

economicletter

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Pakistan

The SBP in its latest Monetary Policy Statement (MPS) has left its key discount rate unchanged at 5.75%. It expects GDP growth in the current July - June 2016 - 17 fiscal at between 5 - 6 % with CPI inflation at about 6%. The agricultural sector is likely to re cover lost ground. The large scale manufacturing (LSM) sector is growing well. The current account balance poses challenges, despite home remittances at over \$ 20 bn, unless the trade account improves.

The World Bank has signed an agreement with the SBP for technical cooperation to realise SBP's "Vision 2020". The agreement is the first of its kind signed by the Bank with any country in South - Asia.

According to SBP, exports of the services sector fell to \$ 2.535 bn during July - December 2016 against \$ 2.895 bn in the same period of 2015. Imports of the sector rose to \$ 4.244 bn against \$ 4.171 bn during the above periods.

According to SBP, non - performing loans (NPLs) of housing finance provided by banks and specialized institutions fell to Rs. 11.28 bn by end September 2016 against Rs. 12.75 bn by end June of the year.

According to SBP, consumer loans extended by banks rose to Rs. 46.1 bn during the first half of the current fiscal (July - December 2016) against Rs. 9.9 bn in the same half last fiscal.

The SBP has initiated an annual foreign investment survey to collect data on foreign assets and liabilities of companies / enterprises operating in Pakistan to be coordinated with the IMF and the SECP aimed at compiling the BoP position and International Investment Position.

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	5.86	6.11	Rs. 131.56	Rs. 112.08	Rs. 104.88	49,963	Rs. 42,942
Ending	5.88	6.13	Rs. 136.00	Rs. 116.25	Rs. 107.85	49,555	Rs. 43,242
Change	+0.02	+0.02	+ 4.44	+ 4.17	+2.97	- 408	+ 300

According to SBP, total liquid foreign exchange reserves as on 27 January 2017, stood at \$ 22.434 bn of which \$ 17.594 bn was held by SBP and the rest with banks.

The ECC of the Cabinet has approved the Infrastructure Finance Policy Pakistan, 2017. Under it a sound and long term framework has been provided to cater to demand and supply side finance needs and provisions to be met by the private and public sectors as also through foreign direct investment (FDI).

The government has raised the per liter cost of petrol and high speed diesel by Rs. 2.25 and Rs. 2.26 respectively for the fortnight ending February 15, 2017. Prices of other petroleum products remain the same.

The National Electric Power Regulatory Authority (NEPRA) has reduced upfront tariff rate for all wind – power projects to be established in future by 20%.

Agreement has been signed under which Hubco and a Chinese firm would setup two imported coal –fired power plants in Hub (Balochistan) and Thar (Sindh) with capacities to generate 1,320 MWs and 330 MWs of electricity respectively.

International

U.S. GDP growth in 2016 was recorded at 1.6%, the slowest pace since 2011, compared to a growth of 2.6 % in 2015.

Almost all the countries in the Gulf, including Saudi Arabia, are withdrawing subsidies available previously and are imposing value - added tax (VAT) to shore up their finances as international crude oil prices are yet to firm up despite cuts in total output both by OPEC and non - OPEC countries

CPI inflation in the Eurozone rose to 1.8% in January this year against 1.1% last December thus coming close to ECB's target of it being 2%. The rise, sustained, would mark the end of the hitherto deflationary spell. The bloc's GDP growth averaged 1.7% in 2016 with unemployment falling to average 9.6%.

GDP growth in Philippine has been officially placed at 6.8% in 2016 against 5.9% in 2015.

Spain the fourth largest economy in the 19 – nation Euro bloc, has sustained its growth momentum with a GDP expansion of 3.2% in 2016, the same as in 2015 but well above 1.4% recorded in 2014.



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