economicletter

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Pakistan

According to **SBP**, the total **public debt** rose to Rs. 16.383 trillion by end December 2014 against Rs. 15.097 trillion as on December 31, 2013. The stock of domestic debt and liabilities rose to Rs. 11.890 trillion against Rs. 10.516 trillion during the above periods.

The **SBP** has revised downwards the interest rate under the Export Finance Scheme **(EFS)** from 7.5% to 6.0%. It has also reduced charges under the Long Term Financing Facility **(LTFF)** from 9.0% to 7.5%.

The International Monetary Fund **(IMF)** has approved release of the sixth tranche of **$ 518 mn** of the Extended Fund Facility **(EFF)**.

According to Pakistan Bureau of Statistics **(PBS)**, **headline inflation**, measured by the consumer price index (CPI), registered an increase of 3.85% in January 2015 over January 2014. Some other findings of inflation by the PBS are noted below:

- **averaged CPI inflation** during July-January 2014-15 (the first seven months of the current fiscal) was higher by 5.77% over the same period last fiscal, well below the government target at containing it at 8.5% during the full current fiscal;
- non-food-non-energy (NFNE) trimmed **core inflation** in January 2015 at 6.4% represented an increase of 0.7% over December 2013;
- **food inflation** in January 2015 registered an increase of 3.0% over the same month last year;
- **non-food inflation** in January this year rose by 4.5% over the same month last year;
- inflation measured by the sensitive price indicator **(SPI)** recorded an increase of 3.14% in January 2015 over January 2014;
- inflation measured by the wholesale price index **(WPI)** stood higher by 1.48% in January 2015 over the same month of 2014.

According to the **Federal Finance Minister**, although gross revenue collection by the Federal Board of Revenue has increased by 12.7% in the first half of the current fiscal (July-December 2014) over the same half last fiscal yet the possibility of shippage in containment of the **budgetary deficit** at 4.9% of GDP cannot be ruled out because of higher than planned expenditure on the National Action Plan (NAP) to combat terrorism.

The **government** has reduced the per litre cost of various **petroleum products** by varying margins. These include cuts in prices of motor gasoline (petrol), kerosene oil, light diesel oil, used mainly for transportation, and high speed diesel oil, used mainly by tractors and tube-wells in 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	8.33	8.58	Rs.152.37	Rs.114.32	Rs.101.07	34,443	Rs.42,214
Ending	8.28	8.53	Rs.154.92	Rs.115.83	Rs.101.13	34,656	Rs.41,914
Change	- 0.05	- 0.05	+ 2.55	+ 1.51	+ 0.06	+ 213	- 300

farming sector. Simultaneously, it has imposed an additional surcharge of 5.0% to 27.0% by way of general sales tax (GST) on all oil products.

The Central Directorate of National Savings **(CDNS)**, a public sector entity, charged with the responsibility of molising fresh deposits in its various schemes, has **brought down the rates of return** on its deposit schemes in line with reduction of the Discount Rate of the SBP with which it is pegged.

According to Pakistan Cotton Ginners Association **(PCGA)**, arrival of new crop seed cotton **(phutti)** at ginneries across the country at **10.436 mn** bales by end January 2015 represented an increase of 10.19% over the same period last crop season. Arrivals from Punjab were higher by 12.0% while those from Sindh were higher by 5.3% during the above periods.

INTERNATIONAL

The **U.S. economy** expanded by 2.4% in 2014 against the growth of 2.2% in 2013.

The **U.S.** President has presented a $ 3.99 trillion **federal budget** for the October-September 2015-16 fiscal with a deficit of $ 474 bn equaling 2.5% of GDP for Congressional approval. The main focus of the budget relates to immigration, healthcare and taxation reforms. It anticipates unemployment to come down further from 5.6% in 2015 to 5.4% in 2016.

India has raised Rs. 254.0 bn ($ 4.1 bn) by **divesting 10% of shares** held by it in Coal India, the largest single **coal mining entity** in the country's public sector. The government plans to raise $ 10.0 bn before the end of the current fiscal in March to keep its fiscal deficit at 4.1% of GDP by offering shares held by the government in various public sector enterprises to the public.

Spain's economy, the fourth largest in the eurozone, posted a GDP growth of 1.4% in 2014 following a contraction of 1.2% in 2013. The positive growth in 2014 is the first since consecutive yearly contractions beginning from 2008.

The **Greek government** has refused to accept a fresh line of credit of 7.2 bn euros to be jointly provided by the European Union (EU), the European Central Bank (ECB) and the International Monetary Fund (IMF) on the condition that it keeps on implementing the austerity measures first agreed to in the bailout package of 2009. Greece, on the other hand, is seeking revision of the original austerity conditionalities.

The **Russian central bank** has cut its key interest rate from 17% to 15%, the first cut since December 2011.

The **Russian central bank** has forecast that the economy of the country may experience a **shrinkage** of near 4.8% in 2015 because of falling oil prices which has already gone down by over 50% in the last six months. The Economy Minister, however, hopes to contain the contraction at 3.0%, both forecasts being year-on-year.

The **Reserve Bank of Australia** has cut its key cash **lending rate** to an historic low at 2.25%, the first cut since August 2013.

Brazil, the largest economy in Latin America, posted its first **budgetary deficit** in 12 years at 0.63% of GDP in 2014.

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