



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 13, Issue No. 19 | Date: May 11, 2018

A Company Set up Under Section 42 of the Companies Act, 2017

PAKISTAN COMPENDIUM

BANKING SCENARIO

Deposits Folder

For the week ended April 27, 2018, deposits and other accounts of all scheduled banks amounted to Rs. 12,276.660 bn after a 0.74 pc increase over the preceding week's figure of Rs. 12,186.973 bn.

Credit Portfolio

Gross advances of all scheduled banks amounted to Rs. 6,839.122 bn, higher by 0.56 pc over the preceding week's figure of Rs. 6,800.984 bn.

Investments Brief

Investments of all scheduled banks amounted to Rs. 7,784.402 bn against preceding week's figure of Rs. 7,542.345 bn, higher by 3.21 pc.

EVENTS

BOC Launches Clearing, Settlement Mechanism of CNY

The Bank of China has officially launched its services in Pakistan for clearing and settlement mechanism of Chinese yuan (CNY) for bilateral trade, investment activities, imports, exports and financing transactions. The launching ceremony was held in Karachi on Friday, May 4, 2018 which was attended by officials, several chiefs and executives from the banking industry and corporate sector. Dr. Li Tao, Country Head and CEO of BOC Pakistan Operations, highlighted the global recognition, importance and increasing utilization of Chinese yuan and said that the yuan settlement amount of China's cross-border trade exceeded 4.36 trillion yuan last year. Deputy Governor of the State Bank of Pakistan Jamil Ahmad hoped that the BOC can provide liquidity in the interbank market and offer different yuan-denominated financial products to cater to the need of the financial industry and the business community in Pakistan. Husain Lawai, CE of The Institute of Bankers Pakistan, believed that the launching of yuan clearing and settlement mechanism can definitely help to enhance the cross-border trade between the two countries and consequently benefit the enterprises and banks of either side.

IBP- ICMAP Jointly Organize Post-Budget 2018-2019 Seminar

The Institute of Bankers Pakistan in collaboration with The Institute of Cost and Management Accountants of Pakistan (ICMAP) organized a Post-Budget 2018-2019 Seminar at Karachi on April 30, 2018. Governor Sindh Muhammad

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	6.26	6.51
ENDING	6.26	6.51
CHANGE	0	0

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 161.70	PKR 142.30	PKR 118.50
ENDING	PKR 159.30	PKR 139.30	PKR 117.50
CHANGE	-2.4	-3.00	-1.00

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	44,536
ENDING	43,594
CHANGE	-942

GOLD RATE

	(10 gm)
STARTING	PKR 49,885
ENDING	PKR 49,542
CHANGE	-343



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Zubair who was the chief guest on the occasion, said in his presidential address, "Our federal budget for the fiscal year 2018-19 has been prepared while keeping in view the future economic challenges and will be acceptable to the next elected government, as the allocation of billions of rupees development works has been made so that the new government could launch new projects". Zia ul Mustafa Awan, President, ICMAP said that ICMA has been making regular and effective contributions in decision making and capacity building of Financial and Industrial sector. Husain Lawaj, Chief Executive of The Institute of Bankers Pakistan said that, the Banking Sector plays an important and crucial role in the economic development of any country. So is the case with Pakistan, which is also entering transformation phase because of technological disruptions and ever - changing customer needs. Our banks, are successfully adopting these challenges. Other dignitaries who participated in this Post-Budget Seminar were Dr. Amjad Waheed, CEO, NBP Funds Management Ltd; Zafar Aziz Osmani, CEO; Excelebrate Pvt. Ltd; M. Ashraf Bawany, Director Pakistan Stock Exchange Co.; Farooq Sheikh, Advisor to the CE, IBP and Justice (R) M. Athar Saeed.

Rehabilitation of Lower Chenab Canal System

The complete rehabilitation of the irrigation network in the Lower Chenab Canal system has contributed to the cropping intensity besides increasing farmers' income in the region. The rehabilitation, with the assistance of the Japan International Cooperation Agency (JICA), has helped save 14 pc water, thus ensuring that farmers in the tail-end areas of the canal system also get adequate water. The chief engineer of the Lower Chenab Canal Rehabilitation project, says the irrigation network in Faisalabad spreading over seven districts has been rehabilitated while the discharge capacity of up to 50 cusecs were lined. Faisalabad, the second largest city of Punjab, is irrigated by the lower Chenab river. The city produces cotton, wheat, sugar cane, maize, vegetables and fruit.

