

economicletter

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Pakistan

The SBP in its survey of the economy for the first quarter of the current fiscal (July – September 2015) has come to conclude that notwithstanding broad improvement in the economy at the macro-level, the GDP growth target of 5.5 % for the current full fiscal may pose challenges. This would be mainly due to lower agricultural sector growth target. Cotton production has been badly hit particularly in Punjab due to inclement weather and pest attack. While CPI inflation would be well contained, the tax to GDP ratio needs to be improved to contain fiscal deficit.

According to SBP, net private foreign direct investment (FDI) during the first half of the current fiscal (July – December 2015) rose to \$ 624.1 mn against \$ 610.4 mn during the same half last fiscal. Portfolio investment recorded an outflow of \$ 387.2 mn against an outflow of \$ 238.3 mn during the above periods.

According to SBP, the current account deficit narrowed to \$ 1.267 bn during July – December 2015 against \$ 2.463 bn in the same period of 2014.

According to SBP, monetary expansion M2 during July – December 2015 was recorded at 4.23 % against averaged 2.73 % in the same period of 2014.

The SBP has extended the time limit for purchase of approved foreign currencies by foreign exchange companies by another three months.

According to SBP, total liquid foreign exchange reserves as on January 15, 2016 stood at \$ 20.689 bn of which \$ 15.752 bn was held by SBP and the rest with banks.

The Prime Minister has constituted a special 11 – member committee including the Chief Ministers of all the provinces to ensure timely efficient and transparent implementation of all the projects as envisaged under the China – Pakistan Economic Corridor (CPEC).

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	6.12	6.37	Rs. 148	Rs. 114	Rs. 104	33,936	Rs. 38,614
Change	-0.04	-0.04	-14.45	0.00	-2.1	+79	-171

The IMF has forecast that public deb – domestic plus external – would come down to 55.2 % of GDP by 2021 against 64.9 % of GDP as of now.

The large-scale manufacturing (LSM) sector registered a growth (PBS data) of 4.41 % during July – November 2015 over the same period of 2014.

Merchandise export earnings (PBS f.o.b data) during July – December 2015 fell to \$ 10.322 bn against \$ 12.058 bn in the same half last fiscal.

Merchandise import payments PBS f.o.b data in the first half of the current fiscal (July – December 2015) was recorded lower at \$ 22.246 bn against \$ 24.145 bn in the same half last fiscal.

The Pakistan Stock Exchange after integration of Karachi, Lahore and Islamabad stock exchanges has started operating from January 11, 2016.

International

Sanctions imposed against Iran by a U.S – led coalition of countries stand removed after agreement had been reached over the country's nuclear programme. Iran, as a consequence, hopes

to gain about \$ 100 bn in the short – term by way of unblocking of frozen assets and pre – sanction free trade opportunities.

The Chinese economy is officially estimated to have expanded by 6.9 % in 2015, the slowest annual pace in 25 years. It had grown by 7.3 % in 2014.

The German economy, largest in Europe, recorded a growth of 1.7 % in 2015, the fastest pace in four years.

International crude oil prices to slide and the benchmark Brent crude was trading during the week at \$ 30 a barrel, lowest for 12 years.

The Indian government is introducing new measures to boost the confidence of private sector entrepreneurs to give a fillip to growth. The most important of these would be tax breaks.

The Bank of Korea has left its key lending rate unchanged at 1.50 %, lowest record rate.

The central bank of Indonesia has cut its key lending rate by 25 basis points (bps) to 7.25 %, the first cut since February 2015.



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