



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Volume 12, Issue No. 28 | Date: July 14, 2017

PAKISTAN COMPENDIUM

BANKING SCENARIO

Deposits Folder

According to the weekly statement of position of all scheduled banks for the week ended June 23, deposits and other accounts of all scheduled banks stood at Rs. 11,706.601 bn after a 2.50 pc increase over the preceding week's figure of Rs. 11, 421.347 bn.

Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 6,056.180 bn, higher by 0.77 pc over the preceding week's figure of 6,009.881 bn. Compared with last year's corresponding figure of Rs. 5,113.688 bn, current week's figure is higher by 18.43 pc.

Mr. Tariq Bajwa Appointed as Governor SBP

Mr. Tariq Bajwa assumed the charge of Governor State Bank of Pakistan on July 7, 2017 after President of Pakistan appointed him as Governor State Bank of Pakistan for a period of three years. A career civil servant by profession, Mr. Bajwa has been associated with Civil Service of Pakistan since 1981 before joining the SBP. He has varied experience in his career including field assignments of Assistant Commissioner and Deputy Commissioner, Secretariat positions both the Federal and Provincial Secretariat, General Manager PIA (1992-96), Head of Pakistan's Trade Mission in Los Angeles (1999-2004), Director General Planning and Finance in Earthquake Reconstruction & Rehabilitation Authority (ERRA) and the United Nations Development Programme (UNDP). In 2013, he was appointed Chairman, FBR (July 2013 - October 2015) and under his leadership FBR revenues witnessed significant growth and the concept of Filer/Non-Filer was introduced. Thereafter, he took charge as Secretary, Economic Affairs Division and then as Secretary Finance. As Secretary Finance, he also served as a Director on the SBP Board during February - June 2017. He holds a Master's degree in Public Administration from Kennedy School of Government, Harvard University and an LLB from University of the Punjab, Lahore. He attended National Management Course at National School of Public Policy Lahore in 2009. His professional expertise and experience include public policy formulation and implementation with specialization in public finance and taxation.

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 months)

	Bid%	offer%
BEGINNING	5.91	6.16
ENDING	5.89	6.14
CHANGE	-0.02	-0.02

Foreign Exchange Rates

	GBP(£)	EURO(€)	USD(\$)
BEGINNING	PKR 137.00	PKR 120.30	PKR 107.50
ENDING	PKR 137.00	PKR 120.80	PKR 106.50
CHANGE	0	+0.5	-1

Pakistan Stock Exchange

	100 Index
BEGINNING	45,222
ENDING	44337
CHANGE	-885

Gold Rate

	(10 gm)
BEGINNING	PKR 43,157
ENDING	PKR 43,200
CHANGE	+43



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SBP Acquires PSPC

The State Bank of Pakistan has acquired Pakistan Security Printing Corporation by paying Rs. 100 bn to the federal government. The SBP has assumed control of the PSPC and deputed Mr. Muhammad Haroon Rasheed Malik, Executive Director of the Bank, as managing director of the company. According to State Bank, in order to have full control over the process of banknotes manufacturing and issuance, the SBP has been in negotiations with the federal government for over two years to acquire the banknotes and printing functions of PSPC. The other security printing functions of PSPC including printing of passports, national ID cards, stamp papers have been separated and vested in National Security Printing Company (Private) Limited, a newly established company fully owned by the federal government. The SBP being the sole issuer of banknotes in the country gives utmost importance to the integrity and quality of banknotes, therefore it has acquired PSPC.

Construction of 4,320MW Dasu Dam Starts

In a significant development regarding hydel resources in the country, construction work on the 4,320 megawatt Dasu hydropower project will commence within a week as civil works contractor has been mobilized for the purpose. An amount of \$ 4.2 bn is needed for the completion of the first phase of project. The World Bank's International Development Agency (IDA) is providing a credit of \$ 824 mn while the remaining amount is being arranged by the authority from various commercial sources. The 4,320 MW Dasu hydropower project is being built by WAPDA on the Indus, upstream of Dasu town, Kohistan district of KPK. The project will be completed in two phases – each stage having a power generation capacity of 2,160 MW.

Services Exports Rose 7.2 pc in May

Pakistan's exports of services in May recorded a growth of 7.2 pc year-on-year to \$387 mn, according the Pakistan Bureaus of Statistics (PBS) report. Positive growth in services exports follows a decline in the preceding month. They increased 0.94 pc to \$5.08 bn in July-May, PBS data showed. The annual drop was 7.14 pc to \$ 5.46 bn in 2015-16. The services sector has emerged as the main driver of economic

growth. Its share in GDP increased from 56 pc in 2005-06 to 59.59 pc in 2016-17. Its major sub- sectors are finance and insurance, transport and storage, wholesale and retail trade, public administration and defense. Pakistan has opened up its market to foreign service-providers, particularly in banking, insurance, telecommunications and retail areas.

