



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 13, Issue No. 09 | Date: March 02, 2018

PAKISTAN COMPENDIUM

BANKING SCENARIO

Deposits Folder

According to the weekly statement of position of all scheduled banks for the week ended Feb 09, 2018 deposits and other accounts of all scheduled banks stood at Rs. 11,852.218 bn after a 0.80 pc decrease over the preceding week's figure of Rs. 11,947.396 bn.

Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 6,597.571 bn, higher by 0.10 pc over the preceding week's figure of Rs. 6,591.254 bn.

Investments Brief

Investments of all scheduled banks stood at Rs. 7,869.123bn against preceding week's figure of Rs. 7,881.247 bn, lower by 0.15 pc

Assets Profile

Total assets of all scheduled banks stood at Rs. 16,678.379 bn, lower by 0.54 pc over preceding week's figure of Rs. 16,769.935 bn.

Pakistan's Government is Fixing a Power Shortage

The twin-cooling towers of the Sahiwal power plant, a 1,320-megawatt facility in Sahiwal, is so large they seem other-worldly. The entire plant was built in a record 22 months, a year faster than is typical by the Chinese power company that operates it. In August, the gap between supply and peak demand fell to about 12 pc of output according to Arif Habib, a research firm, the lowest in years. That is thanks chiefly to a construction blitz. By next year, the government will have installed some 9,000 megawatts of generation capacity, increasing the total by half.

Much of the new power comes from private coal-fired plants like Sahiwal, built by Chinese firms as part of a \$38 bn investment in the power sector under a joint development scheme called the CPEC. Coal-fired power previously accounted for less than 1 pc of generation in Pakistan, compared with over 70 pc in neighboring China and India. Much of Pakistan's electricity comes from huge hydropower projects, but their output is dependent on the rainfall that feeds them. Solar power, another potential alternative, presents similar problems. Meanwhile, Pakistan is beginning to exploit large indigenous reserves of coal.

(Courtesy: *The Economist*)

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 months)

	Bid%	offer%
STARTING	6.20	6.45
ENDING	6.21	6.46
CHANGE	+0.01	+0.01

Foreign Exchange Rates

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 154.80	PKR 136.80	PKR 111.90
ENDING	PKR 154.00	PKR 136.00	PKR 112.00
CHANGE	-0.8	-0.8	+0.1

Pakistan Stock Exchange

	100 Index
STARTING	43,267
ENDING	43,740
CHANGE	+473

Gold Rate

	(10 gm)
STARTING	PKR 48,300
ENDING	PKR 48,214
CHANGE	-86



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Pakistan's Young Labor Force is a Major Attraction for Japanese Companies in 2018

According to Japan External Trade Organization (JETRO), Pakistan is rated as the top Asian country for Japanese companies for expected profits in 2018, plans for expansion of operations and hiring of the local labor force. Minister of State and Chairman, Board of Investment (BOI), Naeem Y. Zamindar, met Kazuyuki Yamazaki, Senior Deputy Foreign Minister of Japan. Matters of mutual interest came under discussion. Chairman BOI informed Yamazaki that Pakistan is aiming for a 9 pc economic growth rate by 2020 and there was a general consensus across the political spectrum in Pakistan on achieving sustained economic growth. He also echoed Price Waterhouse Coopers projection that Pakistan will be joining G-20 by 2030.

Revenue Collection Rises 16 pc

The Federal Board of Revenue (FBR) posted a growth of 16 pc in revenue collection year-on-year to Rs. 263 bn in February 2018.

The monthly collection looks encouraging and the receipts received in the treasuries of remote areas may further swell the revenue figures, according to an official announcement issued recently. This year's target has been fixed with an annual increase of around 19 pc over the previous year. In the first eight months of FY18, the revenue collection recorded a growth of 17.65 pc to Rs. 2,259 bn versus Rs. 1,920 bn in the corresponding period of last year. FBR has projected an annual revenue collection target of Rs. 4 trillion for 2017-18.

Tractor Industry Reviving

The tractor industry is showing strong signs of revival. In the first seven months of the current fiscal year, tractor sales surged 45 pc year-on-year to 38,173 units, according to data of the Pakistan Automotive Manufacturers Association. The lion's share went to two main sellers: Massey Ferguson and Fiat, which sold 23,263 and 14,776 tractors, respectively. Industry experts point out two major reasons behind rising sales: the revival of the crop sector in the last three years, and the massive road infrastructure development under the China-Pakistan Economic Corridor (CPEC).

HIGHLIGHTS

- The Asian Development Bank expressed willingness to identify and arrange commercial co-financing for projects of Pakistan Railways.
- Pakistani Exporters will continue to enjoy additional trade incentives in European markets for the next two years, as European Parliament's Committee on International Trade renews the GSP+ preferential tariff scheme.
- Cotton Production rises 7.5 pc year-on-year to 11.485 mn bales this season.
- The draft Strategic Trade Policy Framework (STPF) 2018-23 aims at taking annual exports to as high as \$61 bn in the next five years, the target, is very ambitious, considering the country's export performance in recent years
- The chickpeas (grams) output during 2016-17 is estimated to be 3,59,000 tonnes.



