



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 13, Issue No. 10 | Date: March 09, 2018

PAKISTAN COMPENDIUM

BANKING SCENARIO

Deposits Folder

The weekly statement of position of all scheduled banks for the week ended Feb 16, 2018, deposits and other accounts of all scheduled banks stood at Rs. 11,888.106 bn after a 0.30 pc increase over the preceding week's figure of Rs. 11,852.218 bn.

Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 6,620.732 bn, higher by 0.35 pc over the preceding week's figure of Rs. 6,597.571 bn.

Investments Brief

Investments of all scheduled banks stood at Rs. 8130.545 bn against preceding week's figure of Rs. 7869.123 bn, higher by 3.32 pc.

Moody's Views Pakistani Banks as Stable

Moody's Investors Service has forecast that the banking sector in Pakistan would remain stable over the next 12 to 18 months. Moody's conclusion is based on a stimulating economy and sound funding. Pakistan's economic growth is enhanced by domestic demand and CPEC-financed infrastructure projects will propel lending and support an improvement in asset quality. Increased mobilization of customer deposits and high liquidity levels have added more vigor. The stable outlook is based on Moody's assessment of five key stability factors all of which are sound: operating environment, asset risk and capital, profitability and efficiency, funding and liquidity, and government support.

Pacts Signed for Two Coal Projects

The government signed implementation agreements on Thursday with two coal-based private power projects of 990 megawatts for commercial operations in 2021. The agreements were signed between the Private Power & Infrastructure Board (PPIB) on behalf of the government, the 660MW Lucky Electric and the 330MW Siddiq Sons involving a total investment of \$1.490 bn. The implementation agreement is the final stage to kick-start physical work and enable investors to achieve the financial closing.

CPEC Industrialization Phase

CPEC industrialization phase opens new avenues of value-addition in textile garment sector. The industrialization phase of China Pakistan Economic Corridor (CPEC) has opened new avenues of value-addition in textile garment sector instead of sticking to the export of raw or semi-finished products, Pakistan should

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 months)

	Bid%	offer%
STARTING	6.21	6.46
ENDING	6.22	6.47
CHANGE	+0.01	+0.01

Foreign Exchange Rates

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 154.00	PKR 136.00	PKR 112.00
ENDING	PKR 154.00	PKR 137.25	PKR 111.80
CHANGE	0	+1.25	-0.2

Pakistan Stock Exchange

	100 Index
STARTING	43,740
ENDING	43,011
CHANGE	-729

Gold Rate

	(10 gm)
STARTING	PKR 48,214
ENDING	PKR 48,471
CHANGE	+257



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work under a comprehensive and planned strategy to exploit one belt one road to cater to the garment needs of the countries from Gulf up to Europe. This was said by Faisalabad Chamber of Commerce & Industry (FCCI) former Vice President Ahmad Hassan. He was participating in a panel discussion jointly organized by the National Textile University (NTU) and R&D Section of FCCI here in connection with the 3rd All Pakistan DICE Textile Innovation event. Ahmad Hassan told that historic investment of 51 bn dollar has laid down a strong foundation for the accelerated development and growth of this region.

First-ever Container Vessel Under CPEC Arrives at Gwadar Port

The first ever Container vessel MS TIGER under CPEC project arrived at Gwadar Port. Pakistan Navy Ships PNS DEHSHAT and KARAR escorted MS TIGER to Gwadar Port. This new Ship Container Service namely Karachi Gwadar Gulf Express will connect Gwadar Port with the Middle East hub of Jebel Ali as well as the neighboring UAE ports of Abu Dhabi & Sharjah. After embarkation of more container of frozen sea food from Gwadar Port, the ship proceeded to Jebel Ali Port. An impressive ceremony was held at port on arrival of MS TIGER. CPEC is a game changer project for Pakistan. Success of this project is a prelude to the economic prosperity of the country and hence has taken a central stage in the economic, political and security calculus of not only Pakistan but the entire region.

HIGHLIGHTS

- Total income tax return filers in Pakistan number 1. 238 mn as of February 15, 2018.
- The Auto Development Policy of 2016-2021 attracts significant investments of over \$ 800 mn says the Ministry for Interior, Planning & Development.
- Inflation declines to 3.8 pc in February 2018 from 4.4 pc in the previous month owing to a decrease in prices of perishable and non-perishable eatables.

