



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 13, Issue No. 11 | Date: March 16, 2018

## PAKISTAN COMPENDIUM

### BANKING SCENARIO

#### Deposits Folder

According to the weekly statement of position of all scheduled banks for the week ended Feb 23, 2018, deposits and other accounts of all scheduled banks stood at Rs. 11,933.267 bn after a 0.38 pc increase over the preceding week's figure of Rs. 11,888.106 bn.

#### Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 6,628.831 bn, higher by 0.12 pc over the preceding week's figure of Rs. 6,620.732 bn.

#### Investments Brief

Investments of all scheduled banks stood at Rs. 8,126.896 bn against preceding week's figure of Rs. 8,130.545 bn, lower by 0.04 pc.

### Remittances Soar

Remittances in the first eight months of this fiscal year jumped to \$12.8 bn, registering a year-on-year rise of 3.4 pc. The highest rise was from Britain as the remittances grew by 23.2 pc to \$1.786 bn during the eight months of 2017-18. The inflows from United States also evidenced a growth of 12.2 pc to stand at \$1.7 bn in the same period. Remittances from both the counties enabled Pakistan to maintain a much-needed inflow to meet the increasing foreign exchange demand. The total foreign liquid reserves presently stood at \$18.32 bn compared to \$18.7 bn in FY15.

### Merchandise Exports Shoot up

Pakistan's exports of merchandise rose 16 pc year-on-year in February 2018, strongly hinting at a revival in the overseas sales of Pakistani goods. A progressive pattern in exports proceeds was recorded since June 2017, which will add towards bridging the deficit in current account. The exports reached \$1.9 bn in February 2018 from \$1.6 bn a year ago, data released by the Commerce Division recently. In the first eight months of the CFY, export proceeds recorded an annual growth of 11.98 pc to \$14.86 bn. The current year's export conduct has added foreign exchange inflows of around \$1.5 bn during the first eight months and is expected to reach \$2.5 bn during 2017-18. This rise in economic activity in external sector reflects an increase of 0.8 pc of GDP. This means around Rs. 280 bn of incomes to trade, industry, agricultural sectors and the resultant additional employment.

### MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

#### KIBOR (6 months)

	Bid%	offer%
STARTING	6.22	6.47
ENDING	6.23	6.48
CHANGE	+0.01	+0.01

#### Foreign Exchange Rates

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 154.00	PKR 137.25	PKR 111.80
ENDING	PKR 154.50	PKR 137.00	PKR 111.45
CHANGE	+0.5	-0.25	-0.35

#### Pakistan Stock Exchange

	100 Index
STARTING	43,011
ENDING	43,363
CHANGE	+352

#### Gold Rate

	(10 gm)
STARTING	PKR 48,214
ENDING	PKR 48,557
CHANGE	+343



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## Plan for Changes to Increase Scope of Bank Loans Act

The inter-ministerial committee set up by the government to review the Loans for Agriculture, Commercial and Industrial Purposes Act 1973, with a view to enhance the scope of the law, has suggested amendments for the provision of loans for other sectors also. The Privatization Minister, heading the inter-ministerial committee, noted during the second meeting of the committee recently that the Act was restricted to the provision of loans to only agriculture sector, although the deposit base of the banks is fast increasing. There is a drastic need for the financial institutions to extend the loans to related industries for a well-balanced economic development in the country. He suggested to the banks for considering provision of credit on the basis of disposable income instead of using typical methodology. The meeting also discussed expanding the banking sector's extension in the rural areas to ensure easy access to credit facility for the people living in underdeveloped areas of the country.

## UN Report

A paper recently released by the UN Department of Economic and Social Affairs (DESA) says the investment demand in Pakistan has increased due to sound economic activity, improvements in the energy system, and large infrastructure projects under the China-Pakistan Economic Corridor (CPEC) and other initiatives. Official data also points towards a considerable rise in loan demand during the first two quarters of the fiscal year 2017-18, particularly in the corporate sector. But the report suggested that the economy needs to realize its full potential to be based on more sustained and inclusive growth.