Rooftop Solar Revolution

There is a silent revolution going on in Pakistan: the rooftop solar energy revolution. As per official import numbers, Pakistan imported more than 950 megawatts (MW) of solar

power capacity in the last financial year, more than in the last four years combined. Since the contribution of solar energy to the grid is still scaling up, the bulk of the imported solar panels have been installed on rooftops. If the trend continues, the country might add up to 5,000MW of rooftop solar panels by 2022 — a no mean achievement.

MoU Signed to Produce Mercedes-Benz Trucks in Pakistan

The National Logistics Cell (NLC) has signed a memorandum of understanding (MoU) with Daimler AG for local production of Mercedes-Benz trucks in Pakistan. It is considered that local assembly of these trucks will mark a major shift in the domestic logistics and transportation industry towards the European manufacturers, who offer technologically advanced products that combine superior performance, environment friendliness, reliability and road safety. The incentives given in the Auto Development Policy 2016-21 have been instrumental for establishing local assembly of Mercedes-Benz trucks in Pakistan and its success will ensure a healthy competition in the industry as well as meet the logistics requirements of China Pakistan Economic Corridor (CPEC). It will bring qualitative change in local vendor industry and will provide new jobs.

Cement Sales Surge to 39 mn Tonnes

The overall cement sales grew 15.1 pc to 38.996 mn tonnes during the first 10 months of this fiscal year compared to 33.880mn tonnes during the same period last year. The cement factories from Northern region despatched 28.999 mn tonnes for domestic consumption that was 18.69 pc higher than last year. However, foreign sales saw a slight drop of 1.27 pc to 2.674 mn tonnes during this period. The local sales of mills located in the Southern region rose 12 pc to 6.087 mn tonnes, but exports dropped 5 pc to 1.236 mn tonnes during the July-March period.

Cotton Output Rises

The country produced 11.58 mn bales during the cotton season 2017-18 which closed on May 1, against 2016-17 when 10.72 mn bales were produced till April 15, 2017. The previous cotton season was short by two weeks. According to final cotton production figures released by Pakistan



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Cotton Ginners' Association (PCGA) recently, Punjab produced 7.32 mn bales. Last season, the province produced 6.94 mn bales up to April 15, 2017. Sindh performed better by producing 4.25 mn bales, substantially higher over the previous season's cotton production which stood at 3.67 mn bales. Textile mills during the extended cotton season 2017-18 also purchased larger quantity of cotton at 11.08 mn bales. Last season (2016-17), textile industry purchased 10.25 mn bales. This indicates that textile industry heavily relied on local cotton and only imported lint to meet its finer count yarn production.

SBP Reserves Up \$593 mn

Foreign exchange reserves held by the State Bank of Pakistan increased by \$593 mn during the week ended April 27, said a press release recently. The SBP reserves, which had been declining since beginning of this financial year, finally rose to \$11.51 bn due to official inflows. In the post-budget press conference, Finance Minister Miftah Ismail said the country has received a \$1 bn inflow. Total reserves of the country grew to \$17.71 bn while the holdings of the commercial banks stood at \$6.202 bn.

Steel Production Grows by 37 pc

The demand for steel products remained strong and posted 37 pc production growth in first half of this fiscal year (FY18) as public sector infrastructure projects and private investment in housing schemes picked up pace. Additional stimulus for the steel sector came from increasing raw material requirements by two and three wheeler manufacturers. On the supply side, adequate availability of electricity enabled the producers to utilize their capacities optimally during the period. According to State Bank's report, favourable interplay of demand and supply resulted in steel production growing by 37.1 pc in July-Dec of FY18 compared to 15.6 pc growth during the corresponding period of FY17.

Revenue Collection Increase

The revenue collection during the first ten months of the current fiscal year (2017-18) witnessed an increase of 16 pc compared to the same period of the last year. The Federal Board of Revenue (FBR) recorded a provisional net revenue collection of over Rs. 2,922 bn during July-April 2017-18.

