

# economicletter

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## Pakistan

The **SBP** in its latest Monetary Policy Statement (**MPS**) valid for two months effective November 23, 2015 has left its key **discount rate unchanged at 6.0 %**. Some of the relatively more important aspects and forecasts of the MPS are noted below:

- **average CPI inflation** in the full July - June 2015 -16 fiscal would remain well within the target of 6.0 %;
- non – food – non - energy (**NFNE**) trimmed **core inflation** continues to remain in comfort zone;
- monetary expansion (**MZ**) was recorded at **0.2 %** during July 1 - November 6, 2015 against **0.7 %** in the same period of 2014;
- the **current account deficit fell** sharply to \$ 532 mn during July - October 2015 against \$ 1.90 bn in the same period of 2014;
- large - scale manufacturing (**LSM**) sector having grown by 3.9 % in the first quarter of the current fiscal, year-on-year (YoY); may strengthen further;
- per hectare yield, except for cotton, dropped for wheat, rice and sugarcane which combined may adversely affect the **agricultural sector** production target;
- the **savings - investment gap** has improved considerably;
- **fixed investment** grew for four consecutive quarters.

According to SBP, total liquid **foreign exchange reserves** as on November 20, 2015 stood at \$ 19.829 bn of which \$ 14.677 bn was held by SBP and the rest with banks.

**Afghanistan** has offered easy access to Pakistan in its trade with Central Asian Republics (**CARs**). It has also sought land - route access in its trade with **India**.

The Asian Development Bank (**ADB**) has approved two credit lines totaling **\$ 1.4 bn** for the power sector focusing mainly on

## 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	6.16	6.41	Rs. 162.45	Rs. 114	Rs. 106.1	33,857	Rs. 38,785
Ending	6.28	6.53	Rs. 160.95	Rs. 113.4	Rs. 106.2	32,960	Rs. 38,485
Change	+0.12	+0.12	-1.5	-0.6	+0.1	-897	-300

generated electricity entailing a loss of about 20 % due to high technical and commercial losses.

Export earnings of value – added textile products (f.o.b data) fell to \$ 4.271 bn during July – October 2015 against \$ 4.587 bn in the same period of 2014.

Total import payments during July - October 2015 (f.o.b. data) fell to \$ 14.56 bn against \$ 16.71 bn in the same period of 2014.

Total cement despatches during July – October 2015 at 11.4 mn tonnes was highly by 4.0 % over the same period of 2014.

Domestic despatches were higher by 14 % while foreign despatches were lower by 27% during the above periods.

Total sale of locally assembled cars during July – October 2015 stood at 60,081 units, higher by 55 % over the same period of 2014.

The Asian Development Bank (ADB) has signed agreement to disburse \$ 800 mn for the power sector and to help the reconstruction needs of natural disasters.

## International

China has allowed some international central banks to operate directly in its foreign exchange market as also in its financial system generally. The measure, first of its kind has been interpreted as a facilitative step for the inclusion of the Yuan in the IMF's basket of currencies which determines the value of Special Drawing Rights (SDRs), the world's top reserve currency.

The U.S. economy expanded by 2.1 % in the third quarter to September over the same quarter of 2014.

China has busted the biggest ever an “underground” bank engaged in shadowy economy for a considerable number of years.

The 10-nation Association of Southeast Asian Nations (ASEAN) have struck an historic deal to integrate economic and security policy measures. The bloc would eventually develop somewhat as an European Union (EU) type region, over an year or so.

The central bank of South Africa has raised its key lending rate by 0.25 % to 6.25 %.



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