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Turkey's current account gap widens in October

Hurriyet Daily News, *11.12.2017*

Turkey ran a current account deficit of $3.8 billion in October, indicating an increase of almost $2.2 billion year-on-year, the Central Bank stated on December 11.

Data showed that the 12-month rolling deficit rose to $41.9 billion, up from $33.7 billion in the same month last year. This development in the current account is mainly attributable to a $2.8 billion increase in the goods deficit, recording a net outflow of $5.6 billion, as well as a $293 million increase in the primary income deficit to $1.07 billion, the Bank said. This increasing gap affects Turkish Economy.

Travel items, which constitute a major part of the services account, recorded a net inflow of nearly $2.2 billion in September, rising by $503 million year-on-year. According to the government's latest Medium-Term Economic Program, the current account deficit is expected to be at $39.2 billion in 2017, amounting to 4.6 percent of gross domestic product.

Turkish GDP grows double digits, fastest-growing in G20

Anadolu Agency, *11.12.2017*

Turkey became the fastest-growing economy among G20 countries after clocking in with 11.1% growth in the third quarter of 2017, TurkStat reported on Monday.

Monday's report makes the country's growth the fastest among the world's 20 largest economies and marks the third consecutive quarter where annual expansion topped 5 percent. China came in second with 6.8 percent and India was third with 6.3% among all G20 countries. The figure easily exceeded analysts' consensus estimates of 9.2%, the fastest quarter growth rate since 11.4% in the first quarter of 2011.

Turkey's economy grew 5.2 percent in the first quarter of this year and 5.1 percent in the second quarter, according to TurkStat. Turkish officials previously said the country would achieve annual economic growth of 6 to 7 percent by the end of the year. Performance in the third quarter pushed up cumulative GDP, reaching 827.2 billion Turkish liras ($216 billion) in current prices, with GDP annualized at $844 billion, TurkStat added. The growth was triggered by domestic demand, including accelerated investment support by the government and strong contributions from exports.

"Turkey -- with staggering 11.3 percent year-on-year real GDP growth in Q3 -- got ministers talking about full-year growth of over 7 percent. Various government stimulus programs felt in full force," London-based economist Timothy Ash said. Growth was driven by all main sectors in the third quarter, with the agricultural sector expanding by 2.8 percent, the manufacturing industry by 14.8 percent, the construction sector by 18.7 percent, and the services sector by 20.7 percent, TurkStat added. Exports grew 17.2 percent while imports of goods and services rose 14.5 percent in the third quarter of 2017 compared with the same quarter of the previous year.

Capital formation, including investments, came out strong for both consumption and machinery, up 12.4 percent and 15.3 percent, respectively. Other components also grew, with domestic demand up by 11.7 percent and government consumption up 2.8 percent. The Turkish lira strengthened after the report was published on Monday. It was trading 0.11 percent higher at 3.8310 per dollar at 11:00 a.m. in Istanbul.

Turkish economic growth jumps to 11.1 pct, hitting highest quarterly growth since 2011

Hurriyet Daily News, *11.12.2017*

Turkey's gross domestic product grew at a blistering 11.1 percent in the third quarter, hitting its fastest expansion in six years, data from the Turkish Statistics Institute (TÜİK) showed on Dec. 11.

The GDP growth rate, which was the fastest quarterly data since an 11.6 percent in the third quarter of 2011, was above forecasts and made Turkey the world's fastest growing economy. The growth rate is believed to have been encouraged by a series of government incentives and the low base effect after last year's failed coup attempt.

Following the coup attempt, which led to a 0.8 percent contraction in the third quarter, the government ramped up its stimulus measures including the use of its Credit Guarantee Fund and changes to tax regulation. Meanwhile, second-quarter growth was revised up to 5.4 percent from an initially reported 5.1 percent, while first-quarter growth was also slightly revised up, to 5.3 percent. Performance in the third quarter pushed up cumulative GDP, reaching 827.2 billion Turkish Liras ($216 billion) in current prices, with GDP annualized at $844 billion, TÜİK data showed.

When the activities that constitute gross domestic product were analyzed, the total value added increased by 2.8 percent in the agricultural sector, 14.8 percent in the industry sector, 18.7 percent in the construction sector and 20.7 percent in the services compared with the same quarter of the previous year. The growth was triggered mainly by domestic demand as well as accelerated investment support by the government and strong contributions from exports, according to TÜİK data. Final consumption expenditure by resident households grew 11.7 percent in the third quarter from a year earlier. Government spending on wages and purchases of goods and services rose 2.8 percent and gross fixed capital formation increased 12.4 percent in the third quarter of 2017 compared with the same quarter of the previous year in the linked volume index.

