



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 13, Issue No. 18 | Date: May 04, 2018

A Company Setup Under Section 42 of the Companies Act, 2017

PAKISTAN COMPENDIUM

BANKING SCENARIO

Deposits Folder

According to the weekly statement of position of all scheduled banks for the week ended April 20, 2018 deposits and other accounts of all scheduled banks stood at Rs. 12,186.973 bn after a 0.86 pc decrease over the preceding week's figure of Rs. 12,292.919 bn.

Credit Portfolio

Gross Advances of all scheduled banks stood at Rs. 6,800.984 bn, higher by 0.15 pc over the preceding week's figure of Rs. 6,790.543 bn.

Investments Brief

Investments of all scheduled banks stood at Rs. 7,542.345 bn against preceding week's figure of Rs. 7,611.588 bn, lower by 0.90 pc.

Rice Exports Soar to \$1.5 bn

Rice exports from the country during the first nine months of 2017-18 increased by 27.67 pc as compared to the corresponding period of last year. From July-March 2017-18, about 3,132,997 tonnes of rice worth \$1.494 bn were exported versus 2,681,253 tonnes valuing \$1.17 bn in the same period last year. According the latest data released by the Pakistan Bureau of Statistics, basmati rice exports from the country also grew by 19.13 pc as 332,179 tonnes of basmati rice costing \$348.558 mn exported during the last nine months as against exports of 302,339 tonnes at \$290.897 mn in the corresponding period of FY17.

Record Wheat Exports in March

Pakistan is set to achieve the wheat export target of 1.4 mn tonnes by sea route ahead of June, 2018 as exports of the commodity in a single month continue to break new records. The country exported 241,522 tonnes in March alone, fetching \$47 mn while wheat exports in April exceeded 300,000 tonnes — highest-ever in a single month in a country's history.

Government Earns Rs. 235 bn from Telecom in Six Months

The government generated Rs. 235.5 bn revenue from the telecom sector during the first half of this fiscal year. Not only the heavy taxes on users of telecom services, the duty on rising imports of mobile phones also earned huge amount for the government during the period. The Economic Survey 2017-18, released recently, stated that imports of the telecom sector rose 13.8 pc during first eight months of the outgoing fiscal year over the corresponding period last year. The

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 months)

	Bid%	offer%
STARTING	6.27	6.52
ENDING	6.26	6.51
CHANGE	-0.01	-0.01

Foreign Exchange Rates

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 164.60	PKR 143.80	PKR 118.20
ENDING	PKR 161.70	PKR 142.30	PKR 118.50
CHANGE	-2.9	-1.5	+0.3

Pakistan Stock Exchange

100 Index

STARTING	45,542
ENDING	44,536
CHANGE	-1006

Gold Rate

(10 gm)

STARTING	PKR 50,700
ENDING	PKR 49,885
CHANGE	-815



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country spent over half a billion dollars on the imports of mobile phones during July-February period. However, the benefit due to expansion in telecom sector is much higher for the government than the import bill. The imports of mobile handsets increased to \$526mn during the first eight months of FY18 from \$459.4 mn in the same period last year.

Pakistan Becomes Hottest Place on Earth

Pakistan has become the hottest place on Earth in April 2018, when the temperature crossed 50 degrees Celsius in Nawabshah on the last day of the year's fourth month, breaking its own record of 49.2 Celsius which was recorded in 2017, the Met office confirmed. It said on April 30, Nawabshah sizzled at 50.2 Celsius and it was the first time in the history of the country and the world when the temperature touched the 50-degree mark in April.

