

economicletter

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Pakistan

The **SBP** has directed all banks and DFIs **not to provide any banking service** to any **proscribed entity or person** or to their associates whether under the proscribed name or under a different name.

According to **SBP**, non-performing loans (**NPLs**) of the entire banking sector **fell** to Rs. 619.831 bn as on December 31, 2014 compared to Rs. 622.861 bn as on December 31, 2013. As a proportion of all loans provided by banks and DFIs, a decline of about 1.0% was recorded to stand at 2.8% of outstandings.

According to **SBP**, the weighted average **banking spread** stood at **5.79%** in **January 2015**, lower by 19 basis points (bps) over the same month of 2013.

The SBP has reduced the interest rates to 7.5% per annum for some selected sectors of the economy with prescribing banking spreads on them also. These sectors are:

- **renewable energy power plants;**
- **modernisation of SMEs;**
- export finance facility (**EFF**) for locally manufactured machinery (**LMM**); and
- financing for **revival of SMEs and agricultural activities** adversely affected by the 2014 floods.

The **SBP** has setup **two special committees** to regulate and improve upon warehouse financing and agricultural credit.

According to **SBP**, total **liquid foreign exchange** reserves as on February 20, 2015 stood at \$ 15.943 bn of which \$ 11.075 bn was held by **SBP** and the rest with banks.

According to the **Country Director**, the World Bank (**WB**) **group**, Pakistan has again become eligible to receive funding from the International Bank for Reconstruction and Development (**IBRD**), the main organ of the **WB** group. The eligibility has come after a lapse of three years since the foreign exchange reserves have now crossed the **\$ 15 bn mark** equal to finance **2.5 months of imports**. Pakistan would now be released **\$ 2.0 bn** over the next four years for infrastructure development.

According to provisional data released by the **Economic Affairs division**, Federal Ministry of Finance, the country has received **\$ 3.37 bn** by way of loans and grants from international and bilateral creditors during the first seven months of the current fiscal (**July-January 2014-15**). The amount equals **45% of budgeted inflows** of \$ 7.4 bn for the full fiscal. This would comprise of \$ 6.5 bn as loans and \$ 808 mn as grants.

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	8.22	8.47	Rs.156.45	Rs.115.38	Rs.101.73	33,993	Rs.41,100
Ending	8.19	8.44	Rs.156.88	Rs.114.29	Rs.101.84	33,632	Rs.41,142
Change	- 0.03	- 0.03	+ 0.43	- 1.09	+ 0.11	- 361	+ 42

According to the Chairman, Privatisation Commission, the government hopes to raise **\$ 600 mn** by **divesting 250 mn shares** of Habib Bank Ltd. (HBL). The government's equity in the bank as of now is 42% of the 609 mn shares currently held by it.

According to data released by the official agency of the European Union (EU), **Pakistan's exports to the EU countries** increased by 20% to 5.067 bn euros (\$ 5.76 bn or Rs. 585 bn) in the first eleven months of 2014 compared to 4.22 bn euros in the same period of 2013 following the grant of G-plus status. **Imports from the region** during January-November 2014 rose to 3.715 bn euros against 3.444 bn euros in the same period of 2013.

The Private Power and Infrastructure Board (PPIB) has allowed **Lucky Cement Limited**, a private sector firm, to establish through a subsidiary firm of it a **coal-fired** power plant at Port Qasim capable of generating **660 MWs** of cheap electricity. The project is estimated to cost \$ 1.0 bn and would be operational in about 5 years' time.

According to Pakistan Bureau of Statistics (PBS), **total merchandise export earnings** during July-January 2014-15 declined to \$ 14.128 bn against \$ 14.677 bn in the same period of 2013-14. **Total merchandise import payments** were recorded at \$ 27.333 bn against \$ 25.808 bn during the above periods.

According to Pakistan cotton Ginners Association, arrival of new crop **seed-cotton** (phutti) at ginneries across the country at **14.597** bales by mid-February 2015 represented an increase of 10.21% over the same period last crop season. Arrivals from **Punjab** were higher by **12.07%** while those from **Sindh** were higher by **5.51%**.

According to **State of Industry** report of National Electric Power Authority (Nepra), **power shortage** would be overcome by **2019-20**. Before then shortages would continue to persist and may reach **5,500 MWs** during peak hours and due to seasonal demands.

The International Fund for Agricultural Development (IFAD) has approved a credit line of **\$ 35 mn** for improving **livestock market access** in some selected districts of Punjab.

INTERNATIONAL

The Finance Ministers of the 19-member countries of the **eurozone** have granted **Greece** an extension of four months for meeting its bailout package of 2009 commitment essentially in regard to austerity measures modified implementation relative to debt repayment schedule and cutting down its public debt currently at 175% of its GDP.

Hong Kong and Shanghai Banking Corporation (HSBC), one of the world's largest banks, U.K. based, has **officially regretted** its role in Swiss banking deals facilitating large tax evasions of some of its valued clients, local and overseas.

The central bank of oil-rich **Azerbaijan** has **devalued its currency** by 34% against the U.S. dollar and by 33.8% against the euro in an attempt to boost its oil exports whose prices have been falling sharply at the international level in recent months.

The **central bank of Indonesia** has cut its benchmark lending rate by 0.25% to 7.50%.



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

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