INTERNATIONAL ARENA

World Excess Sugar Output of 5.15 mn Tonnes

The International Sugar Organization has projected excess global sugar stocks to be 5.15 mn tonnes in 2017-2018, rise from a previous forecast of 5.03 mn tonnes. This forecast is based on decrease of expected consumption of 173.55 mn tonnes for 2017-18, a drop from an estimate of 174.41mn tonnes. Global sugar production was seen at 178.70 mn tonnes, slightly down from a previous forecast of 179.45 mn tonnes, the ISO quarterly report said.

Cyprus Tourist Spree

Cyprus, a small island country in the Mediterranean Sea, has lived up to its tradition as a major tourist resort. 2017 proved to be a booming year for its tourist Industry. Income from tourism amounted to 2.63 bn euros (\$3.23 bn), a 12 pc rise from 2.36 bn euros gained from 2016. A record number of 3.65 mn people visited the country as against 3.18 mn in 2016. In December, the Lebanese were the heaviest spenders — on an average 147.88 euros per day — and the most frugal were the Norwegians on 25.81 euros per day.

World's Massive Wealth Fund Generates More Money

Norway's huge sovereign fund, which is the world's most enormous, earned returns of 1.02 trillion kroner, equivalent to 106 bn euros or \$ 131 bn. The fund is worth 8.488 bn kroner. This is a great feat which was accomplished due to rising global stocks, the Norwegian central bank reported recently.

Merkel Sees Nothing Wrong in Chinese Stake in Daimler

Chancellor Angela Merkel recently said she sees nothing wrong in a big investment by a Chinese billionaire in German car giant Daimler which has raised fears over growing Chinese clout in European firms. Merkel further said that Germany is encouraging trade partnerships against the backdrop of Chinese billionaire Li Shufu who purchased a near 10 pc stake in the Mercedes-Benz parent company, making him the group's largest stakeholder. She noted that there are Kuwaiti investors at Daimler and emphasized that the main aim is to make sure the automobile industry in Germany stays competitive. Daimler confirmed



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that Li, who chairs auto giant Geely Automobile Holding, had quietly bought a 9.69 pc stake in the Stuttgart firm worth around 7.2 bn euros (\$8.9 bn).

India: The Worrying Decline in Textile Exports

Textile and apparel producers are worried about the continuing decline in exports of these products from India in recent months, despite the government's efforts to boost the sector. The Confederation of Indian Textile Industry (CITI) says textile and apparel exports fell to Rs. 186 billion in January 2018, a sharp 13 per cent decline over the corresponding month in 2017. Textile exports (at Rs. 97bn) fell by 13 pc, while apparel exports plunged by 14 pc. Cumulative exports of textiles and apparel from April 2017 to Jan 2018 were also down by 4 pc at Rs. 1.87 trillion. Industry leaders are doubtful that the country would achieve the export target of \$45 bn in fiscal year 2018, which ends on March 31. The chairman, CITI, says exports fell by a hefty 40 pc in Oct 2017, followed by sharp drops in November and December as well.

Trump Tariffs Bring Economic Chaos

Donald Trump's protectionist announcement spread panic from Wall Street to C-suites and beyond. His announcement that he intends to slap stiff and sweeping tariffs on imports of steel and aluminium immediately sent stocks sharply lower. The Dow Jones industrial average dropped by more than 500 points, as if in a we-told-you-so to Trump from National Economic Council Director Gary Cohn and Treasury Secretary Steven Mnuchin. The two Goldman Sachs veterans have marshalled the president's fixation on the stock market to push back against precipitous, punitive trade measures that would spook investors.

Quote

It is only the farmer who faithfully plants seeds in the Spring, who reaps a harvest in the Autumn.

