



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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PAKISTAN COMPENDIUM

BANKING SCENARIO

Deposits Folder

According to the weekly statement of position of all scheduled banks for the week ended January 12, 2018 deposits and other accounts of all scheduled banks stood at Rs. 11,950.892 bn after a 0.50 pc decrease over the preceding week's figure of Rs. 12,011.635 bn.

Credit Portfolio

Gross Advances of all scheduled banks stood at Rs. 6493.155 bn, higher by 0.21 pc over the preceding week's figure of Rs. 6479.374 bn.

Investments Brief

Investments of all scheduled banks stood at Rs. 7,993.596 bn against preceding week's figure of Rs. 8,047.393 bn, lower by 0.67 pc.

Monetary Policy Statement

Pakistan's economic growth is on track to achieve its highest level in the last eleven years. Average headline inflation remains within the forecast range. There has been visible improvement in export growth and remittances are marginally higher. The exchange rate adjustment in December 2017 is expected to help ease the pressure on the external front. The progress in the real sector indicates that agriculture sector is set to perform better for the second year in a row. Production of all major Kharif crops, except maize, has surpassed the level of FY17. Similarly, large scale manufacturing (LSM) recorded a healthy broad-based growth of 7.2 pc during Jul-Nov FY18 as compared to 3.2 pc during the same period last year. Benefiting from both infrastructure and CPEC related investments, construction and its allied industries are expected to maintain their higher growth momentum. After incorporating the impact of commodity sector dynamics on the services sector, the real GDP growth is projected to be around 5.8 pc, significantly higher than FY17, but marginally lower than the annual target of 6 pc for FY18. Broad money supply grew marginally by 1.9 pc during Jul 1- Jan 12 FY18. This is a reflection of the government efforts to contain expenditures. Higher tax collection and proceeds from the issuance of Sukuk and Eurobond have led to reduction in net budgetary borrowing which stood at Rs. 401.9 bn during Jul 1- Jan 12 FY18 as compared to Rs. 470.4 bn in the corresponding period of the previous year.

On the external front, export receipts posted the highest growth in the last seven years of 10.8 pc in H1-FY18 against a reduction of 1.4 pc in H1-FY17. Workers' remittances also recorded growth (2.5 pc) during the first half of the year as

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 months)

	Bid%	offer%
STARTING	5.95	6.20
ENDING	6.18	6.43
CHANGE	+0.23	+0.23

Foreign Exchange Rates

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 157.3	PKR 137.7	PKR 112.00
ENDING	PKR 159.50	PKR 139.50	PKR 112.40
CHANGE	+2.2	+1.8	+0.4

Pakistan Stock Exchange

100 Index

STARTING	44,551
ENDING	44,301
CHANGE	-250

Gold Rate

(10 gm)

STARTING	PKR 49,285
ENDING	PKR 48,600
CHANGE	-685



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compared to a decline in the same period last year. However, favorable impact of these positives was overshadowed by the continuation of strong growth in imports of goods and services. Going forward, the PKR depreciation in December 2017, the export package, the lagged impact of adjustments in regulatory duties, favorable external environment, and expected increase in workers' remittances, will contribute to a gradual reduction in the country's current account deficit. While increase in international oil prices pose a major risk to this assessment, managing overall balance of payments depends on the realization of official financial flows. MPC is of the view that in order to preempt overheating of the economy and inflation breaching its target rate, this is the right time to make a policy decision that would balance growth and stability in the medium to long term. Accordingly, the Monetary Policy Committee has decided to raise the policy rate by 25 bps to 6.00 pc.

Seafood worth \$200.97 mn exported in 1H

The exports of fish and fish preparations from the country during first half of current financial year increased by 9.08 pc as compared to the corresponding period of last year. During the period from July-December 2017-18, the country earned \$200.97 mn by exporting about 76,098 metric tons of fish and fish preparations as compared the exports of 56,833 metric tons valuing of \$ 83,446 mn of same period last year, according the data of Pakistan Bureau of Statistics. Overall food group exports from the country during the period under review witnessed growth of 16.81 pc as food commodities worth \$.932 bn were exported during July-Dec (2017-18). The commodities that contributed in overall food trade from the country included rice exports of which grew by 18.32 pc from \$712.832 mn last year to \$843.388 mn during the current year. Among rice commodities, the exports of basmati rice increased by 4.52 pc while that of other rice commodities increased by 22.88 pc.

