

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% on the back of continuing containment of inflation except for core inflation, growth in the agriculture and large scale manufacturing (LSM) sectors and a very health rise in private sector credit offtake led by fixed investment. The rise in the current account deficit to \$ 5.5 bn during July-February 2016-17 driven mainly by rising imports, lower exports and slowness in home remittances is a cause of concern and is being attended to via appropriate policy measures.

The SBP Governor has urged banks to bring about a reasonable parity in their credit portfolio in provinces most in need of it like Balochistan, Gilgit-Baltistan and Khyber-Pakhtunkhwa as also in under-served or non-served areas of the country with focus on remote areas.

The SBP has allowed non-resident investors the facility of margin trading in shares apparently with a view to increase trading volumes and attract foreign investment in the equity market of the country.

According to SBP, total liquid foreign exchange reserves as on 24th March 2017, stood at \$ 21.795 bn of which \$ 16.730 bn was held by SBP and the rest with banks.

The Economic Coordination Committee (ECC) of the Cabinet has approved export of 0.2 mn metric tons of sugar within a period of sixty days without any subsidy after the approval of export quota from the SBP.

Export earnings of value-added textiles and clothing (PBS f.o.b. data) fell to \$ 8.214 bn during July-February 2016-17 against \$ 8.359 bn over the same period of 2015-16.

Arrival of new crop seed cotton (phutti) at ginneries across the country (PCGA data) at 10.72 mn bales by mid-March was higher by 10.0% over the same period last crop season. Arrival from Punjab and Sindh were higher by 15.9% and 0.6 % respectively.

Tameer Microfinance Bank has been renamed as Telenor Microfinance Bank after almost an year when the cellular firm acquired 100% shares of the bank.

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. 132	Rs. 114.50	Rs. 106.40	48,971	Rs. 43,371
Ending	5.91	6.16	Rs. 131.75	Rs. 113.50	Rs. 106.20	48,155	Rs. 43,542
Change	+0.03	+0.03	-0.25	-0.1	-0.2	-816	+171

International

The British government has invoked Article 50 of the Lisbon Treaty seeking to revoke the full membership of the United Kingdom (U.K.) from the European Union (EU) it had joined in 1973.

The Bank of England (BoE) has placed GDP growth in Britain at 1.8% in 2016, second fastest in Europe after Germany's 1.9% in the year. It has forecast a growth of 2.0% in the current year as post Brexit latent growth potential realises.

The central bank of Russia has lowered its key lending rate by 25 basis points (bps) from 10.0% to 9.75%, the first cut for six months.

The Central Bank of Philippines has left its key overnight borrowing rate unchanged at 3.0%, a level last reached in September 2014 when it had been reduced by 25 bps.

The Central bank of Sri Lanka has raised its standing deposit facility rate (SDFR) by 25 bps to a four-year high of 7.25% and its standing lending facility rate (SLFR) also by 25 bps to 8.75%, highest since July 2013.

The tax amnesty scheme adopted by Indonesia, the largest Southeast Asian economy, last year has fetched the government \$ 330 bn in undeclared wealth including repatriation of assets hitherto held abroad.

Japan posted a trade surplus of \$ 7.3 bn in February, almost a triple rise registered in the same month last year.

Qatar is to invest £ 5.0 bn (\$ 6.23 bn) within the next five years in various sectors of the British economy particularly related to energy, infrastructure, real estate and services. Qatar's investment in the U.K. already stands at over £ 40.0 bn.

Iran has signed a number of agreements with Russia, mostly related to energy and defence sectors under one of which Russia would build 9 of Iran's proposed 20 civilian nuclear reactors to generate cheap electricity. Trade between the two countries grew by 70% in 2016 over 2015 as sanctions against Iran by a coalition of Western countries led by the U.S. were lifted.

Taiwan is launching a \$ 29 bn stimulus package to boost its export-driven economy in the face of uncertainty from its two largest trading partners, the U.S. and China.

CPI inflation in Germany hit a high of 2.2% in February, Y-o-Y, highest since August 2012 and above the ECB's comfort level of it being 2% or close to it.



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