

# economic letter

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## Pakistan

According to SBP, total domestic debt rose to Rs. 14.192 trn by end-December 2016 against Rs. 12.879 trn by end-December 2015.

The SBP Governor has urged banks to focus on agricultural financing as it has a great potential to contribute to higher GDP growth with strong forward and backward linkages.

According to the Agricultural Credit Advisory Committee (ACAC), headed by the SBP, agricultural credit extended by banks and specialized institutions during the first half of the current fiscal (July-December 2016) equalled to 43.1% of the full fiscal indicative target of Rs. 700 bn.

According to SBP, total liquid foreign exchange reserves as on 3<sup>rd</sup> February 2017, stood at \$ 22.03 bn of which \$ 17.22 bn was held by SBP and the rest with banks.

CPI inflation during July – January 2016-17 averaged an increase of 3.85% (PBS data) compared to a rise of 2.26% in the same period of 2015-16. Food inflation rose by 2.6% in January, year-on-Year. Non - food – non – energy (NFNE) core inflation was higher by 5.4% in January over last December.

According to the Ministry of Water and Power, the government has outsourced the operation and maintenance of the 425 MWs Nandipur power project to a Chinese firm for a period of ten years.

The National Economic Council (NEC), the highest planning body of the country, has informed the National Assembly that the government hopes to achieve a GDP growth of 7.0% in the fiscal ending June 2018 against the targeted growth of 6.5% in the current fiscal ending June 2017.

## Markets at a glance \*Rates are taken till 5 pm\*

Weekly Review	KIBOR (6 months)		Foreign Exchange Rates			PSX	Gold Rate
	Bid %	Offer %	UK(£)	EURO(€)	USD(\$)	100 Index	(10 gm)
Beginning	5.88	6.13	Rs. 136.00	Rs. 116.25	Rs. 107.85	49,555	Rs. 43,242
Ending	5.89	6.14	Rs. 134.25	Rs. 114.20	Rs. 107.20	49,925	Rs. 43,371
Change	+0.01	+0.01	-1.75	-2.05	-0.65	+370	+129

Arrival of new crop seed cotton (phutti) by end – January (PCGA data) at 10.63 mn bales at ginneries across the country was higher by 10.6% over the same period last crop season. Arrivals from Punjab were higher by 17% while from Sindh it was higher by 0.8%.

The Federal Commerce Minister has informed the National Assembly that the GSP – plus status granted to the country by the European Union (EU) countries would remain effective till 2023.

The Fitch Rating agency has reaffirmed Pakistan's long-term foreign and local currency ratings at "B" with stable outlooks on both counts.

Total despatch of cement during July-January 2016-17 at 22.9 mn tonnes (industry data) represented an increase of 7.45% over the same period of 2015-16. Local despatches were higher by 9.52% while foreign despatches were lower by 3.44% during the above periods.

The Asian Development Bank (ADB) has signed a credit line of \$ 325.0 mn to generate clean energy through micro-hydro-power projects to be commissioned over the next five years in the KPK and Punjab provinces.

## International

Total liquid foreign exchange reserves held by the People's Bank of China was recorded at \$ 2.998 trn, the lowest slippage below \$ 3.0 trn in the last six years, yet the highest any single country holding in the world.

The Central Bank of China has raised the interest rate for the 7-day repurchase agreement from 2.25% to 2.35%.

The U.S. trade deficit in 2016 was recorded at \$ 502.3 bn, highest for four years.

The Indian Finance Minister expects the economy to slow down to 6.5% in the current fiscal ending March 2017 against the target of 8.0%. GDP growth is targeted at between 6.75 - 7.50 in the following fiscal ending March 2018.

The Reserve Bank of Australia has left its central lending rate, for the seventh consecutive meeting, unchanged at 1.5%.

The Central Bank of Sri Lanka has left its standing deposit facility rate (SDFR) and standing lending facility rate (SLFR) unchanged at 7.00% and 8.50% respectively.



**Editor: Syed Mahdi Mustafa [M.Sc. London School of Economics] | Composer: Jhangir Ishaq**

Published by: The Institute of Bankers Pakistan, M.T. Khan Road, Karachi 74200, Pakistan  
Phone: (021) 35277538 | Fax: (021) 35222416 | Email: publications@ibp.org.pk | Website: www.ibp.org.pk

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