



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 13, Issue No. 26 | Date: June 29, 2018

A Company Set up 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 June 14, 2018, deposits of all scheduled banks stood at Rs. 12,348.960 bn after a 0.57pc increase over the preceding week's figure of Rs. 12,278.628 bn.

Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 7,174.921 bn, higher by 0.35pc over the preceding week's figure of Rs. 7,150.190 bn.

Investments Brief

Investments of all scheduled banks stood at Rs. 7,918.232 bn against preceding week's figure of Rs. 7,911.721 bn, increased by 0.08pc.

Tea Consumption Up in Pakistan

A massive increase of 35.8pc in per capita consumption of tea in Pakistan has been recorded from 2007 to 2016. According to the current market situation and medium-term outlook, published by the Food and Agriculture (FAO) of the United Nations, Pakistan is among the seven countries where per capita consumption of tea has increased. The highest increase was seen in Malawi with 565.2pc, followed by China 128.6pc, Rwanda 110.2pc, Turkey 25.9pc, Indonesia 26.6pc and Libya 39.8pc. Currently, black tea consumption in Pakistan has been estimated at 1,72,911 tonnes which is expected to increase to 2,50,755 tonnes in 2027, the FAO report projects. This showed in next 10 years, tea consumption will increase by 77,844 tonnes.

Country Gets \$10.448 bn Foreign Assistance in 11 Months

The country provisionally received \$10.448 bn of foreign assistance in first eleven months (July-May) of the current fiscal year against the budgeted estimates of \$8.09 bn for 2017-18. The Economic Affairs Division (EAD) data revealed that government borrowed \$493 mn from foreign commercial banks in May, bringing the total to \$3.494 bn under this head in the current fiscal year against the budgeted \$1 bn.

SBP Launches Deposit Protection Mechanism

The State Bank of Pakistan (SBP) recently launched the Deposit Protection Corporation (DPC) to provide protection for the depositors in the event of a bank failure. The DPC is a wholly-owned subsidiary of SBP and is a deposit protection mechanism for depositors. The protected amount has been determined to be Rs. 250,000 per depositor per bank. "All commercial banks are members of this

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	6.77	7.02
ENDING	6.79	7.04
CHANGE	+0.02	+0.02

FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 162.00	PKR 142.00	PKR 124.00
ENDING	PKR 162.00	PKR 142.00	PKR 123.40
CHANGE	0	0	-0.6

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	41,637
ENDING	41,910
CHANGE	+273

GOLD RATE

	(10 gm)
STARTING	PKR 50,925
ENDING	PKR 50,797
CHANGE	-128



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scheme and will be paying the required premium," said the SBP in a press release.

E-commerce Rises in Pakistan

E-commerce now accounts for an estimated one-tenth of worldwide retail sales, alleges the Global Consumer Insights Survey 2018 by Pricewaterhouse Coopers. According to an estimate by eMarketer, a market research company, worldwide retail e-commerce sales touched \$2.304 trillion in 2017, making a 24.8pc leap from 2016. At home, e-commerce transactions in the January to March period alone were worth Rs. 4.4 billion. This rising trend is confirmed by the State Bank of Pakistan (SBP), whose data shows that the number of merchants operating online, which was 905 in the second quarter of fiscal year 2018, grew to 1,023 in the third quarter.

Textile Exports Continue Recovery

At long last, textile exports seem to be building some momentum with value-added segments pushing the sector's growth. According to figures released by the Pakistan Bureau of Statistics (PBS), textile exports for the month of May-18 increased by an impressive 28pc which has been the highest recorded growth for the month of May in the past several years. Knitwear, bedwear and readymade garments, all posted strong double-digit growth for May-18 on a year-on-year basis. Amongst these value-added segments, knitwear has continued to post impressive growth for the past three months at an average rate of almost 30pc on a yearly basis.

HIGHLIGHTS

- Pakistan and Tajikistan agree to further strengthen their relations by adopting measures to take bilateral trade to \$500 mn per annum to revive air links and implement CASA -1000 electricity project.
- CASA-1000-The Central Asia-South Asia power project is a \$1.16 bn project, currently under construction that will allow for the export of surplus hydroelectricity.

INTERNATIONAL ARENA

Harley-Davidson Moves Some Work From US

Harley-Davidson plans to shift some manufacturing of its iconic motorcycles overseas to avoid retaliatory European tariffs imposed last week, the company said recently. The announcement comes as the 117-year old company is also buffeted by higher steel costs following tariffs enacted by US President, who had embraced the company as an emblematic US industrial firm in the early days of his administration. Shares of Harley-Davidson had fallen 6.4pc to \$41.37 in early afternoon trading. The European Union hit American motorcycles with duties of 31pc, up from 6pc, boosting the cost to EU consumers by about \$2,200.

