

economicletter

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Pakistan

Some of the relatively more important aspects and forecasts of SBP's Quarterly Performance Review for October-December 2016 are noted below:

- the solvency ratio at 16.17% remains high compared to the international norm of 10.65 %;
- the asset base improved by 4.6 % in the last quarter last year over the same quarter of 2015;
- the level of outstanding credit off-take by the private sector at Rs. 410 bn at end-December 2016 was highest for ten years;
- the ratio of non-performing loans (NPLs) to total loans at 10.1 % at end-December 2016 was lowest for eight years;
- the coverage ratio (provisions to NPLs) improved to near 85 % at end-December 2016 against 82.7 % at end-September of the year as recoveries were recorded higher;

- the banking sector's profitability may remain under pressure due to lower interest rate, receding investment in government papers and maturity of high-yielding long-term bonds.

The SBP has directed all concerned financial and non-financial institutions to provide it information related to portfolio investment by holdings of residents of Pakistan in equities and debt securities issued by unrelated non-residents as on December 31, 2016. The deadline of the information has been set at March 31, 2017.

The SBP has ordained that shipping documents would no more be required for imports from Afghanistan through the land route.

According to SBP, total debt of public sector enterprises by end-December 2016 stood at Rs. 628 bn against Rs. 459 bn by end-December 2015.

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	5.87	6.12	Rs. 131.50	Rs. 112.50	Rs. 107.20	49,623	Rs. 43,671
Ending	5.87	6.12	Rs. 128.75	Rs. 111.75	Rs. 106.20	49,191	Rs. 42,900
Change	0.00	0.00	-2.75	-0.75	-1.00	-432	-771

According to SBP, total liquid foreign exchange reserves as on 3rd March 2017, stood at \$ 22.152 bn of which \$ 17.141 bn was held by SBP and the rest with banks.

According to the Ministry of Finance, Pakistan has received \$ 4.565 bn (57 % of budgeted estimates) by way of loans and grants from multilateral and bilateral lenders during July-January 2016-17 against \$ 4.280 bn in the same period of 2015-16.

CPI inflation (PBS data) averaged an increase of 3.9 % during July-February 2016-17 against 2.5 % in the same period of 2015-16, YoY. Food inflation was higher by 3.7 % in February, YoY. Non-food-non-energy (NFNE) core inflation in February stood at 5.3 % , higher by 0.2 % over January.

Total despatch of cement (industry data) during July-February 2016-17 at 23.34 mn tonnes was higher by 6.4 % over the same period of 2015-16. While domestic despatches were higher by 9.1 % , export despatches were lower by 8.3 % during the above periods.

International

Liquid foreign exchange reserves held by the People's Bank of China rose to \$ 3.005 trn by end-February 2017, the first increase since June 2016, against \$ 2.998 trn as at end-January of the year.

The Chinese government expects the economy to grow by a slower pace of 6.5% in 2017 after having expanded by 6.7% in 2016.

India has bought more than 5 mn tonnes of wheat in 2016 mainly from Russia, France and Ukraine to meet domestic supply shortages caused mainly by two consecutive years of drought. The imports are highest in an year during the last decade.

The Brazilian economy, largest in Latin America, contracted by 3.6% in 2016 following a contraction of 3.8% in 2015, the worst performance in the country's history since records began.

The U.S. increasing self-sufficiency on the back of high shale output is undercutting OPEC measures to boost its oil prices.

CPI inflation in Turkey rose to 10.13% in February, YoY, highest for about five years.

CPI inflation in the 19-nation eurozone in February stood at 2.0%. YoY, the fastest any monthly gain since 2013.

CPI inflation in Germany clocked 2.2% in February following a rise of 1.9% in January. YoY, the highest monthly rise since August 2012.



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