Exports of goods and services increased by 17.2 percent and imports of goods and services increased 14.5 percent in the third quarter from a year earlier. Economic indicators currently signal a higher than 6.5 percent annual growth, Deputy Prime Minister Mehmet Şimşek said on Dec. 11, after the TÜİK data was announced. Speaking to broadcaster TRT Haber, Şimşek said the Credit Guarantee Fund support was quite visible in the economic growth, as proved by the 15.3 percent expansion in machinery and equipment investments. A decrease in the contribution of foreign demand to economic growth was the only negative development regarding third quarter data, he added.

“Turkey’s economic growth is quite strong but we must make more reforms to foster job growth and make GDP growth steadier,” he said. The Credit Guarantee Fund guarantees loans to small and medium-sized enterprises that could not otherwise get credit. It has backed some 221 billion liras ($57.39 billion) worth of loans so far, after its size was increased more than ten-fold to 250 billion liras in March.

Development Minister Lütfi Elvan said full-year growth was expected to be between 6 and 7 percent. “Turkey’s economy has grown at record high levels, with Turkey becoming the world’s fastest growing economy. The fourth quarter data also seems good and we expect to see a high growth level in that quarter to,” Elvan told private broadcaster A Haber. “Turkey’s annual growth may even hit 7 percent this year,” he added. Economy Minister Nihat Zeybekçi said 7 percent growth for the year would not be surprising, while also signaling new measures. “It will not be surprising for us if growth hits 7 percent in 2017,” Zeybekci said during a televised interview on BloombergHT. “We will see a nearly 100 percent rebound in private sector investments in 2018 thanks to a series of new measures, which will be announced this month,” he added.

Weakness of Turkish Lira not in line with economic realities

Hurriyet Daily News, *13.12.2017*

The weakness of Turkey's currency is "in no way" a true reflection of the current status of the economy, President Recep Tayyip Erdoğan has said, hailing the country's high growth trend.

Speaking at the Turkish Academy of Science (TUBA) awards ceremony, held at his presidential complex in the capital Ankara on Dec. 12, Erdoğan praised Turkey's economic growth figures. "I believe we will likely reach an annual growth rate of 7.5 percent by the end of the year," he said. His remarks come a day after TÜİK reported that;

Turkey became the fastest-growing economy among G-20 countries in the third quarter of the year after hitting 11.1 percent growth. Second-quarter growth was revised up to 5.4 percent from an initially reported 5.1 percent, while first-quarter growth was also slightly revised up, to 5.3 percent. Erdoğan said that as a result of these figures the high foreign exchange rates against the lira were "not in line with Turkey's economic realities." "I believe that the foreign exchange rates will find the right balance soon," he added.

The lira has lost 13.5 percent of its value against the dollar since September. The lira hit a record low of 3.97 against the greenback last month. It has slightly recovered since then and was trading at 3.83 to the dollar on Dec. 12. Erdoğan also returned to the theme of interest rates, saying it is "useless" to attempt to legitimize pressure to hike interest rates through short-term manipulations. He reiterated his claims about the link between interest rates and the inflation rate, arguing against conventional economic theory that inflation cannot fall in a country with high interest rates. Inflation hit its highest level in 14 years last month, surging by an annual 12.98 percent as transport and food costs spiked, official data showed.

"I am against high interest rates. I will continue to announce this," Erdoğan said. "It is impossible for inflation to decrease in a country with high interest rates. Record this in your memory," he added. His words came two days before a key Central Bank meeting on interest rates. At its latest meeting in October the Bank said it was keeping monetary policy tight until prospects of an easing of inflationary pressures become clear, after keeping all four of its policy rates on hold in line with market expectations. For the fourth consecutive meeting, the Bank left its late liquidity window, the highest of several instruments it uses to set policy, at 12.25 percent and its benchmark repo rate at 8 percent.

Turkey's tourism sector eyeing 35 million foreign tourists in 2018 as tough period eases

Anadolu Agency, *12.12.2017*

Tourism players in Turkey expect to host more than 35 million foreign tourists next year as the sector has been recovering after a tough period.

The number of foreign tourists visiting Turkey rose 28 percent in the first 10 months of the year, hitting 29 million, mainly due to an ongoing rebound in the Russian market, data from the Tourism Ministry showed on Nov. 29. Hoteliers Federations of Turkey head Osman Ayık said both the number of foreign arrivals into Turkey and the country's tourism revenue would return to the "good old days" soon.

Following a series of decisions taken at a key sector council meeting in November by sector players and government officials. "As long as Turkey does not witness any terror attack or crises, we expect a significant increase in the number of foreign tourists visiting our country. Both the private sector and the Culture and Tourism Ministry have worked vigorously to achieve this goal," Ayık told state-run Anadolu Agency on Dec. 12.

"The sector will likely close this year with nearly 29 million foreign tourists. Our expectation for the next year is to host more than 35 million foreign tourists," he added. Amid a series of terror attacks, a failed coup attempt and a diplomatic crisis with Russia, the number of foreign tourists visiting Turkey plummeted to 25.3 million in 2016, down from 36.2 million in the previous year. These negativities slashed Turkey's tourism revenue in 2016 to $22.11 billion, down from $31.46 billion in 2015.