Local Seeds Saved Millions of Dollars

Locally produced seeds are now more easily available for crop cultivation than before which is why the yield of some major and minor crops is on the rise. Officials of the Ministry of National Food Security and Research (MNSFR) say that local production of seeds exceeded the target in the last fiscal year thanks to a revamp of the seed business's regulatory regime. Locally available certified seeds of selected major and minor crops reached close to 520,000 tonnes in the first nine months of FY17 against the full year target of 411,000 tonnes, and up 29 pc from 402,000 tonnes in the same period of FY16. It is expected that seed availability in full FY17 would cross the 600,000-tonne mark. Authorities take into account seeds of wheat, cotton, paddy, maize, pulses, oilseeds and seeds of vegetables, fodders and potatoes for calculating the total local output of certified seeds.

Mango Mood

Pakistan produces nearly a million metric tonnes of mangoes, exports 6-7 pc of the produce and claims around 3.8 pc share in the global market. The country's mango exports, during the last three years, have gradually declined from a peak of 103,487 MT in 2012-13 to 64,111 metric tonnes (MT) in 2015-16. Mangoes are not only Pakistan's national fruit but a unique product in multiple ways. They are a cultural agent, a networking tool, a social bonding instrument and a diplomatic emissary, worthy of being gifted to heads of states. The global mango market has its peculiar dynamics. Firstly, in contrast to mango production which is dominated by Asian countries, mango exports are dominated by South American countries – Mexico, Peru, Brazil and Ecuador. The main reason is the consumer preference in premium import markets for the



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firm, less-sweet South American mango varieties: Keitt, Kent and Tommy Atkins. The major Pakistani mango varieties available in exportable quantities, Sindhri and Chaunsa, are soft and yellow with high brix value (sweetness) and are predominantly consumed in the ethnic (Asian) consumer segment rather than the mainstream market.

Women Directors in Pakistan to More Than Double in Three Years

Pakistan has made a breakthrough on gender diversity on its corporate boards. The Companies Act 2017, passed by the country's parliament on May 24, requires public interest companies to have such representation of women directors as specified by the Securities and Exchange Commission of Pakistan (SECP). For listed companies, the regulator had previously specified, through the revised Code of Corporate Governance, that within three years, the board of such companies shall have at least one woman director. There was a need for this intervention. As many as 69 out of 100 companies included in the widely followed KSE-100 Index of Pakistan Stock Exchange (PSX) have no woman director. These include 16 out of the 20 largest listed companies in terms of free-float market capitalization. Overall, the proportion of women directors on the boards of listed companies is only 6.4 pc. It is far below the 17.2 pc representation of women in the country's parliament and their 15.8 pc labor force participation rate. It is also much lower than the proportion of women directors in companies in the S&P 500 and FTSE 100, which now ranges from 20 pc to 25 pc. The proportion of women directors will now more than double in three years, jumping from 6.4 pc to at least 14.3 pc.

11 Projects Worth Rs. 235 bn Approved

The Executive Committee of the National Economic Council (ECNEC) has approved a total of 11 development projects with an estimated cost of about Rs. 235 bn. Finance Minister Ishaq Dar presided over the meeting attended by representatives of the provincial governments and federal ministries concerned. The projects were earlier cleared by the Central Development Working Party (CDWP) on technical basis. The approved projects included Peshawar Sustainable

KALEIDOSCOPE

RUPEE

The common name for the currencies of India, Pakistan, Indonesia, Maldives, Mauritius, Nepal, Seychelles and Sri Lanka. In Maldives it is known as Rufiyah. It is derived from Sanskrit term Rupya, which means a coin of silver. Rupiya was first released by King Shershah Suri (1540—1545) in the subcontinent, this was the first rupee. In Indonesia, it is called Rupiah.



Longest Place Name in The World

Porangahau in New Zealand's South Island, boasts the longest place name in the world: Tetaumata-whakatangihanga-koaua-o-tamatea-ureha-e-a-turipuka-pi-himaunga-horo-nuku-pokaiwhenuaa-kitana-rahu, officially entered in the Guinness Book of Records. That stretches the name to 92 letters. It says the name means "The place where Tamatea, the man with the big knees, who slid, climbed, and swallowed mountains, known as 'land eater', played his flute to his loved one".



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Bus Rapid Transit Corridor Project at an estimated cost of Rs. 49.34 bn. The project envisages construction of a 25.8 km-long, two lane road, dedicated signal free Bus Rapid Transit main corridor, including 32 stations. The Asian Development Bank is extending a \$335 mn loan for the project

Lahore Airport Reconstruction Contract

The Pakistani government has awarded a contract worth nearly \$382 mn to a Chinese company to reconstruct Lahore's Allama Iqbal International Airport, the Chinese state-owned *People's Daily* newspaper reported. China Construction Third Engineering Bureau won the 2.6 bn RMB contract to engineer, procure, and construct the reimagined Lahore airport, which will become Pakistan's largest after the reconstruction is completed, the report claimed.

