



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 13, Issue No. 24 | Date: June 15, 2018

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

PAKISTAN COMPENDIUM

BANKING SCENARIO

Deposits Folder

According to the weekly position of all scheduled banks for the week ended June 1, 2018, deposits of all scheduled banks stood at Rs. 12,444.083 bn after a 1.51pc increase over the preceding week's figure of Rs. 12,258.375 bn.

Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 7,132.538 bn, higher by 1.23pc over the preceding week's figure of Rs. 7,045.698 bn.

Investments Brief

Investments of all scheduled banks stood at Rs. 6,731.842 bn against preceding week's figure of Rs. 6,732.834 bn, less by 0.01pc.

Digital Channels

Digital Channels have been rapidly replacing paper-based transactions as payments through Pakistan Real-Time Interbank Settlement Mechanism in the third quarter of FY 18 stood at Rs.90.1 tr against Rs.38.8 tr in paper-based, according to a recent SBP report.

Car Sales Slump

Pak Suzuki Motor Company Ltd (PSMCL) suffered bigger sales drop compared to Toyota and Honda cars in May over April. However, barring Toyota Corolla, the sales of all the assemblers during the first 11 months of this fiscal year ended on a positive note despite rising petroleum and vehicles' prices.

Remittances Amount to \$18bn

The country received \$18 bn in remittances from overseas Pakistani workers during the 11 months of FY18. Pakistan's overall inflows noted a growth of about 3pc over the same period of last year. However, overall remittances from Middle East remained positive. An improvement was noted from Britain as remittances rose by 20.5pc to \$2.517 bn during the period under review. The country has emerged as the third largest source of inflows for Pakistan. Remittances from the United States went up by 13pc to \$2.464 bn during this period. Pakistan heavily depends on remittances to meet its trade and current account deficits. This slight improvement, however, does not match with the widening current account deficit which rose to \$14 bn in the first 10 months of 2017-18.

MARKETS AT A GLANCE

Rates are taken till Thursday 2:15 pm*

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	6.69	6.94
ENDING	6.75	7.00
CHANGE	+0.06	+0.06

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 158.30	PKR 138.60	PKR 118.40
ENDING	PKR 161.0	PKR 141.0	PKR 121.00
CHANGE	+2.7	+2.4	+2.6

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	43,948
ENDING	43,680
CHANGE	-268

GOLD RATE

	(10 gm)
STARTING	PKR 49,468
ENDING	PKR 50,068
CHANGE	+600

* Due to Ramadan



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Services Exports Up 17.3pc

The export of services rebounded in April and posted a growth of 17.3pc year-on-year to \$451.2 mn, the Pakistan Bureau of Statistics reported recently. The export of services in March plunged 40.5pc year-on-year after witnessing a positive growth in the preceding months. The services sector has emerged as the main driver of economic growth with its share in GDP increasing from 56pc in 2005-06 to 59.59pc in 2016-17. Its major sub-sectors are finance and insurance, transport and storage, wholesale and retail trade, public administration and defence. Pakistan has opened up its market to foreign service-providers, particularly in banking, insurance, telecommunications and retail areas.

Reserves Rise by \$10 mn

Foreign exchange reserves held by the State Bank of Pakistan (SBP) stood at \$10,042 mn during the week ended June 1, higher by \$8m from \$10,034 mn in the previous week. The total foreign exchange reserves of the country were recorded at \$16,419.6 mn while holdings of the commercial banks at \$6,378 mn, respectively, SBP reported recently. Pakistanis from around the world send donations, zakat and funds for charity organizations during Ramazan, and as a result, inflows go up to half a billion during this month which in turn affects the exchange rate in the open market.

Exports Surge 32pc, Trade Deficit Rises to \$34 bn

Exports continued to show a rebound that began early in 2017. The growth pattern in exports was seen since then with few exceptions. Exports continue to post the figures above \$2 bn for the third consecutive month since March 2018. The month of May witnessed a growth of 32pc year-on-year compared to same month last year. In terms of annual export growth, the figures have improved from 14pc in July-April to 15pc in July-May. The overall exports in the first eleven months have already reached \$21.32 bn, which is almost \$1 bn higher than the annual figures of 2016-17. It can be safely projected that the exports for the current year will surpass \$23.4 bn, bringing in an additional foreign exchange of around \$3 bn.