Ayık noted that 2017 was a year of recovery for the Turkish tourism sector with more than $20 billion in earnings in the first nine months of the year. More than 4.5 million Russians visited Turkey in the first 10 months of the year, marking a 496 percent year-on-year increase, as the bilateral ties between the two countries have normalized after a jet crisis. "However, we have not reached the desired numbers regarding Germany, which was long our number one tourism market. We have even seen a further decline in the number of arrivals from this key market," Ayık said, adding that the sector needs to place a special emphasis on the German market, as its loss has created a spillover effect in neighboring markets.

Turkish Lira suffers after Central Bank keeps interest rate unchanged

Anadolu Agency, *14.12.2017*

Turkey's Central Bank raised its late liquidity window rate by 0.50 basis points on Dec. 14 after a U.S. Federal Reserve hike, but left its main policy rate on hold, which was followed by a fall in the Turkish Lira's value.

The bank raised the late liquidity window rate to 12.75 percent from 12.25 percent, less than the 100-basis-point hike which had been predicted by 20 economists polled by state-run Anadolu Agency. But it left its overnight lending rate at 9.25 percent and its benchmark one-week repo rate at 8 percent unchanged.

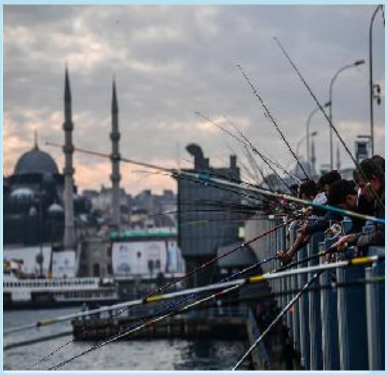
The repo rate has stood at 8 percent since November 2016. In its statement, the Central Bank left the door open to an interest rate hike in the future, saying its "tight monetary policy stance" would be maintained until the inflation outlook shows a "significant" improvement. Inflation hit its highest annual rate since 2003 last month at 12.98 percent.

"Inflation expectations will be closely monitored and, if needed, further monetary tightening will be delivered," the bank said. The bank will continue to use all available instruments in pursuit of the price stability objective, it added. The Central Bank employs multiple interest rates. Its move followed the Federal Reserve's decision to raise interest rates by a quarter of a percentage point in a third hike in 2017. The late liquidity window rate is the lending facility provided by the Turkish Central Bank for banks to enable them to make use of their excess liquidity at the end of the day.

The lira - which has lost over 30 percent in value against the dollar over the last two years - fell 1.62 percent in value to trade at 3.87 to the greenback after the bank's move. The decision comes after Turkey posted growth of over 11 percent in the third quarter, data which analysts believed would give the bank room for a bigger rate hike. But President Recep Tayyip Erdoğan has made clear his opposition to rate hikes at the current time, telling the bank that rate cuts are needed to further stimulate growth. Erdoğan has repeatedly stated his belief that high interest rates drive up inflation, flying in the face of economic orthodoxy.

Turkey’s unemployment rate 10.6 pct in September

Hurriyet Daily News, *15.12.2017*



Turkey’s unemployment rate remained at 10.6 percent in September compared to the same month last year, the Turkish Statistical Institute (TÜİK) announced on Dec. 15.

The number of unemployed people, aged 15 and above, in the country declined to 3.4 million this September, a decrease of 104,000 from last September, when the unemployment rate stood at 11.3 percent, the statement said. September’s employment rate rose by 1.1 percentage point, from the same period last year, to 47.9 percent. The labor force participation rate was also up by 0.8 percentage point year-on-year, going up to 53.6 percent.

The number of women participating in the workforce climbed 1 percentage point from the previous year to 34.5 percent.

Erdoğan calls on businessmen to boost employment

Anadolu Agency, *14.12.2017*

President Recep Tayyip Erdoğan on Dec. 14 urged businesses to create more jobs in the upcoming financial year, stressing that the higher-than-expected growth rate announced earlier this week should encourage them to hire more employees.

“We are calling on our businessmen: If every business employs two more people, we will continue to increase from the 11.1 percent. It will also flourish relations between my people and employers,” Erdoğan said at the Employment Council in Ankara.

Turkey’s gross domestic product grew at 11.1 percent in the third quarter, hitting its fastest expansion in six years, data from the Turkish Statistics Institute (TÜİK) showed on Dec. 11. However, unemployment remains stubbornly high, at 10.6 percent in the most recent three month period measured and announced in November. Erdoğan urged members of the Union of Chambers and Commodity Exchanges of Turkey (TOBB) the recent growth in the economy should encourage them to employ at least two people. “We will further increase the growth rate if every organization employs two more people,” Erdoğan said.