Initiative to Tap Cholistan Camel Milk Market

Under an initiative taken earlier this month, the Livestock and Dairy Development Department of Punjab has started collecting organic camel milk from Cholistan and selling it in Lahore and adjoining areas. Launched with 700 liters of daily supply, the initiative aims to take the sales to 3,000 liters per day within months when the breeding season of

camels ends. Punjab is also looking to exploit the export potential of camel milk in the long run. With 10 times higher iron content and three times more vitamin C than in cow milk, camel milk is surfacing as a new superfood promising health benefits. Since the European Union allowed its import in 2013, camel milk has been gaining global popularity and its production is booming in Middle Eastern countries. Nasim Sadiq, the department's secretary, says Punjab has 90,000 camels and has the potential for producing 12,000 liters of milk per day. Starting from the Cholistan desert, the department aims to take the project to 11 districts, including Bahawalnagar, Muzaffargarh, Jhang, Mianwali, Bhakkar, Chakwal, Khushab and Vehari. Except for the procurement of 5,000 food-grade milk bottles, the initiative has so far cost the exchequer no expenses.

Non-textile Exports Jump 19pc

Pakistan's exports of non-textile products posted a robust growth of nearly 19 per cent to \$4.4 billion in the first six months of this fiscal year. The exports of these products, rebounded in 2017-18 owing to the government's support, suggested data compiled by the Pakistan Bureau of Statistics (PBS). Recently, the government extended cash support package to non-textile products leather manufacturers, footwear, sports goods, surgical, engineering goods, furniture, meat and meat products, fish products and cutlery.

Data showed an increase of 83 per cent year-on-year in exports of petroleum products. Petroleum products, petroleum crude and naphtha, led the increase in petroleum sector's exports. After a long time, exports of leather products' exports rebounded and posed a growth of 1.8 pc during the period under review. This growth was mainly led by sales of leather gloves.

Footwear exports were up by 6pc during the period under review. This growth was mainly driven in sales of leather footwear. Exports of surgical goods and medical instruments went up by 15.4pc and engineering goods surged by 17.7pc during the period under review over last year. Year-on-year exports of gur (jaggery) were up by 52.8 pc, molasses 491.8pc and jewellery 18pc during the period under review.



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INTERNATIONAL ARENA

Eurozone Banks See Rising Loan Demand in Q1: ECB Survey

Banks in the eurozone expect demand for corporate loans, consumer credit and mortgages to grow in the first quarter with credit standards also easing, the European Central Bank said recently in its quarterly lending survey. Buying trillions of euros worth of public and private bonds over the past three years, the ECB has kept borrowing costs low, hoping to induce borrowing and spending, all with the aim of boosting inflation. Although the scheme worked more slowly than expected, household and corporate lending are at their post-crisis high and eurozone economic growth is now considered self-sustaining, raising the prospect that the ECB would continue to withdraw stimulus. In the last three months of 2017, banks saw increased demand for all types of loans, and while corporate and consumer credit standards — internal guidelines or loan approval criteria — were unchanged, they eased for mortgages, the ECB added. "Across the large euro area countries, credit standards on loans to enterprises eased marginally in Germany, tightened in Italy and remained unchanged in France, Spain and the Netherlands in the fourth quarter of 2017," the ECB said.

Swedish IKEA Founder Kamprad Dies at 91

Billionaire IKEA founder Ingvar Kamprad, who turned a business he launched as a teenager into one of the world's best known furniture brands, has died at the age of 91, the Swedish company said recently. IKEA's simple but sturdy designs and self-assembly products are now familiar in homes around the globe and the retailer is aiming to generate 50 billion euros (\$62 billion) in annual revenues by 2020. Kamprad started IKEA in 1943 when he was just 17, but his big break came in 1956, when the company pioneered flat-pack furniture. He got the idea when he watched an employee taking the legs off a table to fit it into a customer's car and realized that it could be developed to save money on transport, storage and sales space. The business now has around 400 stores, many of them cavernous warehouses in out-of-town malls and roughly 1 bn people visited them last year.