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INTERNATIONAL ARENA

Greek Banks Must do More to Cut NPLs

Greek banks need to do more to reduce their very high stock of non-performing loans (NPLs), the European Central Bank's chief supervisor Daniele Nouy was reported as saying in an interview published by To Vima newspaper on Saturday. Non-performing exposures (NPEs), which comprise NPLs past credit due for more than 90 days and restructured loans likely to turn sour, are the biggest challenge facing the banking sector in the country which is set to exit its third international bailout in August. Nouy said that dealing with NFLs in a sustainable way is still very much a work in progress and a top priority. That is why the top priority for Greek banks is to significantly reduce the production of new NPLs, by improving their credit underwriting criteria, and to clean up their balance sheets.

Canada: World's 6th Largest Oil Producer

Canada, the world's sixth-largest oil producer, ranks third in the world in proved oil reserves after Venezuela and Saudi Arabia, and is a world leader in agricultural production, telecommunications and energy technologies. It is the 12th largest export economy in the world. With a large oil and natural gas sector it is also the largest foreign supplier of energy to the US, and a top source of US uranium imports. The economy showed modest growth of 1.5 pc in 2016 before returning on track to record an estimated 3 pc growth due to strong consumer spending and a hot housing market and strong labor market in 2017.

Consumer spending will remain a driver of economic growth but the consumer spending growth will be moderate. Consumer spending growth is expected to fall from 3.6 pc in 2017 to 2.4 pc in 2018. The drop in employment rate in January 2018 has pushed the national jobless rate to 5.9 pc from 5.5 pc in 2017. A cheaper Canadian dollar and growing foreign demand for Canadian goods could be a helpful combination for exporters this year. Some economists even forecast slower but still above-potential growth of 1.9 pc in 2018, moderating to 1.6 pc in 2019. The federal government is using an improved fiscal situation to make increases to some of its tax measures for middle and low income. The government's fiscal stance is mildly expansionary.

Australia: Largest Mixed-Market Economy

The Australian economy is highly developed and one of the largest mixed-market economies in the world, dominated by its service sector, contributing 65pc to the GDP and employing 79.2 pc of labor force. However, its economic success in recent years has been based on mining which accounts for 13.5 pc of GDP. The agriculture shares 2 pc of GDP but the country is a major exporter of commodities. Other sectors include manufacturing, contributing 11 pc and construction 9.5 pc of GDP. Processing and refining of minerals is a major industry, providing the largest market for chemicals manufacturing. The country's natural resources attract high levels of foreign investment and include extensive reserves of coal, iron, copper, gold, natural gas, uranium, besides renewable energy sources. Total estimated value of natural resources is \$19.9 trillion, the eighth highest. It is a significant exporter of natural resources, energy and food. East Asia is a top export destination, accounting for about 64 pc of exports. Australia is an open market with minimal restrictions on imports of goods and services.

Chinese Consortium Buys 25 pc stake in Bangladesh Stock Exchange

A Chinese consortium forges ahead to buy a quarter of Bangladesh stock exchange's 1.8 bn shares by outbidding India's National Stock Exchange. The Chinese joint bidders Shanghai and Shenzhen stock exchanges (the same as those who bid for the PSX, excluding the lead bidder) offered 22 Bangladeshi taka per share (or \$122 mn for the entire stake comprising 450 mn shares) to the Dhaka Stock Exchange together with additional technical support of nearly \$37 mn. Reports suggest that the Chinese have also offered to forgo profit on their investment in the first 10 years.

**The expert in
anything was
once a beginner**



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MANAGEMENT & INFOTECH CORNER

Find Commonalities with Co-workers

When working on a global team, it is easy to focus on the ways that you and your colleagues are different. But rather than thinking about what sets you apart, emphasize what you have in common. This will draw you closer to your colleagues and make you more receptive to — and less frustrated by — cultural differences. For example, a French employee might bond with Japanese co-workers by recognizing that both cultures are results-oriented and prone to analyzing processes for how they could be improved. When you encounter rules and norms that seem odd to you, think about analogous norms in your culture. You will feel warmer towards your colleagues, which will improve collaboration and teamwork. (Adapted from *How to Successfully Work Across Countries, Languages, and Cultures*, by Tsedal Neeley-HBR)