In May Erdoğan had already called on Turkey’s business leaders to hire one extra employee in order to help reduce unemployment. “If each member here hires one person, we can create 1.5 million new jobs for unemployed people,” Erdoğan said in a speech on May 8, addressing TOBB. “It would be record-breaking if 1.5 million people were provided jobs in 2017. These kinds of developments are the best responses to those who have been shouting there is a crisis [in Turkey],” he said. “I have one more request. TOBB, which has 1.5 million members, had asked each of its members to employ one person at the beginning of the year. Now that our growth rate has doubled, if we can provide further employment it will further accelerate our country’s growth rate and drive crazy those who are jealous of this country,” he said.

He added that there will be more incentives to increase employment. “For every employment, wages up to 4,740 Turkish Liras will include insurance premiums. The subsidies for insurance premiums and taxes will continue every month for a year,” Erdoğan said.

Saudi king orders $19 billion stimulus for private sector

Washington Post, *15.12.2017*

Saudi King Salman has issued a decree allocating 72 billion riyals ($19.2 billion) of stimulus funds to support the Saudi private sector.

The package aims to boost the role of the private sector in light of economic reforms to diversify the Saudi economy away from oil following a slump in crude prices. The funds will be used to finance 16 initiatives, the largest of which earmarks $5.7 billion to provide subsidized housing loans to citizens, according to SPA. It is stated $1.33 billion will be used as a first instalment for the newly established exports promotion fund will eventually have capital of $8 billion.

More than $2.6 billion will be used to support projects and $3.7 billion will be allocated to support construction technology, the decree said. The remaining funds will be spent on a string of smaller projects carried out by the private sector with the aim of strengthening the competitiveness of the Saudi economy.

Bank of Spain cuts gdp forecasts for 2018, 2019 on Catalonia

Bloomberg, *15.12.2017*

The Bank of Spain cut its estimate for economic growth for 2018 and 2019 because of the impact of political uncertainty related to Catalonia's drive for independence.

Growth is set to slow to 2.4 percent next year from a previous estimate of 2.5 percent in September before the secession crisis erupted. The economy will grow 2.1 percent in 2019 from a previous projection of 2.2 percent, the Bank of Spain said in updated economy estimates published on its website. The central bank estimated 2017 growth at 3.1 percent, matching a Bloomberg survey.

The latest update on the Spanish economy comes as voters in the wealthy region of Catalonia prepare to go to the polls on Dec. 21 in an election called by Prime Minister Mariano Rajoy after its former government illegally declared independence. The downgrade in growth estimates for the next two years reflects uncertainty relating to Catalonia and the recent increase in oil prices, the Bank of Spain said. While thousands of companies shifted their registered address away from Catalonia and tourism figures dropped, Rajoy's government is betting that the election will help restore stability after it took direct control of the region's administration in October. The latest polls show pro-independence parties may be at risk of losing their majority in the 135-seat regional assembly. The Bank of Spain increased its inflation estimate for 2018 to 1.5 percent from 1.3 percent. The central bank sees inflation easing to 1.4 percent in 2019 compared to a previous estimate of 1.6 percent.

Unemployment will keep falling to about 11 percent at the end of 2020. The government of Rajoy is aiming to fuel job creation to a pre-crisis total of 20 million Spaniards at work by 2020, coinciding with a general election that may take place that year.

European Central Banks see the prize of inflation's slow return

Bloomberg, *15.12.2017*

After years of emergency stimulus, central banks in Europe are finally seeing the return of inflation. European Central Bank President Mario Draghi said he's more confident than he was only a couple of months ago that prices are heading in the right direction.

The Swiss National Bank sees inflation exceeding its target in three years, and the Bank of England is pleased that progress on Brexit will help economic growth. Norway even signaled that interest-rate increases may come sooner than planned. While all are wary of shutting down the momentum.

Before things really get going, it raises the prospect that 2018 will mark a major shift toward the normalcy that policy makers have craved since the financial crisis. They've spent the better part of the last decade pushing more stimulus to heal their economies and resuscitate inflation.

"Central banks are getting more optimistic," said Karsten Junius, chief economist at Bank J. Safra Sarasin in Zurich. "They're in the process of preparing markets for future changes, but they don't want to start right now because they know it's difficult to reverse." Most of the central banks making policy announcements on Thursday managed to sound upbeat without prompting investors to expect any imminent changes to policy. The euro slipped a little against the dollar, the pound was little changed and the Swiss franc held steady against the euro. While Draghi lauded the significant improvement in the growth outlook for the euro-area economy, the new forecast stopped short of predicting that the ECB will meet its inflation goal in 2020. It's more important that the return to the target should happen in a self-sustained and durable manner, he said.

The ECB has already decided to reduce the pace of bond-buying from January as the 19-nation region expands at the fastest pace in a decade. Unemployment is falling fast and Draghi said he expects wage growth to follow and push underlying price pressures higher. Across the channel in the U.K, where the central bank raised the benchmark last month for the first time in a decade, the mood is also improving, although for a different reason. Bank of England policy makers said the breakthrough in Brexit negotiations this month could prove to be positive for the U.K. economy, which has lagged behind many of its international peers this year.