Exports to Kabul Hit Two-Year High

Despite tense relations, Pakistan's exports to Afghanistan reached a two-year high during the first 10 months of the

current fiscal year. The latest report from the State Bank of Pakistan shows the country's exports to Afghanistan reached \$1.282 bn during July-April 2017-18. This was higher than the figure of \$956 mn in the same period last year.

Pakistan: A Bridge Between China & Europe

Pakistan is likely to become a pragmatic bridgehead for China's cooperation with Europe, through the Belt and Road's initiative's connective plan, says a media report published recently. Pakistan's broad potential has attracted great attention. It provides major sea road connecting China with Europe, with short distance. Pakistan's relations with the Middle East and some former states of the Soviet Union make Pakistan an attractive country to invest in. European companies have long had their eyes on the region. If China and Europe can work toward closer cooperation in Pakistan, it will be of great significance for promoting regional political stability and economic growth. The Silk Road Economic Belt is envisioned as several routes connecting China to Europe. To push forward the Belt and Road (B&R) initiative, there must be plans to set up logistics hubs along the routes. Pakistan is a key point along just those routes, and it is likely to become an interchange station connecting China and Europe.

TIDBITS

AI Spending Among Businesses will Soar

Constellation Research has found that spending on artificial intelligence technologies across all business sectors will reach \$100 bn per year by 2025.

Sleep Might Make You Learn Faster

According to a study published in Psychological Science, a good night of sleep can reduce the time it takes to practice information retention by 50pc.

Ford is Looking to the Future

In 2016, Ford purchased start-up mobility service Chariot for about \$50 mn.



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INTERNATIONAL ARENA

eBay Partners with Dubai Billionaire

eBay Inc. will sell products on a relatively new Middle Eastern e-commerce venture, founded by a Dubai billionaire, from the second half of this year, the venture said recently. eBay has agreed to list popular products from the United States and elsewhere on noon.com and its mobile app for online shoppers in Saudi Arabia and the United Arab Emirates (UAE). The partnership with eBay opens a whole new world of shopping experience, said noon founder Mohammed Alabbar.

Turkey Opens Gas Pipeline from Azerbaijan

Turkish President held a ceremony recently to mark the start of supplies of gas from Azerbaijan to Turkey through the Trans-Anatolian Natural Gas Pipeline (TANAP). The \$7.99 billion pipeline, carrying gas from Azerbaijan's Shah Deniz II field, is also a major step in the European Union's efforts to reduce its dependence on Russian gas by developing the so-called Southern Gas Corridor.

Trade: A Major Part of A Country's GDP

Trade is important as it constitutes a major chunk of a country's Gross Domestic Product (GDP). According to International Monetary Fund World Economic Outlook 6 May, 2018 gross world product is projected at 87.51 tr dollars for 2018 and its GDP Purchasing Power Parity (measured by finding values of a basket of consumer goods) at \$134.98 tr - the latter 1.54 times greater than the former. Thus even with 27pc of US trade contributing to its GDP (in 2016 terms) the amount is more than 5.5 tr dollars - a sizeable amount. China with its very large trade surplus relies to the tune of 37pc on trade to contribute to its GDP or in actual terms, the figure is around 5.2 tr dollars. Germany relies heavily on the sale of cars on which Trump is threatening to impose a tariff.

Swiss Voters Reject Changes in Banking System

A radical plan to transform Switzerland's financial landscape by barring commercial banks from electronically creating money when they lend was resoundingly rejected by Swiss voters recently. More than three quarters rejected the so-called Sovereign Money initiative, according to the official

result released from the Swiss government. All of the country's self-governing cantons also voted against in the poll, which needed a majority from Switzerland's 26 cantons as well as a simple majority of voters to succeed. Concerns about the potential risks to the Swiss economy by introducing a "vollgeld" or "real money" system appear to have convinced voters to reject the proposals.

Italy's Economy Minister Rules Out Euro Exit

The new Italian economy minister emphatically ruled out an exit from the single currency, saying Italy will remain part of the eurozone. The position of this government is clear and unanimous, there are no discussions taking place about any proposal to leave the euro.

