

economicletter

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Pakistan

The **SBP has barred banks** from reaching settlements with **loan defaulters** without obtaining a no-objection certificate from the Chairman, National Accountability Bureau (**NAB**).

According to **SBP**, the **services sector trade deficit narrowed** to \$ 996 mn in the first five months of the current fiscal (July-November 2014) against the deficit of \$ 1.308 bn in the same period last fiscal. Export earnings of the sector during July-November 2014 were recorded at \$ 2.376 bn against \$ 2.003 bn during July-November 2013. Import payments were recorded at \$ 3.372 bn against \$ 3.311 bn during the above periods.

According to SBP, total **liquid foreign exchange** reserves as on December 26, 2014 stood at \$ 14.944 bn of which \$ 10.305 bn was held by SBP and the rest with banks.

The **U.S. Congress** has approved an assistance package of **\$ 532 mn** for enhancing the country's energy output, broad economic growth, defence against terrorism, and community development by focusing on health and education sectors in particular.

The Federal Board of Revenue (**FBR**) has provisionally placed **gross revenue collection** in the

first half of the current fiscal (July-December 2014) at Rs. 1.158 trillion, higher by 13% over the same period last fiscal. The full 2014-15 fiscal target is to mobilise Rs. 2.810 trillion.

The **government has raised** the level of general sales tax (**GST**) on **some petroleum products** from 17% to 22% effective January 01, 2015. The products are HOBC, high speed diesel oil, light diesel oil and kerosene oil.

The government has **cut the prices of different petroleum products** including that of petrol and kerosene oil by varying margins effective January 01, 2015.

The **Cotton Crop Assessment Committee**, a government advisory body, has scaled down the production target of cotton in the ongoing 2014-15 kharif season from **15.1 mn bales to 13.5 mn bales** mainly due to damage caused by floods in the crop growing areas.

The Federal Minister of Textile Industry has informed the National Assembly that **exports of the textile industry** to the European Union (**EU**) countries during January-August 2014 over January-August 2013 registered an increase of 21.4% following the grant of GSP-plus status.

Markets at a glance

Weekly Review	KIBOR (6 months)		Foreign Exchange Rates			KSE	Gold Rate
	Bid %	Offer %	UK (£)	Euro (€)	US (\$)	100 Index	(10 gm)
Beginning	9.39	9.64	Rs.156.71	Rs.122.85	Rs.100.76	31,993	Rs.40,114
Ending	9.36	9.61	Rs.156.03	Rs.121.51	Rs.100.77	32,731	Rs.40,114
Change	- 0.03	- 0.03	- 0.68	- 1.34	+ 0.01	+ 738	0

According to the Federal Minister of Commerce, **exports** to the European Union (**EU**) region at \$ 5.672 bn during July-September 2014 represented an **increase of 19.09%** over the same period of 2013 driven mainly by the GSP-plus facility effective January 2014 for ten years.

The **World Bank** is to provide a credit line of **\$ 138 mn** for improving the irrigation network in **Sindh**.

The Asian Development Bank (**ADB**) is to provide a credit line of **\$ 42 mn** for improvement of irrigation network in Federally Administered Tribal Areas (**FATA**).

According to a private sector study, the **banking spread** during January-November 2014 averaged **5.98%**, lower by 28 basis points over the same period of 2013.

According to a private sector brokerage house study, the **equity markets** attracted \$ 68.2 mn **fresh private investment** during July-November 2014 compared to \$ 140.3 mn in the same period of 2013.

The National Electric Power Regulatory Authority (**Nepra**) has approved a **cut of Rs. 1.64** per unit in power tariff for consumers of **K-Electric** for November by way of its monthly fuel adjustment policy.

INTERNATIONAL

Unemployment in the U.S. in November has been provisionally placed at 5.7% of workforce, lowest since June 2008.

The **Russian economy shrank** by 0.5% in November, year-on-year, the first shrinkage since October 2009.

Saudi Arabia's budgetary spending for 2015 has been set at 860 bn riyals (\$ 229.3 bn) with revenue income estimated at 715 bn riyals (\$ 190.7 bn) leading to a **fiscal deficit** of \$ 38.6 bn. The deficit is the first and largest since 2011 and compares with an estimated deficit of \$ 14.4 bn in 2014.

The **Indian Cabinet** through an executive order has **eased rules for land acquisition** for development of new power plants, housing and defence projects with a view to kick-start the slowing economy.

Japan is to introduce an **stimulus package** of 3.5 trillion yen (**\$ 29 bn**) aimed at pulling the economy out of its present state of recession. The public spending has been opted for due to lower than required private sector fresh capital investment as the deflationary spell still holds.

China has expressed its willingness to conclude a free trade agreement (**FTA**) with **Bangladesh**. Bilateral trade between the two countries in the year ending June 2014 amounted to \$ 8.3 bn with balance heavily in favour of China. Bangladesh hopes to narrow the trade gap as the FTA would lead to dismantling of latest tariff barriers.

South Korea's economy is projected to expand by 3.4% this year against realised 3.0% last year. The growth in 2015 is estimated to be in the range of between 3.8-4.0%.

The European Union (**EU**) Commission has extended the **time limit** by three months to March 2015 for **France, Italy and Belgium** to improve their budget deficit portfolios failing which may lead to sanctions against them.



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