## 3.8 pc Rise in Services Exports

Pakistan's exports of services in January recorded a rise of 3.8 pc year-on-year to reach \$ 411.5 mn, the Pakistan Bureau of Statistics (PBS) reported recently. The data shows a rise of 4.7 pc to \$3 bn in July-January. The services sector has emerged as the major contributor of economic growth with its share of GDP increasing 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 defence. The

country has opened up its market to foreign service-providers, particularly in banking, insurance, telecommunications and retail areas.

## Rice Exports Graph Rises in 8 months

Rice exports from Pakistan have witnessed a positive rise during the first eight months of FY18. Rice exports were boosted by 27 pc during July to Feb of FY18 compared to same period of last fiscal year 2017. Pakistan has exported rice which amounted to \$1.224 bn in the first eight months of this fiscal year as against \$961 mn in corresponding period of last fiscal year, showing an increase of \$ 263 mn. Volume-wise, rice exports recorded a 14 pc growth as overall some 2.59 mn metric tons rice were exported in July-Feb of FY18 up from 2.27 mn metric tons in same period of last fiscal year. So far, Pakistan has exported more than 100,000 metric tons of rice amounting to \$ 67 mn to UAE. Kenya is the largest buyer of Pakistani non-basmati rice, to which Pakistan has exported 323,000 metric tons of rice amounting to \$118 mn. China is the 2nd largest importer of Pakistani non-basmati rice, the country has exported 233,000 metric tons of rice worth \$83 mn to China.

## HIGHLIGHTS

- The country's liquid foreign exchange reserves amounted to \$ 18,329.2 mn for the week ending March 2, 2018 (SBP).
- Pakistan is mulling issuing of Yuan (Renminbi) Bonds, equivalent to \$1.5 bn to generate funds for settlement of payments with China without burdening the foreign exchange reserves.



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## CPEC Marches Ahead

In spite of all hindrance — the CPEC advances, a promising development in the country — all provinces have ultimately accepted the fact that the CPEC is bound remain here. In light of this factor, there is a sudden need for obtaining optimum advantages from this historic development project. One Belt One Road is the iconic project of China and the CPEC, is the essential part of it which will transform China's strategic economic, political and defence interests in one of the most strategic locations. Pakistan is allied with China in these strategic interests. It augurs well that the first milestone was recently created at Gwadar with the flags of China and Pakistan fluttering side by side on the shores of the Arabian Sea. The first-ever container vessel, MS TIGER, landed at Gwadar in terms of CPEC last week. This new Ship Container Service, aptly named as Karachi Gwadar Gulf Express will connect Gwadar Port with the UAE's hub Jebel Ali as well as the near-by ports of Abu Dhabi and Sharjah.

## Automobile Sales Climb Up by 23 pc

Sales of locally assembled cars, light commercial vehicles, vans and jeeps exhibited a 23 pc year-on-year growth to 170,354 units despite an increase in their prices. According to figures released by Pakistan Automotive Manufacturers Association (Pama), sales in February stood at 22,654 units, up 15pc as 1Q of calendar year is generally a robust period for auto sales. The change in import procedure, demand from online ride-hailing services and availability of auto finance at lower rates contributed to strong demand in outgoing month. Pak Suzuki Motor Company Ltd (PSMCL) sales rocketed 25pc year-on-year in February as price-conscious models Mehran, up 30 pc year-on-year, WagonR 27pc, and Cultus 23pc all showed strong sales growth. The 8MFY18 sales were up 30 pc year-on-year to 96,062 units. Honda's car sales clocked in at 4,501 units, up 20 pc (plus 3pc month-on-month), while 8MFY18 sales grew by 38 pc to 33,669 units due to success of recently revamped City and rebound in sales of BRV up 20 pc month-on-month. Toyota lagged behind with a decrease of 8pc/5pc, YoY/MoM due to capacity constraints, though 8MFY18 units sales were up 2pc YoY. Tractor sales grew by 14 pc in February.