**- Bertie Charles Forbes,
Founder of the Forbes Magazine**

MANAGEMENT & INFOTECH CORNER

Enlist Your Team in Solving an Intractable Problem

If you and your team are facing a chronic challenge, you might be tempted to take control and vehemently argue for the solution you think will work, or to offer ideas indirectly and let your team take ownership of the issue. Neither of these extremes is optimal. Instead, try an approach that combines conviction and openness — that way others can come up with solutions that build on your best thinking. With your team, talk about the persistence of the issue, what solutions have failed, and why. Explain that you want them to choose the solution with you. Make it clear that you are looking for new ideas, not a defence of failed solutions or rehashed versions of what you have already tried. Build a set of measurable criteria with which you can evaluate options. Admit any biases you have for particular solutions, and ask the team to treat those ideas no differently than their own. Rate all ideas, including yours, against the established criteria — and most important, be open about the assumptions underlying your views.

(Adapted from *Stress Leads to Bad Decisions. Here's How to Avoid Them*, by Ron Carucci-HBR.)

Encourage Your Team to Bring You Problems – Just Not Complaints

"Bring me solutions, not problems." Many well-meaning managers have said it, intending to keep employees from simply complaining about work issues. But employees can take it to mean they should cover up an issue if they do not have a way to fix it. So it is better to tell your team to bring you problem statements. Complaints are usually stated in absolutes, such as always and never, and point the finger at someone else: "Group Blue never hits their deadlines, and we're always left holding the bag." Problem statements, on the other hand, provide objective facts and reveal everyone's role in creating the problem: "Group Blue has missed deadlines four times. In two cases we were also unprepared. In the other two cases we had to work weekends because of Blue's late work." It's far easier to address a detailed, balanced account of a problem than a complaint. (Adapted from *The Problem with Saying 'Don't Bring Me Problems, Bring Me Solutions'*, by Sabina Nawaz-HBR.)



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Automation and the Future

According to research from the McKinsey Global Institute, by 2030 about 75 mn to 375 mn workers around the world might need to switch sectors due to automation.

Apple's Expansion

Apple recently announced that the company will create about 20,000 new jobs in the US over the next five years.

Amazon Gets a Bump From Go

Earlier this year when Amazon opened Amazon Go, a cashierless grocery store in Seattle, the company's stock went up 2.5 pc.

Snapchat Vying with Facebook for US Youth Attention: A Study

Facebook remains the most popular social network among Americans but faces a growing challenge from Snapchat for young audiences, a survey showed recently. The Pew Research Center survey showed Facebook holding the dominant platform with 68 pc of Americans using the world's biggest social network.

While Facebook leads the other social networks in all age groups, the gap has narrowed in the key 18-24 segment, where 78 pc use Snapchat compared with 80 pc for Facebook, Pew researchers found. Facebook-owned Instagram, which emphasizes pictures and video, is also popular with some 71 pc of that age segment, Pew found.

Used Smartphone Market Rises Amid Rising E-waste

The world yearns to go green and as in other walks of life, the cellphone industry is also adopting recycling. There has emerged a fast-growing used smartphone market. A large number of the mobile phones is either dumped in the garbage bins or kept in the drawers or added to the clutter. On an

average, the mobile phone users replace their handsets every two years. But this is fast changing due to concerns for environmental degradation. According to a recent UN report 9 pc of all e-waste in the world in 2016 comprised of small gadgets such as smartphones.

World's Biggest Phone Expo

Mobile World Congress is the most sought after mobile event of the year, during which the latest smartphones, smartwatches and tablets are showcased along with the emergence of the hottest new trends in mobile, such as 5G. The much awaited trade fair has just concluded at Barcelona, Spain. Generally speaking, all the big brands attend Mobile World Congress (MWC) in one way or another. The exception is Apple, although the trends outlined at MWC very much include the iPhone while many of the announced accessories are adaptable.

Mobile World Congress is an annual Expo managed by the GSMA (Global System for Mobile Communications). It is more for trade rather than for general public. The event also attracts many of the industry giants to promote and talk about the future of mobile, like 5G, mobile chips, VR (Virtual Reality) and other associated technologies.

The World's Billionaires 2018 - Forbes

According to Forbes Magazine Billionaires List 2018, the world's wealthiest man is Amazon Founder Jeffrey Preston Bezos. He is an American technology entrepreneur, investor, and philanthropist. His Assets are worth at \$112 bn. The second to come on the list is Microsoft's Co-founder Bill Gates with \$ 90 bn assets and third in the row is Warren Buffet with \$84 bn. (*Forbes* is an American bi-weekly business magazine, it features original articles on finance, industry, investing, and marketing topics.)

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

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

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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