

economicletter

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Pakistan

The SBP in its latest monetary policy statement (MPS) to be effective from September 14, 2015 for two months has cut its basic discount rate by 50 basis points from 6.50 % to 6.0 %. The overnight repo rate has come down to 4.5 % from 5.0 %. The floor and ceiling levels for the interest rate corridor are now 4.5 % and 6.5 % respectively. With inflation measured by the parameters namely NFNE core, CPI, SPI and WPI all showing a declining trend, the rate cut policy is well placed. The reduction augurs well for increasing new private sector capital formation helping the government to introduce structural reforms thus resulting in better public-private sector partnership leading to better economic activity already well in sight.

According to SBP, private foreign direct investment in the first two months of the current fiscal (July – August 2015) rose to \$ 119.3mn against \$110.9 mn in the same months last fiscal. Foreign portfolio investment witnessed an outflow of \$ 72.6 mn, a swing of 163.9 % over the above periods last fiscal.

According to SBP, total liquid foreign exchange reserves as on September 11, 2015 stood at \$ 18.726 bn of which \$ 13.556 bn was held by SBP and the rest with banks.

The Prime Minister, has unveiled a stimulus package of Rs. 341 bn for the farming sector with focus on infrastructure development, easy and cheap credit availability particularly for small farmers, greater supply of tractors and high quality seeds.

The Securities and Exchange Commission of Pakistan (SECP) has introduced new accounting and reporting regulations for small and medium sized enterprises (SMEs) and small – sized enterprises (SSEs) in order to bring them at par with international norms. They are also aimed at greater transparency and efficiency. The new regulations would be effective from January 1, 2016.

According to Pakistan Bureau of Statistics (PBS), f.o.b data, merchandise export earnings during July – August 2015 fell to

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. 161.00	Rs. 117.6	Rs. 104.3	33,672	Rs. 38,400
Ending	6.36	6.61	Rs. 160.25	Rs. 118.15	Rs. 104.55	32,760	Rs. 39,300
Change	-0.43	-0.43	-0.75	+0.55	+0.25	-912	+900

\$ 3.432 bn against \$ 3.825 bn in the same months of 2014. Merchandise **import payments** during the above periods fell to \$ 7.194 bn against \$ 7.931 bn.

According to the **Federal Minister of Petroleum and Natural Resources**, supply of **natural gas** may not be available to the industrial sector in the Punjab this winter with a view to cater to the needs of domestic consumers.

Telenor, a mobile firm, has signed a \$ 1.0 bn deal to acquire 100 % shares of **Tameer Microfinance Bank** subject to the approval of the SBP.

According to Pakistan Automotive Manufacturers Association, **total sale of locally assembled cars** in the first two months of the current fiscal (July – August 2015) rose to 29.168 units against 16.466 units in the same months last fiscal.

International

The **World Bank** has come to conclude that international money markets would continue to be wary and volatile given the tight monetary stance of the **U.S Federal Reserve**.

Twelve leading international banks in the U.S have reached a \$ 1.865 bn deal with regulators as compensation for depositors on account of swap price fixing settlements resulting in

capital losses of investors.

China has introduced a number of measures to revamp the faltering state – owned enterprises (**SOEs**) including partial privatization where warranted.

CPI inflation in Britain fell back to zero in August against a rise of 0.1 % in July, year-on-year.

CPI inflation in India fell to 3.66 % in August compared to 4.05 % in July, year-on-year.

CPI inflation in the 19 nation **euro bloc** was recorded at 0.2% in August, year-on-year, far below the ECB target of it being close to 2.0%. Although signs of recovery are distinct in the bloc deflationary spell remains deep calling for raise in the ECB's interest rate stance.

The central bank of **South Korea** has left its **Key lending rate** unchanged at a record low of 1.5 %.

German exports and imports reached record highs at 103.4 bn euros and 80.6 bn euros respectively, highest since records began in 1991.

Standard and Poor's has downgraded **Brazil's** sovereign credit rating from "BB-plus" to "BBB-minus".



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