



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 13, Issue No. 04 | Date: January 26, 2018

PAKISTAN COMPENDIUM

BANKING SCENARIO

Deposits Folder

According to the weekly statement of position of all scheduled banks for the week ended Jan 5, 2018, deposits and other accounts of all scheduled banks stood at Rs. 12,011.635 bn after a 2.83 pc decrease over the preceding week's figure of Rs. 12,361.806 bn. Compared with last year's corresponding figure of Rs. 10,786.108 bn, the current week's figure was higher by 11.36 pc.

Deposits and other accounts of all commercial banks stood at Rs. 11,926.763 bn against preceding week's deposits of Rs. 12,281.221 bn, showing a decline of 2.89 pc. Deposits and other accounts of specialized banks stood at Rs. 84.872 bn, higher by 5.32 pc against previous week's figure of Rs. 80.585 bn.

Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 6,479.374 bn, lower by 0.77 pc over the preceding week's figure of Rs. 6,529.968 bn. Compared with last year's corresponding figure of Rs. 5,461.127 bn, current week's figure is higher by 18.64 pc.

Advances by all commercial banks decreased to Rs. 6,307.677bn from previous week's Rs. 6,357.903 bn indicating a decline of 0.80 pc, whereas advances of specialized banks stood at Rs. 171.697 bn against previous week's Rs. 172.065 bn.

Investments Brief

Investments of all scheduled banks stood at Rs. 8,047.393 bn against preceding week's figure of Rs. 8,541.521 bn, lower by 5.78 pc. Compared to last year's corresponding figure of Rs. 7,350.482 bn, current week's figure is higher by 9.48 pc.

Investments by all commercial banks stood at Rs. 7,966.969 bn, lower by 5.83 pc against preceding week's figure of Rs. 8,460.687 bn, whereas investment by all specialized banks stood at Rs. 80.425 bn against preceding week's figure of Rs. 80.834 bn.

Cotton Production Up 7.58 pc

The country has produced 11.33 mn bales up to January 15, showing a growth of 7.6 pc over the corresponding period of last year when 10.54 mn bales were produced. This means that around 0.79 mn more bales have been produced this season (2017-18) so far. While both Sindh and Punjab recorded higher cotton production, the former has achieved higher growth at 12.59 pc on producing 4.25 mn bales as against 3.77 mn bales produced in the same period last season.

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 months)

	Bid%	offer%
STARTING	5.95	6.20
ENDING	5.95	6.20
CHANGE	0	0

Foreign Exchange Rates

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 154.00	PKR 136.00	PKR 111.90
ENDING	PKR 157.3	PKR 137.7	PKR 112.00
CHANGE	+3.3	+1.7	+0.1

Pakistan Stock Exchange

100 Index

STARTING	44,178
ENDING	44,551
CHANGE	+373

Gold Rate

(10 gm)

STARTING	PKR 48,857
ENDING	PKR 49,285
CHANGE	+428



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Sindh has produced around 0.48 mn more bales than last year mainly due to lesser pest attacks. On the other hand, Punjab was unable to match Sindh because of heavier rains, pest attacks as well as the heat wave which retarded plant growth.

Exports of Textile Group Post Growth of 10 pc

Exports of textile group posted a growth of 10 pc in December 2017 over the same month a year before, according to Pakistan Bureau of Statistics (PBS). Commodity-wise trade figure uploaded by the PBS on Tuesday showed that exports of textile group have increased to \$1.132 bn in December 2017 from \$ 1.028 bn in December 2016. Export of raw cotton increased to \$3.1 mn in December 2017 from \$2.372 mn for the same month a year ago, showing an increase of 30.69 pc while cotton yarn increased to \$107.841 mn from \$107.335 mn noting an increase of 0.47 pc. Cotton cloth exports increased to \$ 179.038 in December 2017, up by 6.12 pc over \$168.712 mn for the same month of last fiscal year, while export of yarn other than cotton yarn increased to \$2.254 mn, up by 51.28 pc, over US \$1.490 mn for the same month a year before. Export of knitwear remained \$236.482 mn in December 2017, up by 19.99 pc over US \$197.086 mn for the same month a year before; export of bedwear reached \$176.987 mn during the period under review, up by 4.07 pc over US \$170.064 mn over December 2016; and exports of readymade garments remained US \$229.914 mn, up by 8.64 pc over US \$211.631 for the same month of the last fiscal year.