INTERNATIONAL ARENA

California Now World's 5th Largest Economy

California's economy has surpassed that of the United Kingdom to become the world's fifth largest, according to new federal data made public recently. California's gross domestic product rose by \$127 bn from 2016 to 2017, surpassing \$2.7 trillion, the data said. Meanwhile, the UK's economic output slightly shrunk over that time when measured in US dollars, due in part to exchange rate fluctuations. The data demonstrate the sheer immensity of California's economy, home to nearly 40 mn people, a thriving technology sector in Silicon Valley, the world's entertainment capital in Hollywood and the nation's salad bowl in the Central Valley agricultural heartland. It also reflects a substantial turnaround since the Great Recession.

New Crisis will Hammer Greek Banks: ECB

A fresh economic crisis would leave Greek banks exposed and see their capital slide by billions, the European Central Bank said recently after publishing the results of a latest stress test. The test on four major Greek banks four months before a planned exit from an 86-bn euro bailout program, showed their capital reserves would drop some 9 pc on average around 15.5 bn euros (\$18.5 bn). The health check on Alpha Bank, Eurobank, the Greek National Bank and Piraeus Bank simulated how they would be affected by issues such as non-repayment of loans or a slump in turnover. The tests relate to the strength of the banks' Tier 1 core equity ratio compared with total risk-weighted assets. The four are among 120 banks which the ECB has been monitoring since 2014 and the latest test comes three months ahead of an August 20 deadline by Athens' creditors on whether Greece can exit the current bailout program.

Venezuela Inflation Hits 13,779 pc

Venezuela's inflation rose 13,779 pc in the past year, according to a study released recently. The figure confirmed other estimates showing that Venezuela has by far the world's highest inflation rate. The country is in partial default on its debt and suffers severe shortages of food and medicines despite sitting atop the planet's biggest proven oil reserves. The government has been printing money as foreign reserves



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dwindle, and the national currency, the bolivar, has become nearly worthless. The International Monetary Fund projects that Venezuela's inflation will top 13,800 pc this year.

The Gig Economy Hits Retail

Aaron Stallings, who used to work as a bill collector for Capital One, says he's no longer interested in having a full-time job. Instead, for the past year, he has cobbled together work 50, sometimes 60 hours a week by parachuting into restaurants in Richmond, Virginia, that have last-minute openings to prep food, bus tables and bottle beer. There are obvious downsides, like the lack of health insurance and the trouble of not having an employer withhold money for taxes. But he says the arrangement reflects a new reality in which flexibility trumps stability. Plus, he says, he is often treated better than full-time employees. It's definitely stressful to show up and have your first day almost every time. The gig economy is clocking in store retailers and restaurants. Nearly 1 in 4 Americans now earn money from the digital 'platform economy', according to the Pew Research Center. (Gig Economy: a labor market characterized by the prevalence of short-term contracts or freelance work as opposed to permanent jobs).

TIDBITS

Get Ready For More Email

According to Phil Simon, the author of "Message Not Received: Why Business Communication is Broken and How to Fix It," the number of email messages we are getting at work is likely to grow at a compounded rate of 15 pc per year.

MANAGEMENT & INFOTECH CORNER

Does Your Body Language Convey Confidence?

If you want people at work to trust and respect you, regardless of your title or authority, pay attention to your body language. How you stand, sit and speak all affect whether people are open to being influenced by you. For example, standing up straight with your shoulders back helps you come across as confident and commanding, while slouching and looking down at your feet have the opposite effect. When meeting with someone you don't know well, keep your arms uncrossed, your hands by your sides and your torso open and pointed at the other person. This sends the message that you are open and trustworthy. And try pitching your voice a little lower than you normally would, to connote power.

(Adapted from *How to Increase Your Influence at Work*, by Rebecca Knight-HBR.)

What To Do When You are in a Crisis

When you're going through a personal crisis, you will likely need the support of your colleagues. But they may not know how to be useful, so ask for their help thoughtfully and specifically. Describe what you need and why the help is meaningful to you, and, as with any request at work, give a deadline. For example, you might say, "I would love your assistance over the next two weeks while I am out caring for my mother. Would you be able to complete the report we have been working on by next Thursday? It would free up my mind to focus on what I need to do at home." Research shows that how you frame a request strongly influences whether someone will agree to it.

(Adapted from *What to Do When a Personal Crisis Is Hurting Your Professional Life*, by Amy Gallo-HBR.)

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

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