Federal Budget (2018-2019) - Highlights

- The Total outlay of the budget is estimated at Rs. 5,932.5 bn
- Net Revenue Receipts – Rs. 3,070.4 bn
- Resources Availability – Rs. 4,917.2 bn
- Provinces Share in Federal taxes – Rs. 2,590.1 bn
- Overall Expenditure – Rs. 5,932.5 bn
- Current Expenditure is Rs. 4,780.4 bn
- Development Expenditure – Rs 1152.1 bn
- Highest-ever Public Sector Development Programme (PSDP) – Rs. 2.04 tr
- Federal PSDP – Rs. 1.03 tr; Provinces –Rs. 1.01 tr
- About 62 pc of the PSDP is proposed to be spent on infrastructure including projects under the CPEC
- 31 projects for development of Gwadar are part of PSDP with an estimated cost of Rs. 137 bn
- Budget visualizes a new scheme of seawater desalination to overcome severe water shortage in Karachi
- The Federal Government will fund Rs. 25 bn development package for Karachi

(Current Expenditures are required to meet running costs — Development Expenditures are made in assets which will be used over the years).

KEY BUDGET TARGETS

1. Real GDP Growth Rate – 6.2 pc
2. Keep Inflation Under 6 pc
3. Tax-to-GDP Ratio – 13.8 pc
4. Contain Budget Deficit at 4.9 pc
5. Build-up Forex Reserves to US \$15 bn
6. FBR Tax Revenue Target – Rs. 4,435 bn

TIDBITS

Rich Still Collecting Most of the Wealth

The richest 1 pc of people in the world collected about 82 pc of the wealth created in 2017, according to a recent study from the charity Oxfam.

Income Decline

The median income for men with a high-school diploma declined by about 28 pc between 1980 and 2007 in the USA.

Cold Showers

According to a recent study conducted in the Netherlands, people who finished their morning showers with a blast of cold water called in sick about 29 pc less than other workers.



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INTERNATIONAL ARENA

Biggest Sovereign Fund Loses \$21 bn in Q1

Norway's sovereign wealth fund, the world's biggest, posted a negative return of 171 bn kroner (17.7 bn euros, \$21.3 bn) in the first quarter, impacted by volatile global stock markets, Norway's central bank said recently.

While 2017 was the most profitable in its 20-year history, the fund went into 2018 with a negative return of 1.5 pc and saw its value shrink to 8.12 trillion kroner at the end of March. Tasked with managing the country's oil wealth and intended to finance Norway's generous welfare state when its oil and gas wells run dry, the fund saw a poor showing in its share portfolio, which fell by 2.2 pc. Stocks account for 66.2 pc of the fund's investments.

Iran Cryptocurrency Project on Track

Iran has developed an experimental local cryptocurrency, a government minister said recently, days after the country's central bank banned trading in digital currencies including bitcoin. Iran's central bank last week prohibited local banks from dealing in cryptocurrencies due to concerns about money-laundering as the country tries to halt a currency crisis ahead of a possible return of crippling sanctions. But Information and Communications Technology Minister Mohammad Javad Azari-Jahromi said the local project would not be affected.

US, China Trade Tensions a Pressing Concern for ASEAN: Singapore PM

Singapore Prime Minister Lee Hsien Loong said recently a mounting trade spat between the United States and China was one of the most pressing worries for Southeast Asian nations as their leaders echoed the concern over rising protectionism. Lee flagged his concerns in remarks made as he opened a summit of the 10-member Association of Southeast Asian Nations (ASEAN), for many of which the United States and China are the top two trading partners.

"In particular, the recent trade tensions between the US and China are worrying concerns," he said. Singapore occupies the group's rotating chair for this year.

"We are deeply concerned over the rising tide of protectionism

and anti-globalization sentiments," said a statement issued on behalf of the ASEAN chair at the end of summit talks.

The US Trump administration has threatened to impose tariffs on up to \$150 bn of Chinese imports, and Beijing has vowed retaliation against American exports.

Rural Wisconsin County is Famous in China

There are ginseng farms in this remote corner of Wisconsin where phones are answered in Mandarin. Others have opened storefronts or retrofitted spare rooms to welcome busloads of Chinese tourists and business people. This rural area built an important local industry as a purveyor of a premium product for China's rising middle class, where its ginseng is sold in boxes bearing the American flag and the line, 'Something Special from Wisconsin.' Now trade tensions between US and China threaten a niche market that employs hundreds of workers and supports dozens of family farms in a rural community where other options are limited.