Indonesia Offers Pakistan Better Market Access

The Indonesian government has unilaterally agreed to provide Pakistani products with deeper market access under the preferential trade agreement (PTA), which will help reduce the negative trade balance between the two countries, a government official claimed on Thursday. "We have renegotiated with Indonesia the provision about reducing duties on 20 items to 0 pc," according to a senior official of the Ministry of Commerce. The official did not disclose the names of these products. He said the PTA was not properly negotiated and did not provide for any market access to Pakistani goods. "We have urged the Indonesian government to reciprocate market access for Pakistani products to which they have agreed," the official said.

HIGHLIGHTS

- ≈ **Foreign Direct Investment amounts to \$ 1.38 bn in the first half of the current fiscal year.**
- ≈ **Foreign Exchange Reserves held by the Central Bank amounted to \$ 13.69 bn on January 12, 2018.**
- ≈ **Pakistan Cotton production rose 7.6 pc year-on-year to 11.33 mn bales as of January 15, 2018.**

According to the source, the products on which duty will be reduced include agricultural produce, manufacturing products and fruits. Pakistan and Indonesia signed the PTA in 2012. The senior official of the commerce ministry said that imports from Indonesia increased. The increase was the result of a diversion of palm oil imports from Malaysia. However, overall bilateral trade also increased.

Employment Growth in S. Asia to Remain Strong

Due to rapid labor force growth, South Asia is expected to account for almost 90 pc of the total employment growth in Asia and the Pacific, says a new report released by the International Labour Organization (ILO) recently. The 'World Employment and Social Outlook Trends 2018' notes that unemployment levels in Asia and the Pacific are expected to remain low relative to other regions, and constant over the forecast horizon at around 4.2 pc. This is largely due to the fact that employment growth in the region is expected to remain strong, with the number of employed persons projected to grow by some 23 mn between 2017 and 2019, ILO's flagship report says.



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INTERNATIONAL ARENA

Exports, Consumers Drive China's 6.9 pc Growth

China's economy gained steam in 2017, expanding at a 6.9 pc pace in 2017 in its first annual increase in seven years, according to data released Thursday that exceeded economists' forecasts and the government's target. Buoyant consumer spending and robust exports helped drive the faster expansion, as the economy defied expectations of weaker growth in the latter half of the year due to curbs on bank lending. The data show China's leaders have some extra wiggle room as they strive to wean the economy away from reliance on wasteful and polluting industries and exports in favor of slower but more sustainable consumer spending. The rebalancing has been complicated by Beijing's repeated infusions of credit to prevent activity from slowing too much, which has pushed up debt that analysts say is the biggest threat to economic stability.

UK unemployment holds at lowest since 1975

Britain's unemployment rate remains at the lowest level in more than 40 years, according to official data that showed wages growth still lagging inflation. The jobless rate — or the proportion of the workforce that is unemployed — stood at 4.3 pc in the three months to the end of November, the Office for National Statistics said in a statement. This was helped by a stronger-than-expected rise in employment to 32.2 mn people — the highest level since records began in 1971, the ONS added.

Unemployment fell 3,000 to 1.44 mn people. "The latest labor market figures provided further reassurance that the economy held up in the fourth quarter of last year," said Paul Hollingsworth, economist at Capital Economics research group. The 102,000 rise in employment in the three months to November was far stronger than market forecasts. Average weekly earnings meanwhile grew 2.5 pc in the year to November, but still lower than overall UK inflation. With the employment rate returning to a joint record-high and the number of vacancies setting a new record, demand for workers clearly remains strong, said ONS statistician David Freeman.