## LIMELIGHT

Progress in Digital Payments - 2 FY1

- Paper-based transactions remained less than half of digital and other related electronic transactions, said a State Bank report issued recently.
- During the second quarter of FY18, 0.42 mn transactions amounting to Rs. 93.6 tn were processed by Pakistan Real-Time Interbank Settlement Mechanism (PRISM).
- During the quarter, digital (e-Banking) channels processed 186.7 mn transactions worth Rs11.7 tr, said the report.
- Real-time online banking (RTOB) processed 41.7m transactions valuing at Rs. 9.8 tr, of which online cash deposits transactions have the highest share at 47 pc.
- As of Dec 31, 2017, the total number of automated teller machines (ATMs) installed by 32 banks in the country reached 13,409 from 12,963, reflecting a quarterly growth of 3.4 pc.
- The number of debit cards in circulation stood at 19.8 mn, having processed 107.9 mn (80.8 pc) transactions of value Rs. 1.25 tr (85.1pc).
- Credit cards in circulation totalled 1.37 mn with its transactions at Rs. 47.4 bn.



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## INTERNATIONAL ARENA

### **US: Employment Given to 313,000 Persons in February, 2018**

US job growth rose in February, which registered its biggest increase since July 2016. Non-farm payrolls jumped by 313,000 jobs last month, boosted by the largest rise in construction jobs since 2007, the Labor Department said recently. The labor market is taking advantage from strong domestic demand, an improvement in global growth as well as sound US business sentiment following the Trump administration's \$1.5 tn income tax cut package that come into effect in January, 2018.

### **EU Ready to Bring Crypto-currencies Under Regulatory Ambit**

The European Union (EU) is prepared to regulate crypto-currencies if risks from the sector are not tackled at the global level, the bloc's financial services chief said recently. A global obsession with bitcoin and other virtual currencies, has seen rise in their valuations, making some investors wealthy while others have suffered huge financial losses. This is a global issue and requires an international follow-up. But EU might move ahead if risks emerge and there is but no clear international response. G20 finance ministers and central bankers will meet in Buenos Aires this month, with crypto-currencies to be on the agenda. The EU will decide how to address the issue later this year or early in 2019. But there seems to be little consensus among the G-20 countries to place the crypto-currencies under regulatory ambit.

### **Doomsday Seed Cellar Undergoes Remodeling:**

The world's biggest seed bank, which was set up to ride out nuclear missile attacks or natural calamities, located deep inside an Arctic mountain, is being remodeled as rising temperatures thaw the permafrost which was intended to safeguard it. Nicknamed as the Noah's Ark of food crops, the Global Seed Vault is interred in a disused coal mine on Svalbard, a remote Arctic island in a Norwegian archipelago, 1,000 km from the North Pole. Launched in 2008, the seed bank plays a key role in preserving the world's food crop genetic diversity: It is being used as a store-house with more than a million varieties of seeds, providing a safety net in case of natural catastrophe, war, climate change, disease or

man-made disasters. But temperatures rises have affected the environment of seedbank as the permafrost, which was meant to keep the temperature inside the vault at a constant -18 Celsius (-0.4 Fahrenheit), melted in 2016. The summer season was unusually warmer than anticipated.

### **11 Asia-Pacific States Sign Trade Deal**

Eleven nations signed the Trans-Pacific Partnership (TPP) trade agreement recently, aiming to lower tariffs just as US seeks to raise tariffs, after withdrawing from the pact. The TPP, which was supposed to represent 40 pc of the global economy and nearly 25 pc of its trade, was left dumbfounded after Trump withdrew USA to follow his "America First" agenda. However, the revised deal, now known as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), is still a great achievement and a victory for openness as touted by the members. The pact embraces 11 states, with a market of 500 mn people, which includes Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam, representing together 13.5 pc of the global economy.