Plastic Waste in Antarctica Reveals Scale Of Global Pollution: Greenpeace

Plastic waste and toxic chemicals found in remote parts of the Antarctic this year add to evidence that pollution is spreading to the ends of the Earth, environmental group Greenpeace reported recently. Microplastics - tiny bits of plastic from the breakdown of everything from shopping bags to car tires - were detected in nine of 17 water samples collected off the Antarctic peninsula by a Greenpeace vessel in early 2018. And seven of nine snow samples taken on land in Antarctica found chemicals known as PFAs (polyfluorinated alkylated substances), which are used in industrial products and can harm wildlife. "Plastic stays around for hundreds of years," said author Ilka Peeken of the Alfred Wegener Institute for Polar and Marine Research. In trying to understand the spread of pollution, she said that new areas for research could include how far tiny bits of plastic are getting blown on winds to the Arctic and how much is swept by ocean currents.

Worldwide FDI Drops

Worldwide foreign direct investment dropped by nearly a quarter last year, a United Nations agency reported recently, with African countries particularly heavily affected. The United States as well as Brexit-bound Britain also saw sharp declines in FDI inflows in 2017 after an exceptionally strong 2016, UNCTAD said in a report, warning that the outlook was bleak. "The decline is in stark contrast to other macroeconomic variables, which saw substantial improvement in 2017," UNCTAD said as it reported a 23pc fall in FDI to \$1.43 tr from 2016's \$1.87 tr.



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“Downward pressure on FDI and the slowdown in global value chains are a major concern for policymakers worldwide, and especially in developing countries,” UNCTAD Secretary-General Mukhisa Kituyi said in a statement. “The global average return on foreign investment is now at 6.7pc, down from 8.1pc in 2012,” UNCTAD said.

India and China Settle River, Rice Disputes

China and India settled a dispute over the flood-prone Brahmaputra river that flows from Tibet to Bangladesh in a sign of growing cooperation between them. India and China signed an agreement as they began the two-day Shanghai Cooperation Organization (SCO) summit. The SCO, launched in 2001 mainly to combat terrorism and other security concerns across Central Asia, added traditional rivals India and Pakistan as members last year. Under two deals signed on the sidelines of the SCO summit recently, China will share hydrological data on the Brahmaputra river and amend certain requirements on Indian exports of rice other than the premium Basmati variety to China, India’s foreign ministry spokesman, Raveesh Kumar, said on Twitter. India said last year that China had not stuck to an agreement to share hydrological data, or scientific information on the movement, distribution and quality of water for the Brahmaputra river. China had cited “technological” reasons.

MANAGEMENT & INFOTECH CORNER

Ask Your Colleagues How You Are Perceived

It is not easy to understand how other people perceive us. Too often, we assume that our motivations and intentions are clear, when they are really not. To learn how you are perceived at work, follow this process. Select five people who observe you regularly in important work situations — bosses, executives, direct reports, peers or even former colleagues — and ask to meet with them individually. Tell them what you’re hoping to learn, and ask two questions: What is the general perception of me? What could I do differently that would have

the greatest impact on my success? Be clear that you will keep confidential whatever they say and that you are collecting feedback from a number of colleagues. If the perceptions of you are in line with what you intend, great. If not, it is time to change your behaviors. (Adapted from *How Are You Perceived at Work? Here’s an Exercise to Find Out*, by Kristi Hedges-HBR.)

Steps to Get Approval for Your Innovation

When you are trying to get approval for your latest innovation, follow these four steps. First, anticipate resistance. If you know what people might object to, you can plan how you will address those concerns. Second, understand what objections are truly about. For example, someone might say they object because of a publicly acceptable reason — say, the project is too costly — when their real concern is political, like they’re afraid their team will lose influence. Third, find a champion for the project. This should be a senior executive whose clout and expertise can help you move the project forward. And fourth, gather a critical mass of supporters. If you have a group of people who believe in the innovation enough to try it, you will have social proof that the idea is a good one. (Adapted from *How to Navigate the Politics of an Innovation Project*, by Brian Uzzi-HBR.)

Address a Snarky Email

Email can be an efficient, convenient way to communicate with co-workers, but too often people hide behind it to avoid or deflect conflict. When someone sends you an email that is argumentative, or that is even a passive-aggressive attack, don’t respond in kind. Instead, reply and ask to schedule a call. Send a text message if the issue is time-sensitive: “Got your email, let’s talk. Would 2 pm work for you?” It is even better to talk to the person face-to-face if you can. Diffuse the negative tone by stating up front that there seems to be a problem and you would like to solve it together. As you try to find out what is behind the snarky email, stay calm and avoid making judgments. Clearly, something is bothering your co-worker, so show them that you are on the same side and willing to listen. (Adapted from *When an Email Exchange Turns Ugly*, by David Maxfield-HBR.)

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