Swiss National Bank President Thomas Jordan has expressed a similar guarded optimism. The SNB aims to keep price gains below 2 percent and, while it expects that goal to be breached in late 2020, Jordan said there is “no rush at all” to normalize monetary policy. The main concern is that moving too fast might entice investors back into the currency. The franc’s 8 percent drop against the euro this year has boosted economic momentum and price growth. Norway’s central bank got a taste on Thursday of how sounding too cheery can backfire. Policy makers signaled they may start raising interest rates earlier than indicated in the past, sending krone more than 1 percent higher against the euro after the announcement. Governor Oystein Olsen followed up in an interview by saying it’s “too early” to say if 2018 will become known as the year of rate normalization. “We will have very low interest rates still internationally, and also in Norway.”

Britain steps up battle against money laundering

Reuters, *11.12.2017*

Britain’s government said on Dec. 11 it will create a new national economic crime center to crack down harder on money laundering by drug dealers and people traffickers who are expected to net 90 billion pounds this year.

As a unit of the existing NCA, the center will be tasked with coordinating a national response among the agencies that tackle money laundering and fraud and with increasing the confiscation of crime proceeds. British Interior Minister Rudd said the new initiative was part of a package of measures in response to a review of Britain’s economic crime agencies.

“The measures we have announced today will significantly improve our ability to tackle the most serious cases of economic crime by ensuring our agencies have the tools and investment they need to investigate, prosecute and confiscate criminal assets,” Rudd said in a statement. Britain’s plan to exit the European Union in 2019 has raised fears a “bonfire of regulation” may occur in its wake and result in the City of London losing its top global financial center ranking. Strengthening the integrity of Britain as a financial center will be a top priority under the package, which also includes proposed new laws. These would allow the new center to directly task the Serious Fraud Office (SFO) to investigate the worst offenders in a step that will buttress the SFO, whose future as a standalone entity has been in doubt. The government estimates that financial fraud costs a further 6.8 billion pounds a year or over 100 pounds per person.

The interior minister will chair a new economic crime strategic board to ensure the right resources are allocated across law enforcement agencies to tackle economic crime, the statement said. With only a modest portion of criminal proceeds confiscated, the package announced on Dec. 11 makes further commitments to seizing criminal assets through greater use of existing powers by the SFO, the NCA and tax authorities. There will also be a review of existing rules on confiscating proceeds of crime in order to improve the process by which confiscation orders are made and applied.

EU announces €700M aid for refugees in Turkey

CNBC, *11.12.2017*

The European Union approved two major humanitarian aid projects to help refugees in Turkey, the bloc announced Monday.

The European Commission approved 700 million euro ($824 million) worth of projects, which focus on providing monthly transfers on a special debit card for refugees. A total of 650 million euro will go to a special debit card for refugees implemented by Kizilay, the Turkish Red Crescent working together with the UN's World Food Programme, according to a statement from the bloc.

"The program already supports more than 1.1 million refugees and will continue until the end of January 2019," the statement added. Another 50 million euros will go to the support refugee children's education. "A further 50 million euros will boost the Conditional Cash Transfer for Education (CCTE) project implemented by UNICEF," the statement added. Under the program, each refugee registered by the regional migration office can receive 120 Turkish liras (around $31) a month.

Ankara and the EU reached a deal in 2016 aimed at discouraging irregular migration to Europe through the Aegean Sea and it included a €6 billion ($6.9 billion) aid package to help Turkey care for millions of refugees hosted in the country. Syria has been locked in a vicious civil war since 2011, when the Bashar al-Assad regime cracked down on pro-democracy protests with unexpected ferocity. Since then, hundreds of thousands of people have been killed in the fighting and more than 10 million displaced, according to the UN. Turkey hosts 3.2 million Syrian refugees, more than any other country in the world.

China-led Asian bank supports coal-to-gas conversion

Anadolu Agency, *12.12.2017*

Asian Infrastructure Investment Bank approved a $250 million loan to decrease China's coal use by increasing natural gas usage, AIIB said on Monday. With the loan, China will reduce coal usage by about 650,000 tons annually by connecting about 216,750 households in approximately 510 rural villages to the natural gas distribution network, the bank said.

The coal-to-gas conversion will make rural households less reliant on coal for cooking and heating, improving indoor and outdoor air quality and lessening the risk of respiratory, cardiovascular and ischemic heart diseases.

Children, women, the sick and the elderly stand to benefit primarily as they are the most vulnerable to these risks. Beijing Air Quality Improvement and Coal Replacement Project is expected to reduce annual carbon dioxide emissions by 595,700 tons once the project is completed. "China's commitment to reducing its reliance on coal will change lives and improve the environment, and that is why we are investing in a project aligned with their ambitious plan," Jin Liqun, AIIB's president was quoted as saying.