### **India's RBI Take on Banks After \$ 2 bn Loan Fraud**

The Reserve Bank of India (which is its Central Bank) has imposed a ban on all lenders from issuing letters of undertaking – a form of credit guarantee, at the core of an alleged \$2 bn fraud. The central bank is putting up pressure on lenders, putting them on increased scans setting in place measures to fill the loopholes in their systems, in the wake the country's biggest bank scam. Two precious metals merchant groups, dealing in gold and diamonds, were accused of swindling Punjab National Bank of more than \$2 bn, mostly through fraudulent guarantees, issued by unworthy bank employees, that they used to raise credit overseas.

### **Venezuela's Hyper-inflation 6,000pc**

Prices in Venezuela rose 6,147 pc in the 12 months to the end of February, according to estimates released recently. Inflation during the month of February alone was 80 pc, in the midst of an economic crisis, in which millions of Venezuelans are unable to afford basic food and medicine. It has been forecast if this speed of price increases, then inflation of 131,985 pc in



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2018 may happen. The economists say that tight currency controls as well as heavy money printing are some of the causes of inflation. The bolivar currency is down some 98 pc against the dollar in the year 2017 alone.

## MANAGEMENT & INFOTECH CORNER

### Ethereum

Launched in 2015, Ethereum is a decentralized software platform that enables Smart Contracts and Distributed Applications (DApps) to be built and run without any downtime, fraud, control or interference from a third party. Ethereum is not just a platform but also a programming language (Turing complete) running on a blockchain, helping developers to build and publish distributed applications. The potential applications of Ethereum are wide ranging coding skills in demand.

### What is Your Most Important Work?

We all think we have too much to do, and not enough time to do it. But you will never feel on top of things if you do not have clear priorities in the first place. Start assessing your priorities by taking inventory of the work you do: Which tasks are more (or less) urgent? Which are the most (or least) important? This inventory will prepare you to make concrete to-do lists for the tasks that truly need your attention. It will also help you answer the question, "How is my time best spent right now?" Focus on the tasks that are both urgent and important, and get rid of tasks that are neither by delegating them — or not doing them at all. And do not neglect the tasks that are important but less urgent. Be sure these activities move up on your to-do list, or they may never get done. (Adapted from *Stop Letting Email Control Your Work Day*, by Paul A. Argenti-HBR.)

## TIDBITS

### Coding Skills

In 2015, some 7 mn jobs around the world required coding skills, and that number of jobs is growing about 12 pc faster than the average, according to research from Oracle Academy and Burning Glass Technologies.

### Centuries in the Business

Stora Enso, the Finnish paper manufacturer, is the oldest corporation in the world, founded in 1288.

### Latin America's Power Players

Two countries — Mexico and Brazil — account for more than 60 pc of Latin America's gross domestic product.

### Self-Compassion During a Work Crunch

When work is intense, it is easy to beat yourself up for letting things slip at the office or at home. But doing so can make the stress worse. Have self-compassion instead: — Accept that you're in an acute period of work stress and notice — don't suppress or deny — your emotions. Assigning a word to what you're feeling, such as "pressure," "guilt," or "worry," can activate the prefrontal cortex, which is responsible for executive functioning skills. — Assess your to-do list by deciding what you need to get done each day and what can wait. And do not be afraid to ask for help, whether it's renegotiating a deadline with a colleague or getting family members to pitch in at home. Having compassion for yourself will help you increase your focus and get through the crunch with greater ease and peace. (Adapted from *5 Ways to Focus Your Energy During a Work Crunch*, by Amy Jen Su-HBR)

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Published by: The Institute of Bankers Pakistan, M.T. Khan Road, Karachi 74200, Pakistan

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