

economicletter

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Pakistan

The SBP has refuted reports that outflow by way of home remittances to India from Pakistan in the July – June 2015 – 16 fiscal was \$ 4.9 bn. The amount has been placed at \$ 116,000 with inflows from India to Pakistan has been placed at \$ 329,000 on the above account during the fiscal.

According to SBP, the current account deficit widened to \$ 1.136 bn during July – August 2016 against \$ 686 mn in the same months of 2015.

According to SBP, net foreign direct investment FDI during July – August 2016 fell to \$ 112.6 mn against \$ 240.8 mn during the same months of 2015. Portfolio investment witnessed net inflow of \$ 41.4 mn against net outflow of \$ 72.3 mn during the above two months of 2015.

According to SBP, infrastructure financing by banks and DFIs rose to Rs. 444 bn by end – March 2016 against Rs. 368 bn as by end-December 2015.

According to SBP, the government has retired Rs. 524 bn of its borrowings from banks during July – August 2016 against the retirement of Rs. 253 bn in the same months of 2015.

According to SBP, total liquid foreign exchange reserves as on September 16, 2016, stood at \$ 22.698 bn of which \$ 17.657 bn was held by SBP and the rest with banks.

The Organisation for Economic Cooperation and Development (OECD), a grouping of most industrialised countries, has admitted Pakistan as a signatory to its Multilateral Convention on Mutual Administrative Assistance in Tax Matters. The admission negotiation spread over two years entails amendments in Pakistan's domestic income tax laws, as demanded by the OECD.

Export earnings of textiles and clothing (PBS f.o.b. data) during July – August 2016 was recorded at \$ 2.071 bn against \$ 2.127 bn in the same months last year.

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	5.80	6.05	Rs. 139.75	Rs. 118.25	Rs. 106.50	40,363.68	Rs. 44,150
Ending	5.81	6.06	Rs. 139.70	Rs. 119.75	Rs. 106.40	39,781.95	Rs. 44,914
Change	+0.01	+0.01	-0.05	+1.5	-0.1	-581.73	-764

Export earnings of the services sector (PBS data) fell to \$ 327.2 in July this year against \$ 701.2 mn in the same month last year. Import payments of the sector also stood lower at \$ 617.5 mn against \$ 649.7mn during the above months.

The World Bank in its annual report on “Ease of Doing Business Index, 2016” has placed Pakistan at 138th position in its survey of 189 countries, a slippage of 02 points over 2015.

Gross revenue collection by the Federal Board of Revenue (FBR) in the first two months of the current fiscal (July – August 2016) amounted to Rs. 368 bn. The full fiscal target has been set at Rs. 3.62 trn, higher by 16 % over the target and achieved last fiscal.

International

The U.S. Federal Reserve has left its various lending rates unchanged at between 0.25 – 0.50 %.

The Bank of England (BoE) has left its key lending rate unchanged at 0.25 %.

The central bank of Russia has cut its key lending rate by 50 basis points (bps) to 10.0 %, the cut being the second since June this year.

The central bank of Turkey has left its key overnight lending rate by 0.25 % to 8.25 %.

The German Chancellor has argued that the European Union (EU) was facing a “critical situation” after Brexit and therefore a greater cohesion was needed in policy matters amongst the remaining 27 countries. Some East – European countries, have flatly refused to agree to the migrants- related relocation issue.

CPI inflation in the U.S. rose by 0.2 % in August, year-on-year (YoY) bringing the average to 1.1 % in the 12 – months to August against 0.8 % in the 12 – months to July.

The International Monetary Fund (IMF) in a study of 179 conflict – ridden countries has assessed that war costs in the Middle East and North Africa countries have eclipsed 6 – 15 percentage points of their potential GDP growth against the global average of 4 – 9 percentage points. Syria’s GDP was half of its pre – 2010 level, Yemen lost between 25 – 35 % of its GDP in 2015 while Libya’s GDP fell by 24 % in 2014, the above three being the most glaring losses.



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