The project, undertaken by the Beijing Gas Group Company, will involve the construction of natural gas distribution networks in villages and low-pressure gas pipelines and household connections. Gas consumption meters will also be installed. The project is scheduled for completion in 2021. The investment in the project represents AIIB's first corporate loan, the bank said. "Enabling parts of rural China to transition off coal will have a marked impact on the quality of life for Beijing's residents," D.J. Pandian, AIIB vice president and chief investment officer said.

China's Central Bank to be more active in fending off financial risks: Governor

Hurriyet Daily News, *11.12.2017*

China's Central Bank will be more active in deploying macroeconomic controls and fending off financial risks, its governor, Zhou Xiaochuan, said on Dec. 11.

"Efforts should be made to enhance the initiative and relevance of macro-controls and prevention of financial risks," Zhou said in comments published on the website of the People's Bank of China (PBOC). Zhou made the remarks at a central bank meeting on the implementation of agendas laid out by a key Communist Party Congress in October. Zhou also pledged to push financial reforms and innovations.

China must defuse "major risks" in the economy, and fight poverty and pollution, President Xi Jinping said at the October meeting. Authorities have moved to rein in financial risk and prevent a destabilizing build-up of debt in the world's second-largest economy.

Buying Bitcoin more like gambling than investing, Poloz Says

Bloomberg, *14.12.2017*

Cryptocurrencies such as bitcoin are a gamble to Canada's central bank chief.

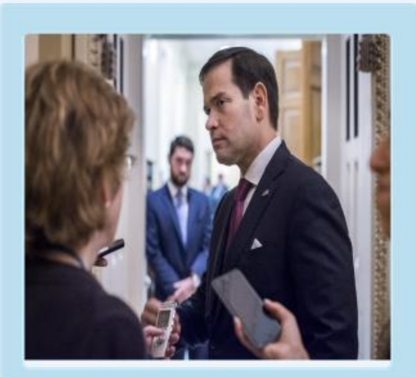
Bank of Canada Governor Stephen Poloz, delivering his last speech of the year Thursday in Toronto, said currencies must act as a reliable store of value and should be able to be easily spent. "What their true value is may be anyone's guess -- perhaps the most one can say is that buying these things means buying risk, which makes it closer to gambling than investing," Poloz said. "All I will say to people intending to buy a so-called cryptocurrency is that you should read the fine print and make sure you know what you are getting into."

Poloz acknowledged demand for digital cash could grow over time and policy makers are studying whether a case could be made for central banks to provide it. “Bank staff are exploring the circumstances under which it might be appropriate for the central bank to issue its own digital currency for retail transactions,” he said. At a later press conference, Poloz said the central bank’s own experiments with blockchain technology suggest it doesn’t have “substantial advantages” over the current technology for payment systems.

The frenzy surrounding cryptocurrencies is a “situation that has the ingredients of something that could be a significant disturbance” to the financial system, Poloz said, adding he hopes the system will treat bitcoin cautiously. The charts on the price of bitcoin “looks like the left-hand side of the Eiffel Tower, doesn’t it,” he said, comparing it to the bubble in technology stocks almost 20 years ago. “You don’t see that very often.” The level of hype around this is “quite extraordinary” he said, and he’s getting asked about it a lot.

Senate Republicans try to placate Rubio after he threatens to oppose tax bill over child credit

Washington Post, *15.12.2017*



Sen. Marco Rubio (R-Fla.) threatened Thursday to vote against Republicans’ $1.5 trillion tax overhaul unless it further expands a child tax credit to millions of working families, leaving GOP leaders searching for answers on a final deal that had appeared to be on the verge of sailing through the House and Senate.

Rubio wants Republican leaders to include the expansion as they reconcile separate tax measures passed by the House and Senate, working to craft a final compromise bill that could pass both chambers and be sent President Trump .

GOP leaders had said Wednesday they believed that they had reached a broad agreement that both chambers could pass, and they planned to unveil the package Friday morning with hopes of voting on it early next week. But opposition from Rubio and perhaps Lee — who has not yet decided whether to support the bill, a spokesman said Thursday — could delay or derail the tax effort.

Rubio says it’s imperative that the GOP make its plan more generous for working families, especially as lawmakers repeatedly revise it to strengthen benefits for the wealthy and corporations. “I understand that this is a process of give and take, especially when there’s only a couple of us fighting for it, the leverage is lessened,” Rubio said Thursday in the Senate. “But given all the other changes made in the tax code leading into it, I can’t in good conscience support it unless we are able to increase [the child tax credit], and there’s ways to do it and we’ll be very reasonable about it.”

Individual Republican senators have significant influence over the plan as the party works to move it through the Senate while holding only a narrow majority. Republicans control 52 Senate seats and need 50 votes to pass the tax bill, as Vice President Pence could be called on to break a tie. Pence's staff on Thursday announced he would postpone a planned trip to Israel and Egypt next week to be available for the tax vote. Sen. Bob Corker (R-Tenn.), who voted against the Senate version of the bill because of its projected additions to the deficit, says he's reviewing the final version but is expected to oppose it as well. With Democrats unanimously opposed to the plan, Republicans can afford to lose no more than two members of their caucus in a final vote.

