

# economicletter

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## Pakistan

The Standing Committee on Finance of the National Assembly has been informed by the SBP that an outflow of \$ 7.9 bn was recorded under the head of “foreign currency account during the last five years.”

According to SBP, the current account deficit widened to \$ 591 mn in July, the first month of the current 2016-17 fiscal, compared to \$ 234 mn in the same month last fiscal.

The SBP has issued fresh guidelines on performance evaluation of board of directors (BoDs) aimed at aligning regulatory regime with best international practices.

According to SBP, total liquid foreign exchange reserves as on 19th August 2016, stood at \$ 23.081 bn of which \$ 18.187 bn was held by SBP and the rest with banks.

The Asian Development Bank (ADB) has approved a credit line of \$ 810 mn for development and upgradation of the power transmission system. The amount would be disbursed over a ten – year period to 2026.

The large scale manufacturing (LSM) sector registered a growth of (PBS data) 3.21% in the fiscal ending June 2016, lower by 0.46% over the previous fiscal.

Export earnings of textiles and clothing in July this year (PBS f.o.b. data) fell to \$ 982.6 mn against \$ 1.02 bn in the same month last year.

The services sector trade deficit (PBS data) widened to \$ 290 mn in July 2016 compared to a surplus of \$ 51 mn in the same month of 2015.

## Markets at a glance

Weekly Review	KIBOR (6 months)		Foreign Exchange Rates			PSX	Gold Rate
	Bid %	Offer %	GBP(£)	EURO(€)	USD(\$)	100 Index	(10 gm)
Beginning	5.78	6.03	Rs. 139.75	Rs. 118.25	Rs. 106.50	39,907.64	Rs. 41,603
Ending	5.79	6.04	Rs. 139.70	Rs. 119.75	Rs. 106.40	39,926.70	Rs. 40,975
Change	+0.01	+0.01	-0.05	+1.5	-0.1	+19.06	-628

The Pakistan Electric Power Company (**Pepeco**) – the umbrella organization of all public sector power companies - in its annual “Financial Review, 2015-16” has reported that power sector **receivables** were slightly over Rs. 684 bn by end Fy 16. **The payables** stood at Rs. 300 bn by end above fiscal.

**Import cost of the machinery group** in July this year (PBS f.o.b. data) amounted to \$ 739.078 mn, led by the power sector related needs, against \$ 537.509 mn in the same month last year.

The provincial government of **Khyber Pakhtunkhwa** has signed an agreement with a Chinese firm and a bank to build an **870 MWs** Suki Kinari hydro power project to cost Rs. 200 bn to be operational in 5 years.

## International

**Saudi Arabia** is to allow foreign institutional investors to buy **shares** directly in initial public offerings (**IPOs**), a move that could help the government sell billions of dollars’ worth of stakes in state owned companies including the oil giant Saudi Aramco.

The Central bank of **Turkey** has cut its main overnight **lending rate** by 25 basis points (bps) from 8.75 % to 8.50%, the cut being for the fifth consecutive time.

The Bank **Indonesia** has cut its **repo rate** by 100 bps to 6.0% while leaving the reverse repo rate unchanged at 5.25%.

**The German economy** expanded by an annualised pace of 1.8 % in the three months to June, seasonally adjusted, compared to 1.9 % in the previous quarter, both year-on-year.

**Spain’s economy**, the fourth largest on the euro bloc, is projected to rise by 2.9 % in 2016, having grown by 3.2 % in 2015. Unemployment has come down from 20 % post – 2008 financial crisis and is projected to come down to 16 % by 2017.

**Mexico’s economy** shrank by 0.2%, seasonally adjusted, in the second quarter this year over the first quarter - the first time in three years (-) but is being forecast to shrug off any recessionary spell.

**CPI inflation in the U.S.** rose by 0.2 % in July on a seasonally adjusted basis, the same level as in June and May, year-on-year.

**CPI inflation in Egypt** was recorded at 14 % in July, unchanged from the June level, year-on-year. Core inflation eased slightly in July over June but at 12.31 % was still highest for seven years.



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