Auto Sales Rise

The fiscal year 2016-17 ended on a positive note with impressive sales of trucks and tractors followed by slight sales growth in cars and buses, data released by Pakistan Automotive Manufacturers Association (PAMA) showed recently. A total of 185,781 cars were sold in the last fiscal year as compared to 181,145 units in the preceding year.

MANAGEMENT & INFOTECH CORNER

Balance Your Emotional Intelligence Skills

Having emotional intelligence, or EI, is an important part of being a stronger, more effective leader. But too many people assume that it is all about being sweet and chipper. Sure, some EI competencies are related to sociability and sensitivity, but others are connected to leadership skills like achievement, influence and conflict management. The key is to have a balance. If you are strong in some of the softer, emotional skills, then focus on honing skills like giving unpleasant feedback. For example, rather than using your EI to smooth over interactions with a co-worker who is abrasive, work on bringing up the issue to your colleague

directly, drawing on conflict management to give direct feedback. (Adapted from *Emotional Intelligence Has 12 Elements. Which Do You Need to Work On?* By Daniel Goleman and Richard E. Boyatzis-Harvard Business Review)

Which Part of the World has the Most ATMs?

South Korea has 278 Automated Teller Machines (ATMs) per 100,000 population, which is the highest in the world. According to the World Bank's last count, Australia is second among the top 10 countries in Asia having most ATMs per 100,000 population. The country has 164 ATMs per 100,000 people. In third place is Japan with 127 ATMs and fourth is Brunei with 79 ATMs. Singapore has 59 ATMs per 100,000 population, while Malaysia has 51.

E-banking Infrastructure in Pakistan

ITEMS	QUARTER 1 FISCAL YEAR-16	QUARTER 2 FISCAL YEAR-17
Real Time Online Branches	13,499	13,926
ATMs	11,803	12,352

SMILE-A-WHILE

“Never go to a doctor whose office plants have died”

- Erma Bombeck



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INTERNATIONAL ARENA

Unicorns are Less Rare These Days

Six years ago, 'Unicorns' or young, private companies with investment valuations of at least \$1 bn, were relatively rare. Back then, there were only 28 in the world. Today there are more than 200.

Working, But Still in Poverty

About 11.5 mn Americans working in retail or food-service jobs in the US earn poverty-level wages, according to government statistics.

Electric Car Boom Won't Spell End of Oil

The use of electric cars is set to grow in coming years, but this will not spell the end of demands for oil, as reported by the head of the International Energy Agency (IEA). The growth of electric cars was starting from a very small base and oil would still be needed for ships, planes and trucks. Focus on the game-changing potential of electric cars has increased dramatically in the last weeks. France has reported that it will end sales of petrol and diesel vehicles by 2040 and Volvo Cars plans to start phasing out production of conventional petrol-only cars from 2019, with all new models to be electric or hybrid from that date.

Credit to Tobacco Industry is Prohibited

The third largest Dutch Bank, ABN AMRO, has decided to ratchet up its battle against smoking and will no longer extend credit to clients in the tobacco industry. The Amsterdam-based bank's decision came as it announced a new partnership with the national Heart Foundation in the fight against smoking, which kills some 20,000 people

every year in the country of 17 mn. It was mentioned, according to the bank's director of relationship management for institutions and charitable organizations, that the core value of the bank is that everybody has a right to be healthy. (ABN stands for Algemene Bank Nederland & AMRO stands for Amsterdamsche Bank & Rotterdamsche Bank)

Oil Giants Sign Deal to Exploit Gas Reserves

Chinese, French and Iranian energy giants signed a \$4.8 bn deal to develop the world's largest natural gas reserve in the Persian Gulf last Monday. The parties – China National Petroleum Corp., France's Total and the National Iranian Oil Co. through its Petropars subsidiary, will develop the South Pars gas field, the first major energy investment since sanctions against Iran were lifted early last year. Production is to begin within 40 months, according to the agreement. The French company will have a 50.1 pc interest, with CNPC owning 30 pc and Petropars 19.9 pc. As China's biggest oil and gas producer, CNPC can provide experience in gas development, needed investment and access to the Chinese market for this project.

Economic Chaos Fuels Gold Rush in South Sudan

While inflation is soaring and the currency collapsing amidst chaotic conditions in the war-torn South Sudan, a new wave of violence is rampant in the form of Gold Rush. The precious metal is more highly prized than ever. The center of this gold rush is the Equatoria – a southern region that is undergoing armed unrest, where the writ of authorities over mining is limited. The result is a virtual free-for-all as miners and traders shrug off the risks of the three-year civil war. While details on the country's mineral potential are scarce, Jersey-based Equator Gold Holdings Ltd. described it as the world's most promising frontier exploration destination and said that its southern Luri project, suspended because of war, may contain several multi-million ounce gold deposits.

Editor: Rafi Ahmed | Deputy Editor: Shahla Naqvi | Designed by: M. Jahangir Ishaq

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