Top Republicans expressed hope Rubio could be won over. "He's really been a great guy, very supportive," Trump said while taking questions after a speech. "I think that Senator Rubio will be there. "Well, we're concerned about it," Senate Finance Committee Chairman Orrin G. Hatch (R-Utah) said of Rubio's request. "But you know, we've got to deal with the art of the doable. But I think we can resolve that problem. I sure hope so. The change Rubio is seeking would add tens of billions of dollars in new tax breaks for millions of low-income and working-class families, further squeezing negotiators as they struggle to comply with Senate rules that block the bill from adding more than $1.5 trillion over a decade to the national deficit. Earlier Thursday, Hatch said the party was considering a plan that would shorten the duration of the bill's planned tax cuts for individuals, a change that would cut the measure's overall tax breaks for middle-class and working-class families.

The shortened duration would free up more revenue Republicans could use to pay for new tax breaks they're adding in the compromise package to their overhaul, but it could also heighten complaints that the bill prioritizes cuts for corporations over households. The additional revenue is needed because Republicans are seeking to lower the top tax rate paid by the wealthiest Americans, ratchet back proposed curbs on the deductions of state and local taxes, and scale back proposed tax rules for investment income. All of these changes are expected to add more than $200 billion to the cost of the bill, which is one reason GOP leaders have said they don't have much flexibility to address Rubio's demands.

Under the Senate version of the tax plan, many of the cuts and credits for individuals are set to phase out in 2025, but Republicans are considering moving the expiration date to 2024. Republicans have said that the expiring tax cuts for families and individuals would eventually be extended by a future Congress because they will prove popular, but they need to make them temporary to comply with budget rules.

The backbone of the Republican tax plan is a massive cut to the corporate tax rate, but it would also pare an inheritance tax paid almost exclusively by the very wealthy and cut taxes for millions of other businesses — ranging from small stores to large, wealthy firms — that pay taxes through the individual tax code. Individuals, including the middle class, working class and poor, would see more uneven benefits, with many getting a tax break but some losing out as the breaks expired or certain deductions were shrunk or eliminated.

Republicans, including Trump, have touted their plan as a middle-class tax cut, but by further shortening the duration of individual tax cuts while leaving most corporate rate cuts permanent, the GOP could bolster Democrats' argument that the package is tilted in favor of the wealthy and corporations.

Nonpartisan analysts have supported that assessment of the GOP plan, and polling suggests the public broadly shares that perception. Trump and Rubio have a history. They faced off during the GOP primary in 2015 and 2016 and launched nasty, personal attacks against each other. Rubio is seen as considering a future presidential run. He has never fully embraced the type of bare-knuckle politics that Trump likes to employ, even saying he regretted efforts during the campaign to mirror Trump's attacks.

Rubio and Lee hope their proposed change to the child tax credit would address some of those concerns by giving more credits to the low-income families.bThe Republican plan would increase the child tax credit from up to $1,000 per child under existing law to up to $2,000. But Rubio and Lee want to change the credit's rules to extend additional benefits to families who pay payroll taxes but do not make enough to owe any income tax.

Rubio has been negotiating with the GOP leaders tasked with crafting the final bill, and on Wednesday they said they could increase the tax credit in the final bill by about $13 billion, according to a person with knowledge of the private negotiations. Rubio had pressed for the tax credit to be bolstered by, at a minimum, between $30 billion and $40 billion.bFrustrated by the counteroffer, Rubio told party leaders late Wednesday night he planned to vote against the GOP tax plan. Sen. Tim Scott (R-S.C.), one of the conferees, intervened in bid to keep Rubio negotiating — an effort Scott continues to pursue. By Thursday afternoon, as the discrepancy remained unresolved, Rubio announced publicly that, without a more robust credit, he would vote "no."

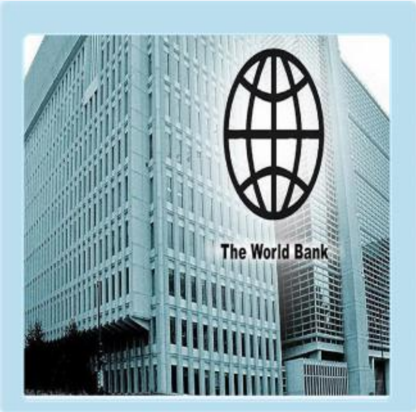
Party leaders still hope to roll out their credit by Friday morning, in part to remain on pace to meet Trump's request that Congress send him a tax-cut bill by Christmas. That timeline gained new urgency Tuesday when Democrat Doug Jones defeated Republican Roy Moore in an special election for a U.S. Senate seat in Alabama. Despite Democrats' demands for a delay, Republicans expect to be able to pass their tax bill before Jones replaces Sen. Luther Strange (R) this month or early next month. In threatening to vote down the tax plan, Rubio is reopening a fight he and Lee lost on the Senate floor earlier this month.