Canada Hopeful NAFTA Talks can Continue

Officials trying to hammer out differences over how to update the North American Free Trade Agreement have made some progress and hope politicians decide the process should continue, Steve Verheul, according to Canada's chief negotiator. The United States, Canada and Mexico are due to finish the sixth of seven planned rounds of Nafta talks on Monday, with several major issues far from being resolved. US Trade Representative Robert Lighthizer, Canadian Foreign Minister Chrystia Freeland and Mexican Economy Minister Ildefonso Guajardo will hold a news conference later that day to announce the next steps. Asked whether he thought the three ministers would decide there is enough momentum to continue with the next round, Verheul said: "Well, that's our hope." US President Donald Trump, who describes the \$1.2 trillion pact as a disaster, has frequently threatened to walk away from it unless major changes are made. Canada and Mexico initially dismissed some of the main US demands as unworkable but later made it clear they were ready to be more flexible. During the sixth round, Canada raised what it called creative ways of meeting US demands for higher North American content in autos and a sunset clause that would allow one party to quit the treaty after five years. "I think we have demonstrated we have engaged on most of the big issues," Verheul said. "We've made progress on some of the smaller ones, so I think (it was) not a bad week." Speaking separately, a Canadian government source said Ottawa was cautiously optimistic about the round, given that the US side had not summarily rejected the proposals for compromise.

Japanese Crypto Exchange Loses \$400 mn NEM Tokens Lost - Cryptocurrency

One of Japan's biggest cryptocurrency exchanges said that about \$400 mn in NEM tokens were lost after the coins were sent 'illicitly' outside the venue, spooking investors in a country that's still wary of digital token exchanges four years after the collapse of Mt. Gox. After hours of speculation, Coincheck Inc. co-founder Yusuke Otsuka said during a late-night press conference at the Tokyo Stock Exchange that the company didn't know how the 500 mn tokens went missing, but the firm is working to ensure the safety of all client assets. Coincheck said earlier it had suspended all withdrawals, halted trading in all tokens except bitcoin, and stopped deposits into NEM coins. "We are looking into the facts surrounding Coincheck," Japan's Financial Services Agency said in a



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statement. The disappearance likely ranks among the biggest losses or thefts of investor assets since the advent of digital currencies with the launch of Bitcoin in 2009. NEM, the 10th-largest cryptocurrency by market value, fell 7.5 pc to 86 cents as of 11:28 am. New York time, according to Coinmarketcap.com. Bitcoin was down less than 1pc and Ripple retreated 5 pc, according to prices available on Bloomberg.

America's Priciest Housing Market

Housing in America's most expensive region is going to get even pricier. For all the talk of the US tax overhaul hitting wealthy blue-state real estate, the San Francisco Bay area is set for more home-price gains. Its technology-fueled economy and persistent housing shortage are sending values ever higher and that may get even more pronounced as tech share sales mint millionaires in San Francisco and Silicon Valley.

"The scale of the wealth created here and the scale of the technology sector is going to outweigh the effect of the tax plan," said Patrick Carlisle, chief market analyst with Paragon Real Estate Group in San Francisco. "The Bay Area is unique because we have companies that didn't exist five years ago and that are now the biggest the world. There's no place on Earth that has a similar dynamic." Even after a years-long boom that has already priced out many residents, the San Jose metropolitan area is expected to be the hottest US housing market in 2018, according to a report this month by Zillow that factors in home values, rents and jobs.

MANAGEMENT & INFOTECH CORNER

Amazon Go

No cashiers, no registers and no cash? This is how Amazon sees the future of store shopping. The online retailer opened its Amazon Go concept to the public recently in Seattle, which lets shoppers take milk, potato chips or ready-to-eat salads off its shelves and just walk out. Amazon's technology charges customers after they leave. Amazon employees have been testing the store, at the bottom floor of the company's Seattle headquarters, for about a year. Amazon.com Inc. said it uses computer vision, machine learning algorithms and sensors to figure out what people are grabbing off its store shelves. The store is yet another sign that Amazon is serious about expanding its physical presence. It has opened more than a dozen bookstores, taken over space in some Kohl's department stores and bought Whole Foods last year, giving it 470 grocery stores. But Amazon Go is unlike its other stores. Shoppers enter by scanning the Amazon Go smartphone app at a turnstile, opening plastic doors. When an item is pulled off a shelf, it is added to that shopper's virtual cart. If the item is placed back on the shelf, it is removed from the virtual cart.

