

economicletter

a weekly publication of The Institute of Bankers Pakistan

Pakistan

The **SBP** has **amended rules** relative to **chain contract farmer financing** allowing thereby better institutional financing for the agricultural sector.

According to **SBP**, the annual **per capita income** in the 2013-14 fiscal registered an increase of 10.9% to Rs. 143,808 against Rs. 129,569 in the 2012-13 fiscal.

According to SBP, total **liquid foreign exchange** reserves as on January 02, 2014 stood at \$ 15.212 bn of which \$ 10.476 bn was held by SBP and the rest with banks.

Pakistan and Bahrain have signed **5** memorandums of understanding (**MoUs**) to promote bilateral economic and trade relations. The current level of trade between the two countries stands at **\$ 200 mn** an year.

The government has reduced the **yield** of Pakistan Investment Bonds (**PIBs**) by varying margins relative to maturity periods.

According to Pakistan Bureau of Statistics (**PBS**), **headline inflation** measured by the consumer price index (**CPI**) registered an increase of 4.3% in December, year-on-year. Some other findings of inflation are noted below:

- **CPI inflation averaged** 6.08% during July-December 2014 over the same half of 2013;

- non-food-non-energy (NFNE) **trimmed core inflation** rose by 6.7% in December, year-on-year;
- **food inflation** was higher by 3.4% in December, year-on-year;
- **non-food inflation** registered an increase of 4.9% in December, year-on-year;
- the sensitive price indicator (**SPI**) was higher by 3.47% in December, year-on-year;
- the wholesale price index (**WPI**) was higher by 2.1% in December, year-on-year.

According to **PBS**, f.o.b. data, movement of some merchandise tradable items during July-November 2014 over the same period of 2013 has been as under:

- **export earnings of cement** rose to \$ 229.85 mn against \$ 225.56 mn;
- **sea-food exports** rose to \$ 148.50 mn against \$ 147.51 mn;
- **import cost of machineries** rose to \$ 2.95 bn against \$ 2.37 bn;
- export earnings of **non-textile products** fell to \$ 4.21 bn against \$ 4.69 bn.

The National Electric Power Regulatory Authority (**Nepra**) in its Annual Report for 2013-14 has identified the >>

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	9.36	9.61	Rs.156.03	Rs.121.51	Rs.100.77	32,731	Rs.40,114
Ending	9.16	9.41	Rs.152.69	Rs.119.02	Rs.100.74	33,324	Rs.40,157
Change	- 0.2	- 0.2	- 3.34	- 2.49	- 0.03	+ 593	+ 43

following **major bottlenecks** mainly responsible for the ongoing **power crisis** in the country. These include circular debt, expensive energy mix, inefficient power plants, high transmission and distribution losses and bad management.

The government has revised upwards the volume of **export of sugar** to 650,000 tons from earlier envisaged 500,000 tons. Total production in the ongoing crushing season has been projected at 5.7 mn tons with domestic consumption at estimated between 4.6 - 4.7 mn tons. The carryover stock stands at 0.8 mn tons.

According to Pakistan Cotton Ginners Association (**PCGA**), arrival of phutti (seed cotton) of the new crop by end December 2014 was recorded at 13.958 mn bales, a **rise of 10.16%** over the corresponding period last crop season. Arrivals from Punjab and Sindh were higher by 12.13% and 5.35% respectively during the above periods.

INTERNATIONAL

Euro, the third most important reference currency of the world after the U.S. dollar and the British pound, traded at a **nine year low** against the U.S. dollar amidst reports that Greece was contemplating to pull out of the Eurozone unless the bailout package provided to it jointly by the European Central Bank (ECB), the European Union (EU) and the International Monetary Fund (IMF) is renegotiated, easing thereby the repayment conditionalities.

The Centre for Economics and Business Research, a London based **private research organisation**, in a study of top 30 economies of the world has forecast that the

British economy is well on course to overtake the **German economy** as Europe's largest by **2030**.

According to **Bangladesh Bank**, the central bank of the country, **foreign exchange reserves** at end December 2014 stood at **\$ 22.309 bn**, a rise of 23.5% over end December 2013 level.

South Korea attracted **\$ 19.0 bn** private foreign direct investment (**FDI**) in 2014, higher by 30.6% over 2013.

South Korea's goods export earnings rose to a record high of \$ 571 bn in 2014 and is being projected to rise further to \$ 594 bn in 2015. The visible **trade surplus** in 2014 was recorded at \$ 47.4 bn, also a record high.

CPI inflation in Germany slowed to 0.2% last December against 0.6% in November, year-on-year.

CPI inflation in Russia has been officially estimated at 11.4% for 2014, highest since 2008.

CPI inflation in Turkey averaged 8.17% in 2014 having risen from 7.49% in 2013, both well above the central bank's target of containing it at about 5.0%.

CPI inflation in Indonesia, the largest economy in Southeast Asia, rose to 8.36% in December compared to 6.23% in November of the year, both year-on-year.

CPI inflation in Sri Lanka rose to 2.1% in December against the five year low of 1.5% in November, year-on-year.

CPI inflation in Thailand fell to a 5-year low at 0.6% last December against 1.26% in November, year-on-year.



Editor: Syed Mahdi Mustafa [M.Sc. (Econ.) London School of Economics]

Composed by: Faisal Nadeem

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

General Disclaimer: Data used in the Economic Letter is based on government sources besides recognised representative private sector trade bodies as reported in the print media. They are cross-checked before release. Yet an error or two may creep in, regrettable as they may be as part of human nature. Reporting is unopinionated. The Institute of Bankers Pakistan stands totally absolved of any error contained in the Economic Letter, either in reporting or composing.