

economicletter

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Pakistan

The **SBP** in its **Annual Report** for the July – June 2014-15 fiscal has projected **GDP growth** at between 4-5 % in the ongoing 2015-16 fiscal – against the target of 5.5 % and realised 5 % in 2014 – 15. Some of the relatively more important observations and forecasts of the Report are as under:

- the **lower than targeted** growth in the current fiscal would be mainly due to lower agricultural growth which was adversely affected by floods.
- **growth** in the large-scale manufacturing (**LSM**) sector recovering lately can yet get stabbed due to infrastructure bottlenecks, and low global demand of the sector's products;
- **average CPI inflation** in the current fiscal should be in the range of between 3.5 – 4.5 %;
- **structural reforms** and shifts by the government are needed to boost exports which lately show signs of sagging;
- **private sector capital investment** did not pickup as hoped for despite progressive cuts to an extremely low level in the discount rate;
- **macroeconomic stability** rests on various factors and the government must take steps to contain its **budgetary deficit** without which fiscal stability cannot be achieved notwithstanding the monetary policy stance of balancing it.
- unless the **taxation machinery** is geared-up further the tax-to-GDP ration would not reach desirable levels;
- banks should diversify their **loan portfolios** and should move away from relying too heavily, as of now from government – backed papers;
- while the roadmap of **growth of the economy** stands well defined, the backup support needs to be strengthened.

According to **SBP** private foreign direct investment (**FDI**) during July-November 2015 rose to \$ 540 mn against \$ 497 mn during the same periods of 2014. **Portfolio investment** recorded an out flow of \$ 194 mn against an inflow of \$ 191 mn during the above periods.

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	6.27	6.52	Rs. 160.7	Rs. 116.25	Rs. 106.25	33,048	Rs. 37,885
Ending	6.27	6.52	Rs. 159.2	Rs. 115.75	Rs. 106.4	32,777	Rs. 37,842
Change	0.00	0.00	-1.5	-0.5	+0.15	-271	-43

The **SBP** in its 2014 – 15 Annual Report has come to conclude that the country needs a **GDP growth** of **8 %** annually to absorb the existing labour force.

According to **SBP**, total liquid **foreign exchange reserves** as on December 11, 2015 stood at **\$ 20.709** bn of which **\$ 15.719** bn was held by **SBP** and the rest with banks.

The **Federal Finance Minister** has informed the National Assembly that a total of **\$ 24.85 is owed** to the World Bank (WB), the Asian Development (ADB), the Islamic Development Bank (IDB) and the International Fund for Agricultural Fund (IFAD) combined.

The Prime Minister has performed the laying down ceremony for the construction of the pipeline project for the supply of natural gas from Tajikistan to Afghanistan to Pakistan to India (TAPI). First conceived 25 years ago, the total cost of the project has been placed at \$ 10.0 bn.

The Economic Coordination Committee (ECC) of the Cabinet has approved the **Telecom Policy, 2015** aimed at as a catalyst towards achieving a knowledge-based society with digital inclusion of segments across the country.

Merchandise exports (f.o.b. data) fell to \$ 8.541 bn during July – November 2015 against \$ 9.909 bn in the same period of 2014. **Merchandise imports** (f.o.b data) stood lower at \$ 18.477 bn against \$ 203.11 bn during the same period of 2014.

According to a **private sector brokerage** house, listed companies raised Rs. **116 bn** through initial public offerings (**IPOs**) in 2015 compared to a raising of **Rs. 79** bn in 2014.

International

The U.S. Federal **Reserve** has raised its **interest rate** to 0.25% after holding it to near zero percent for over eight years.

China and the United Arab Emirates (**UAE**) have setup a joint **strategic fund of \$ 10.0 bn** for enhancing bilateral trade and investment in each other's country including in the energy sector particularly in production of clean renewable energy in the UAE.

International crude oil prices was lately trading at just over \$ 30 a barrel, lowest for eleven years following the OPEC decision to keep the production level unchanged at 31 mn barrels per day (bpd).



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