'Moonshot' Aims to Thwart Cyber Attacks

Google parent Alphabet's "moonshot" lab unveiled a new "graduate" recently which aims to make a business out of preventing cyber attacks. The technology giant unveiled Chronicle, the latest business unit to proclaim independence from the "X" lab devoted to ambitious projects. Other graduates from X include the Waymo self-driving car firm and life sciences operation Verily. Chronicle began as an X project about two years ago, according to an online post by chief executive Stephen Gillett. He described Chronicle as "a new independent business within Alphabet that's dedicated to helping companies find and stop cyber attacks before they cause harm." The X lab has been known for big bets on new technologies. Alphabet has spun companies out when they show signs they might be viable businesses on their own.

Say Nice Things About Your Co-Workers

Whether we realize it or not, we are constantly given small opportunities to build up or put down our co-workers. If we are introducing two colleagues, telling a story about how a

Work hard in silence, let
your success be your noise.

Frank Ocean



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meeting went, or sharing a colleague's project, how we talk about others can make a big difference in how they feel about themselves and their work. So take advantage of these opportunities to speak positively about your co-workers. When introducing people, share details that highlight how the person is interesting, and describe them as someone others would want to know. When you bring together a new team, tell stories about each person's potential contributions to the group. If you witness someone being interrupted or silenced, build them up by reiterating their point or asking them a question that gives them the opportunity to speak. Stay aware of these moments and make the best use of them. You're likely to get compliments in return.

(Adapted from *The Benefits of Saying Nice Things About Your Colleagues*, by Jane E. Dutton and Julia Lee - HBR.)

Stay in Touch with Your Friends, No Matter How Focused You are on Your Career

Many people let their personal relationships fall by the wayside as they focus on their careers and start a family. Yet research shows that we are more successful in our careers when we're supported by a foundation of strong, stable friendships. Don't run the risk of losing touch with your closest social connections. Career and friendships can reinforce each other — friends can share big-picture career insights and even inspire your passion for professional growth. Counteract the natural drift away, and make the effort to maintain your friendships. Call a close friend instead of just clicking on their Facebook page. Make plans to see them (and don't cancel!). It's OK to set ambitious career goals, but don't sacrifice close ties in the process.

(Adapted from *Being Too Busy for Friends Won't Help Your Career*, by Neal J. Roese - HBR)

Recessionary Periods Over a Lifetime

According to data from the National Bureau of Economic research, most American workers will experience between five and 10 periods of economic recession during their professional lives.

Rampant Rudeness

Christine Porath, a professor of management at Georgetown University, has surveyed thousands of workers over two decades and found that 98 pc have experienced rude behavior in the workplace.

FORTUNE'S THE WORLD'S MOST ADMIRABLE COMPANIES

Apple, the iPhone maker is the world's most valuable company, with a market value that recently sat around \$900 bn, and for the 11th year in a row, it also ranks No.1 on Fortune's Annual list of corporate reputation— followed at No.2, for a second straight year, by fellow tech giant Amazon.

The List 2018 of the World's Most Admired Companies: The Elite Club's Top 15 are named below:

1. Apple (Computers)
2. Amazon (Internet Services & Retailing)
3. Alphabet (Internet Services & Retailing)
4. Berkshire Hathaway (Insurance : Property & Casualty)
5. Starbucks (Food Services)
6. Walt Disney (Entertainment)
7. Microsoft (Computer Software)
8. Southwest Airlines (Airlines)
9. FedEx (Delivery)
10. JP Morgan Chase (Megabanks)
11. Netflix (Entertainment)
12. Facebook (Internet Service & Retailing)
13. Costco Wholesale (General Merchandise)
14. American Express (Consumer Credit Card & Related Services)
15. Salesforce (Computer Software)

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