The uncertainty surrounding Wisconsin's ginseng industry exemplifies the unforeseen consequences of US President's trade policies in a complex and globalized economy. It also could foreshadow harms to a range of specialized products across rural America, from lobsters in coastal Maine to macadamia nuts in Hawaii, that cater to China's expanding middle class.

Short-Term Gains for Crude Oil

The oil markets are on edge. Benchmark Brent prices have increased by more than \$45 per barrel or 170 pc from their cyclical trough in early 2016. Only over the last few weeks, prices have risen by 15 pc. Expectations of renewed US sanctions on Iran, declining output in Venezuela, continuing strong global demand and the Saudi desire to generate additional cash flow are all contributing to the significant upward market swing. As per Reuters, Saudi Arabia the OPEC kingpin – is pushing for the price of \$80 a barrel or even higher. Riyadh would be happy to see crude rise to \$80 or even \$100 a barrel, Reuters quoted three industry sources as saying. The OPEC-Russia output cut arrangement has helped boost oil prices this year to the highest since November 2014. But the kingdom wants the rally to go



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further. Two industry sources said a desired crude price of \$80 or even \$100 was circulated by senior Saudi officials in closed-door briefings in recent weeks.

China Won't Accept Preconditions

China would welcome a successful outcome from upcoming trade talks with the United States, but is fully prepared for all outcomes and will not negotiate on core interests, a Chinese government official said recently. We must be held as equals and be mutually beneficial, said the official, who declined to be named, adding that Beijing would not yield to any trade threats from Washington or accept any preconditions for talks. A top-level US trade delegation is travelling to Beijing for talks, amid a festering dispute between the world's two largest economies.

MANAGEMENT & INFOTECH CORNER

Microsoft Gets Earnings Boost from 'Cloud'

Microsoft said recently profits rose sharply in the past quarter, lifted by gains in its core cloud computing operations for business. The tech giant reported earnings were up 35 pc to \$7.4 bn in the fiscal third quarter, with revenue rising 16 pc to \$26.8 bn. Once the world's biggest corporation, Microsoft has shifted its focus away from its consumer software to business services using its cloud computing platform and artificial intelligence. "Our results this quarter reflect the trust people and organizations are placing in the Microsoft Cloud," said chief executive Satya Nadella.

Amazon Delivers Hefty Profits

Internet colossus Amazon reported recently that its quarterly profit more than doubled on soaring revenue from online commerce and cloud services. The earnings beat market expectations and came with an announcement that Amazon is raising the annual Prime subscription rate in the US to \$119

from \$99, effective next month. Prime has been a strong driver of Amazon revenue, but it has also heaped on costs as the company invests in logistics for deliveries and online content including original television shows, according to executives. Amazon said it earned \$1.6 bn in the first three months of this year on revenue that soared to \$51 bn from \$36 bn in the same period last year.

Make Sure Your Work is Aligned with Your Boss's Expectations

Most people have had a boss they struggled to get along with. Maybe the manager did not seem to trust you or was not impressed with your performance. While you may be tempted to blame the situation on your difficult boss, most often a mismatch like this happens when expectations are not aligned. For example, perhaps you handed in a 10-page report when your boss wanted a one-page summary, and they interpreted it as a sign that you did not listen. Get the relationship back on track by clarifying what your boss expects from you. Ask direct questions like, "What are your priorities for me?" and "What criteria should I take into account when making decisions?" And find out how your boss prefers to work with you, including how often you two should meet and when they expect you to be reachable by email and phone. Knowing these expectations now could save you headaches in the future. (Adapted from *How to Win Over a Boss Who Just Doesn't Seem to Like You*, by Jay A. Conger and Allan H. Church HBR)

TIDBITS

Admission Fee for a Bookstore

Livraria Lello, in Porto, Portugal, bills itself as 'the world's most beautiful bookstore.' It's so beautiful that it charges people 3 euros just to go inside (although you get this admission fee back if you buy something).

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