The pair proposed a change to the Senate bill that would have expanded the credit, but it was opposed by Senate leadership and voted down. During the Senate debate, Rubio and Lee proposed funding the expanded credit by slightly shrinking the plan's proposed cut to the corporate tax rate, from a proposed 20 percent to, eventually, just below 21 percent. Under current tax law, the corporate rate is 35 percent.

In opposing the Rubio-Lee plan, Republican leaders said they need to keep the corporate tax rate at 20 percent to help U.S. companies compete globally. But in their talks to reconcile the House and Senate bills, GOP leaders have a tentative agreement to move the rate to 21 percent — largely to pay for a tax cut for wealthy individuals. In an interview Thursday, Rubio noted that negotiators had found a way to fund other proposed changes to the tax plan. "My concern is that if you found the money to lower the top rate and you found the money to add a year [to the corporate rate reduction], you can't find a little bit to at least somewhat increase the refundable portion of it?" he said.

World Bank sets up $4.5B climate change fund

Anadolu Agency, *13.12.2017*



The World Bank Group and the Global Covenant of Mayors for Climate and Energy on Tuesday announced a $4.5 billion fund for 150 cities around the world to combat the effects of climate change.

The announcement was made at the One Planet Summit in Paris, which was held to mark the second anniversary of the Paris Agreement on greenhouse gases. French President Emmanuel Macron, UN Secretary-General Antonio Guterres and World Bank Group President Jim Yong Kim hosted the summit meeting. "The battle for climate change has not yet been won. There is no plan B," said Guterres.

"This summit is a new phase in our common struggle," said Macron. Former U.S Secretary of State John Kerry said it is an "embarrassment" that the U.S withdrew from the Paris Agreement, adding the decision was made by President Donald Trump and not by Americans. The Paris Agreement, signed by 195 countries in April 2016, aims to fight climate change by reducing carbon emissions and limiting the global temperature rise to below 2 degrees Celsius. The Global Covenant of Mayors for Climate and Energy is an organization supported by nearly 7,500 municipalities from 119 countries that operate locally, regionally and globally. The summit resolved to implement a 12-point action plan against climate change and the global warming threat, including allocating a budget of $3 billion to address climate challenges faced by island nations. Another $300 million is planned to be allocated to countries including France and Canada until 2030 to struggle against the negative consequences of climate change.

In addition, along with many countries, the Gates Foundation and the European Union Commission decided to provide $650 million in funding for developing countries to combat climate change and adapt to new requirements. Nearly 100 heads of government and senior officials from around the world are attending the summit.

Announcements & Reports

► *Precautionary recapitalisation: time for a review?*

Source : Bruegel
Weblink : http://bruegel.org/2017/07/precautionary-recapitalisation-time-for-a-review/

► *Trends in Extremist Violence and Terrorism in Europe through End-2016*

Source : CSIS
Weblink : https://www.csis.org/analysis/trends-extremist-violence-and-terrorism-europe-through-end-2016

► *Actualising East: India in a Multipolar Asia*

Source : Brookings
Weblink : https://www.brookings.edu/research/actualising-east-india-in-a-multipolar-asia/

Upcoming Events

► *ETIP-SNET Regional Workshop South-Eastern Region*

Date : 24 December 2017
Place : Cyprus
Website : https://www.entsoe.eu/news-events/events/Pages/Events/etip-snet-regional-workshop-southern-eastern-region.aspx?EventWorkshopId=327

► *Project TERRE open stakeholder meeting*

Date : 01 January 2018
Place : Brussels - Belgium
Website : https://www.entsoe.eu/news-events/events/Pages/Events/Project-TERRE-open-stakeholder-meeting.aspx?EventWorkshopId=345

► *Connecting the Dots Annual Conference '17*

Date : 5-6 January 2018
Place : Brussels
Website : https://conference.entsoe.eu/

► *ENTSOG Workshop on the Supply Potentials and Renewable Gases for TYNDP 2018*

Date : 07 January 2018
Place : Brussels
Website : https://www.entsog.eu/events/entsog-workshop-on-the-supply-potentials-and-renewable-gases-for-tyndp-2018#welcome

► *Market EU Stakeholder Committee*

Date : 11 January 2018
Place : Brussels - CEER
Website : https://www.entsoe.eu/news-events/events/Pages/Events/mesc-2017-12-11-aspx.aspx?EventWorkshopId=330

► *Grid Connection EU Stakeholder Committee*

Date : 14 January 2018
Place : Brussels – Martin's Brussels EU Hotel
Website : https://www.entsoe.eu/news-events/events/Pages/Events/GESC-2017-12-14-aspx.aspx?EventWorkshopId=331