to seed – stock and low use of fertilizers while that of cotton gained on both counts.

## International

The U.S economy expanded by 2.3 % in the quarter to June against a growth of 0.6 % in the first quarter.

The Reserve Bank of India RBI has left its Key repo rate unchanged at 7.25 %.

The central bank of Russia has cut its Key lending rate by 50 basis points to 11.0 %.

The Reserve Bank of Australia (RBA) has left its Key lending rate unchanged at 2.0 %.

India is to invest \$ 11.0 bn over the next four years to bailout state-owned ailing banks. This follows the earlier decisions of the central bank to allow foreign investors to own upto 64 % equity in any banking company.

The Central Bank of Bangladesh is to provide the government \$ 500 mn in two equal instalments for augmenting production in the country's manufacturing sector.

The European Bank for Reconstruction and Development (EBRD), has approved a credit line of \$ 500 mn for Russia's second largest oil refinery, despite sanctions against the country by almost all the Western countries led by the U.S.

The 28- nation European Union (EU) has signed a free trade agreement (FTA) with Vietnam leading to dismantling of all trade barriers over the next few years. Bilateral trade between the two was recorded at \$ 30 bn in 2014, having grown three – fold over a decade ago.

The IMF has estimated that sanctions imposed against Russia may chip –off almost 9 % of its potential GDP growth.

The British Government has started sale of its stake in Royal Bank of Scotland (RBS) valued at £ 2.0 bn (\$ 3.1 bn) after its bailout package provided seven years ago having run its course.



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