

economicletter

a weekly publication of The Institute of Bankers Pakistan

Pakistan

According to **SBP**, **government borrowing for budgetary support** from scheduled banks rose to Rs. 647 bn in the first half of the current fiscal (July-December 2014) compared to a retirement of Rs. 40 bn in the same half of 2012-13.

According to **SBP**, the **current account deficit** widened to \$ 2.362 bn in the first half of the current fiscal (July-December 2014) against \$ 2.001 bn in the same half last fiscal. As a proportion of GDP, it stood at 1.6%.

The **SBP** has cut yields on market **treasury bills** by varying margins depending upon periods of maturity.

According to **SBP**, **agricultural credit disbursement** by banks and specialised institutions in the first half of the current fiscal (July-December 2014) rose to Rs. 219.5 bn compared to Rs. 159.4 bn in the same half last fiscal. The disbursement equaled 44% of the full 2014-15 fiscal indicative disbursement target of Rs. 500 bn.

According to **SBP**, total **liquid foreign exchange** reserves as on January 16, 2014 stood at \$ 15.020 bn of which \$ 10.331 bn was held by **SBP** and the rest with banks.

According to provisional Pakistan Bureau of Statistics (**PBS**), f.o.b. data, total **merchandise export earnings**

in the first half of the current fiscal (July-December 2014) was recorded lower at \$ 12.071 bn against \$ 12.616 bn in the same half last fiscal. Total **merchandise import payments** rose to \$ 24.202 bn against \$ 21.671 bn during the above periods.

Hub Power Company (**Hubes**) has finalised plans to setup power plants totaling **1,320 MWs** of cheap electricity close to its thermal power units in two phases. In the first phase the power plant would be based on imported coal adding 660 MWs to the national grid. The second plant also capable of generating 660 MWs of cheap electricity would be based on local coal. The plants to be setup in the district of Hub in the province of Balochistan shall start as soon as the issue of **circular debt** is settled. Some Chinese banks have agreed to provide "revolving" credit lines.

According to **Mutual Funds Association** of Pakistan, a private sector representative body, the mutual funds have attracted an investment of Rs. 500 bn as of now.

The **Sensitive Price Indicator** (SPI) registered an increase of 0.33% in the week ending January 15, 2015 over the same week of 2013. The weekly SPI monitors changes in prices of 53 essential commodities, mostly kitchen items, data for which is collected from 17 urban centres.

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	9.04	9.29	Rs.153.40	Rs.117.14	Rs.100.73	33,786	Rs.41,014
Ending	8.82	9.07	Rs.151.26	Rs.113.65	Rs.100.94	34,026	Rs.42,257
Change	- 0.22	- 0.22	- 2.14	- 3.49	+ 0.21	+ 240	+ 1,243

INTERNATIONAL

China's economy expanded by 7.4% in 2014 just short of government target of it being 7.5%. The pace was slowest annual growth for 24 years. It had expanded by 7.7% in 2013.

China attracted a record \$ 119.6 bn private foreign direct investment (**FDI**) in 2014, higher by 1.7% over 2013, yet the growth being slower than that of 5.3% in 2013 over 2012.

The Reserve Bank of India (**RBI**), the central bank of the country, has cut its key **repo rate** – the rate it charges in lending to commercial banks, by 25 basis points (bps) from 8.0% to 7.75%. It has also reduced the **reverse repo rate** – the rate it pays to commercial banks for sucking excess liquidity, by 25 bps to 6.75%.

Unemployment in the **U.K.** fell to 5.9% of workforce during the September-November quarter of 2014, the lowest level for six years.

The **central bank of Turkey** has cut its main one-week lending rate for the first time in 6 months by 50 basis points (bps) from 8.25% to 7.75%.

The **central bank of Nigeria**, Africa's largest economy, has left its key lending rate unchanged at 13.0%.

China's central bank is to provide banks with 50 bn yuan (**\$ 8.1 bn**) at discounted rates for on-lending to small farmers and small businesses to spur growth at grass-root levels.

India's merchandise trade deficit narrowed by 44% over November to \$ 9.43 bn last December, lowest monthly deficit since February 2014.

The International Monetary Fund (**IMF**) has **revised downwards** its forecast for **global economic growth** to 3.5% and 3.7% in 2015 and 2016 respectively compared to its earlier forecast of their being 3.8% and 4.0% in the above two years. The IMF has come to conclude that falling oil prices have as yet failed to stimulate growth as was earlier anticipated.

According to the International Monetary Fund (**IMF**), some Middle Eastern and Central Asian economies, highly dependent on exports of oil as the major source of their gross revenue, may lose near **\$ 300 bn** consequent to falling international oil prices.

Net capital outflow by companies and banks from Russia rose to **\$ 151.5 bn in 2014** against \$ 61.0 bn in 2013.

Global hedge funding reached a level of \$ 3.0 trillion by end 2014, highest for 7 years.

According to a forecast by **OXFAM**, a U.K based international charitable organization, the richest **1% of world population** will have access to 99% of world wealth by 2016.

Moody's Investors Services, an international rating agency, has **downgraded Russia's** sovereign credit rating by a notch from "Baa2" to "Baa3" citing economic uncertainty consequent to falling oil prices, the country's main export earner.



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