Japan's Record Exports, Manufacturing, Point to Powerhouse Economy

Japan's exports to China and Asia hit record levels as shipments rose for a 13th straight month in December and manufacturing growth hit a four-year high in January, pointing to an economy that powered through the fourth quarter and into 2018. The Ministry of Finance (MOF) said that exports rose 9.3 pc in December from a year earlier, versus a 10.1 pc gain seen by economists and following a 16.2 pc gain in November. A survey showed Japanese manufacturing activity expanded in January at the fastest pace in almost four years, reporting solid output and employment levels. The data comes after the Bank of Japan offered a more upbeat view of inflation expectations, showing its conviction a strengthening recovery will gradually push price growth to its 2 pc target. By value, exports reached 7.3 trillion yen (\$66.27 bn) in December, the biggest amount since September 2008 when the last global financial crisis erupted. Policymakers hope robust external demand for Japanese goods can help stoke a virtuous cycle of business investment, consumer spending and growth in Japan's economy, the world's third largest. "We still think that net trade supported GDP growth last quarter", as export volumes likely outpaced imports, said Marcel Thieliant, senior Japan economist at Capital Economics. "Given that consumer spending rebounded last quarter, the upshot is that GDP should have recorded another strong rise last quarter." Exports to China, Japan's biggest trading partner, rose 15.8 pc year-on-year in December led by semiconductor production equipment and electronics parts, hitting a record 1.5 trillion yen. Shipments to Asia as a whole, which account for more than half of Japan's exports, grew 9.9 pc in the year to December, led by China-bound semiconductor manufacturing equipment and mobile phone parts and steel shipments to Taiwan, reaching a record 4.1 trillion yen in value.

UK sandwich eating produces same CO2 as 'millions of cars'

Britain's annual sandwich consumption produces the same amount of carbon dioxide as more than eight mn cars, according to a study published on Thursday. Around 11.5 bn sandwiches are consumed each year in Britain, half of which are home-made and half bought, according to the British Sandwich



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Association (BSA). This annual consumption “generates, on average, 9.5 mn tonnes of CO2 equivalent to the annual use of 8.6 mn cars”, according to a study at Manchester University. The researchers studied the carbon footprint of 40 different fillings. Mass-produced sandwiches containing sausage and meat were found to have the largest footprint, followed by shop-bought varieties containing cheese or prawn. The most carbon-intensive filling was found to be the shop-bought “all-day breakfast”, comprising egg, bacon and sausage. Producing this generates 1,441 grams of carbon dioxide, equivalent to the CO2 emissions produced by a 12-mile (19-km) car journey.

MANAGEMENT & INFOTECH CORNER

Snapchat, Facebook’s New Merger

Snapchat and Facebook have been rivals since a long time now, but recent reports suggest that Snapchat is now merging with Facebook that will allow users to share their stories on apps like Facebook and Twitter. In the past, Snapchat’s features have been cloned by other social media apps such as Instagram and WhatsApp, which has led to a loss in user growth of the app. This resulted in Instagram now having a bigger user base than Snapchat. Starting from today, users with the latest upgraded version of the redesigned Snapchat can share their snap stories on various social media apps. Other users will be able to use the feature within few weeks. Through this technique, Snapchat aims to get to the users of Facebook and Twitter that might get them to download the application, reported CNBC.

What Can You Delegate Today?

Many of us know the benefits of delegation: It helps teams share the workload so that managers focus on the work only they can do. But in reality, you (like most managers) probably

hoard tasks and become a bottleneck. To fix that, start with baby steps. Ask yourself regularly, even daily: “What can I, and only I, do?” If a certain task could be done by someone else, maybe it should be. Try to delegate small tasks that add up to something bigger, or projects that are relatively simple. Also consider time-sensitive work that competes with your other priorities. If you are still struggling to delegate, try this: For two weeks, make a list of tasks that you might delegate, writing them down as you think of them. (Adapted from *How to Decide Which Tasks to Delegate*, by Jenny Blake-HBR.)

Parkinson’s Law : “Work expands so as to fill the time available for its completion.” If something must be done in a year, it’ll be done in a year. If it must be done in six months, then it will.

Thinking About Timing Before Setting Targets

You have probably seen them before — those project spreadsheets in which Year 2 revenue is Year 1 revenue plus 10 pc, and so on. These projections are rarely accurate, because they reduce the world to linear models — when in reality the growth process is non-linear, sometimes even exponential. Instead of assuming that growth will happen right away, and at a steady pace, think about the likely times at which revenues will be realized. What is the realistic lag time between initiating your growth project and reaping the rewards from it? Focus on three inputs: the revenue goal for the investment at steady state; the assumed first-year revenue; and the inflection point, which is the time required to reach 50 pc of the revenue goal. Unrealistic revenue projections can lead to career-ending misses. (Adapted from *How to Set More-Realistic Growth Targets*, by Rita Gunther McGrath and Alexander van Putten-HBR)

Editor: Rafi Ahmed | Deputy Editor: Shahla Naqvi | Designed by: M. Jahangir Ishaq | Email: Publications@ibp.org.pk

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(021)111-000-IBP (021-111- 000-427) (92-21) 35683805 www.ibp.org.pk IBPakistan The Institute of Bankers Pakistan