How to Get Through to a Bad Listener

It is frustrating to work with someone who does not listen. Whether your colleague interrupts you, rambles on, or seems distracted, the impact is the same: You feel ignored, and the chances of misunderstandings increase. But you can encourage your colleague to listen better by emphasizing the importance of your message up front. Before starting a conversation, say: "I have to talk to you about something important, and I need your help." This sends a signal to your colleague that they need to pay attention. As frustrating as it may be, you may also need to make your point multiple times, in multiple ways. Be transparent about what you are doing. You might say: "I want to repeat this, because I want to make sure it is understood." Then follow up with: "Does that make sense?" That way you can know your message has been heard. (Adapted from *How to Work with a Bad Listener*, by Rebecca Knight-HBR)

Ask These Questions to Foster Employees' Sense of Purpose

We all want to find meaning in what we do. As a manager, you can help your team members foster this inner sense of purpose by asking them a few simple questions:
— What are you good at? What do you take on because you believe you are the best person to do it? What have you

gotten noticed for throughout your career? The idea here is to help people identify their strengths.

— What do you enjoy? In a typical workweek, what do you look forward to doing? These questions help people find or rediscover what they love about work.

— What feels most useful? Which work outcomes make you proudest? Which of your tasks are most critical to the team or organization? The answers can highlight the inherent value of certain work. (Adapted from *5 Questions to Help Your Employees Find Their Inner Purpose*, by Kristi Hedges-HBR)

China's Plane Can Cover 14 Hours in 2 Hours

Supersonic and hypersonic flights are slowly becoming reality. Following this path of technology, China has achieved hypersonic speeds that can cut down 14 hour distances to two hours. Researchers from the Chinese Academy of Sciences in Beijing successfully tested their 'I Plane'. The plane is named so because of its resemblance to capital 'I' when viewed from the front. Led by Cui Kai, the study has been published in the journal *Science China Physics, Mechanics & Astronomy* where the researchers said that their hypersonic plane would need only 'couple of hours' to travel from Beijing to New York at a hypersonic speed, a journey that a commercial airline takes 14 hours to complete.

China Cooperates in Science and Technology

China has cooperated with 158 countries on science and technology projects and participated in more than 200 sci-tech international organizations and multilateral mechanisms, Ministry of Science and Technology reported recently. "Inroads have been made in cooperation between the mainland and Hong Kong, Macao and Taiwan. The first batch of research funds have been allocated," said Wan Gang, the minister at a State Council Information Office press conference. More than 280 Chinese were executive members of international science and technology organizations last year, nearly 70 pc more than 2016, according to the China Association for Science and Technology. Around half of them have been, or will become, president or vice-president of the organizations concerned. Sci-tech diplomacy is an important part of the national diplomatic strategy, highlighted by sci-tech innovation cooperation at the Belt and Road Forum for International Cooperation, G20 Hangzhou Summit, and BRICS Xiamen Summit.



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Women at JPMorgan Earn 1 pc Less Than Their Male Coworkers

JPMorgan Chase & Co reported recently that its female employees earn 99 pc of what male employees make globally, making it the fifth large US bank to disclose an adjusted gender pay gap of around 1pc.

People of color employed by the bank earned more than 99 pc of what white workers made, according to an internal note sent to employees. The company is strongly committed to diversity, said Robin Leopold, head of human resources, adding, 'We know we can always do more, and we will.'

As a growing number of financial firms reveal whether men and women are compensated equally, they have clustered around 99 pc parity, after adjusting for factors such as job role, seniority and locale. In addition to Wells Fargo & Co, Bank of America Corp, Citigroup Inc and Bank of New York Mellon Corp, MasterCard Inc last week reported that its gender pay gap was around 1 pc.

The numbers stand in stark contrast to the average gender pay gap in the US, which has hovered around 20 pc since 2007, according to the National Women's Law Center.

JPMorgan's workforce is about evenly split among men and women, but women remain under represented at senior levels. Men make up 70 pc of executives and 83 pc of corporate directors, according to data from the Bloomberg Financial-Services Gender Equality Index.

Buffet Says Big Mistake for Investors in Bonds

Billionaire Warren Buffett prodded ordinary investors recently to stay invested in US stocks, ignoring price swings, guidance from people with fancy credentials and the temptation to load up on bonds. Buffett said it is a 'terrible mistake' for investors with long-term horizons among them, pension funds, college and endowments and savings-minded individuals to measure their investment 'risk' by their portfolio's ratio of bonds to

stocks. The long-time bull on US companies and the economy issued his latest letter to Berkshire Hathaway Inc. shareholders recently. Treasury yields have been rising since the start of the year and higher rates have kept US equity markets under selling pressure, as investors worry borrowing costs could hurt companies' profitability.

TITBITS

High Engagement, Low Burnout

According to the results of a recent Yale survey of more than 1,000 workers in the US, 2 out of 5 reported high engagement and low burnout at work.

A Nation of Small Businesses

About 43 pc of workers in the US work at organizations that employ 50 or fewer people.

Self-Improvement is Big Business

The self-help industry — which includes speeches, coaching, training programs and online goods — is worth about \$10 bn per year in the US, according to research from Marketdata Enterprises.

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