

economicletter

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Pakistan

The SBP with newly constituted Monetary Policy Committee (MPC), an independent body formed by the government, has left its Key Discount Rate unchanged at 6.0 % for the next two months effective February 01, 2016.

The SBP expects GDP growth in the current July – June 2015 – 16 fiscal to fall short by about 5 – 6 percentage points against targeted 05.5 % and thus remain at last fiscal's level.

According to SBP, CPI inflation during July – December 2015 averaged 2.1 % which is forecast to hover between 3-4 % in the current full fiscal.

The SBP has come to conclude that macroeconomic stability lately visible, the economy continues to face challenging structural problems for long-term sustainable stability.

According to SBP, the current account deficit in the first half of the current fiscal was almost half over last fiscal's July – December 2015 level driven mainly by following oil prices and higher home remittances.

According to SBP, the services sector trade deficit narrowed to \$ 1.017 bn during July – December 2015 against \$ 1.491 bn during the same period of 2014.

According to SBP, the fiscal deficit in the first quarter of the current fiscal was contained at 1.1 % of GDP against 1.2 % of GDP in the same quarter last fiscal and would likely be lower in the current full fiscal over last full fiscal.

The SBP has introduced fixed rates of return for Government of Pakistan Ijara Sukuk Bonds varying with time-periods.

According to SBP, total liquid foreign exchange reserves as on January 29, 2016 stood at \$ 20.275 bn of which \$ 15.435 bn was held by SBP and the rest with banks.

CPI inflation (PBS data) during the first seven months of the current fiscal (July – January 2015 – 16) averaged an increase of 2.26 % over the same period of 2014 – 15.

Arrival of new-crop seed-cotton phutti, at ginneries across the country by end-January at 9.612 mn bales (PCGA data) was lower by 33.4 % over the same period last crop season. Arrivals from Punjab were lower by 44.0 % and 4.6 % respectively during the above periods.

The Central Directorate of National Savings (CDNs) mobilised net Rs. 135 bn in the first half of the current fiscal, short of the

target of Rs. 151 bn set for the period. The full fiscal target is to mobilise Rs. 302 in fresh deposits in its various saving schemes.

International

The U.S economy grew by 2.4 % in 2015, the same pace as in 2014.

The U.S Federal Reserve has left its interest rate unchanged at 0.25 %.

The Reserve Bank of India (RBI) has left its key repo rate unchanged at 6.75 %.

The Bank of Russia has left its key lending rate unchanged at 11.0 %.

The central bank of South Africa has raised its lending by 25 bps to 6.75 %.

The Reserve Bank of Australia has left its key lending rate unchanged at 2.0 %.

China has officially set its GDP growth target for 2016 at between 6.5 – 6.7 % compared to realised 6.9 % in 2015.

The China led \$ 100 bn Asian Infrastructure Investment Bank (AIIB), with twenty founding members has made its debut across Asia in funding facilities which is expected to hover around \$ 10 – 15 bn an year over the next five years.

Unemployment in Germany at 6.2 % of workforce in January was lowest since 2010.

CPI inflation in the 19-nation euro bloc rose by 0.4 % in January this year against 0.2 % last December year-on-year last year yet far below the ECB target of it being close to 2 %.

Moody's Investors Services has downgraded Malaysia's sovereign debt rating outlook by a notch from "positive" to "stable".

Fitch rating agency has lowered New Zealand's sovereign credit rating by a notch from "positive" to "stable" yet rating its overall rating at "AA+".



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