EU, China Vow to Uphold Global Trade Order

The European Union and China pledged recently to strengthen a rules-based international trading system amid US protectionism, although the EU highlighted its concerns about Beijing's own restrictive market practices. Officials on both sides pledged to strengthen the World Trade Organization, announcing a plan to cooperate on updating the body which has come under blistering criticism from US. The WTO "provides the basic infrastructure for rules-based trade and rules-based world order".

China to Pursue More Trade With France, EU Raises 'Difficult Issues'

China told France recently that it would buy more of its farm produce, hinted at future Airbus purchases and pledged to work on market access, shoring up its trade ties with Europe amid the increasing danger of a tariff war with the United States. Chinese PM told French Prime Minister that Beijing was planning to buy more planes this year and was ready for further talks with France on obtaining Airbus aircraft.

Earth's Intact Forests Vanishing at Accelerating Pace: Scientists

Earth's intact forests shrank by an area larger than Austria every year from 2014 to 2016 at a 20pc faster rate than during the previous decade, scientists said recently as the UN unveiled an initiative to harness the "untapped potential" of the land sector to fight climate change. Despite a decades-long effort to halt deforestation, nearly 10pc of undisturbed forests have been



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The Fortune 500 Ranking: America's Biggest Companies

TOP TEN COMPANIES IN TERMS OF PROFITS - RANK 2017

RANK 2017	COMPANY NAME	FIELD	PROFITS	% CHANGE FROM 2016
1.	APPLE - CUPERTINO, CALIFORNIA	TECHNOLOGY	US\$ 48,351 mn	5.8
2.	BERKSHIRE HATHAWAY - OMAHA, NEBRASKA	FINANCIALS	US\$ 44,940 mn	86.7
3.	VERIZON COMMUNICATIONS - NEW YORK, NEW YORK	TELECOMMUNICATIONS	US \$ 30,101 mn	129.3
4.	AT & T , DALLAS , TEXAS	TELECOMMUNICATIONS	US \$ 29,450 mn	127.0
5.	JP MORGAN CHASE & CO, NEW YORK, NEW YORK	FINANCIALS	US\$ 24,441mn	(1.2)
6.	COMCAST - PHILADELPHIA, PENNSYLVANIA	TELECOMMUNICATIONS	US \$ 22,714 mn	161.2
7.	WELLS FARGO - SAN FRANCISCO, CALIFORNIA	FINANCIALS	US \$22,183 mn	1.1
8.	PFIZER- NEW YORK, NEW YORK	HEALTH CARE	US\$ 21,308 mn	195.3
9.	MICROSOFT- REDMOND, WASHINGTON	TECHNOLOGY	US\$ 21,204 mn	26.2
10.	EXXON MOBIL - IRVING, TEXAS	ENERGY	US\$ 19,710 mn	151.4

fragmented, degraded or simply chopped down since 2000, according to the analysis of satellite imagery. Average daily loss over the first 17 years of this century was more than 200 square km (75 sq. miles).

EU Puts Off Balkan Membership Talks as France Demands Reforms

European Union governments delayed by at least a year a decision to allow membership negotiations with Macedonia and Albania after France and the Netherlands faced down Germany and demanded more reforms. The unexpected outcome, despite broad EU support, showed French President Emmanuel Macron's determination to postpone the decision until after European Parliament elections in May, for fear of stoking anti-immigrant sentiment, diplomats said. It also puts a brake on the momentum Germany and the European Union's Chief Executive Jean-Claude Juncker had sought in the Western Balkans to counter Russian influence by offering the six countries a path to EU membership. EU governments will "set out the path towards accession negotiations in June 2019", for Macedonia and Albania, according to a document

agreed by the bloc's 28 Europe ministers at what diplomats said was a long, fraught meeting in Luxembourg.

US Debt Highest of Post-War Era: Report

US sovereign debt is approaching historically high levels and in three decades' debt service will cost as much as Social Security spending, the Congressional Budget Office reported recently. The annual projections from the independent congressional body drew a grim picture of America's fiscal situation, forecasting that interest costs as a share of GDP will double in the next 10 years — rising to 3.1pc from 1.6pc this year. Because of the sweeping corporate and individual income tax cuts enacted in December, government revenues will be flat for the next two years before rising in 2026, when personal income tax rates are due to rise again. Interest payments are also projected to rise to a record 6.3pc by 2048 — when, according to the CBO, they will exceed all discretionary spending and be "about equal" to spending on Social Security, the behemoth public retirement system that is one of the largest burdens on the US budget. US sovereign debt is expected to reach 78pc of GDP this year, its highest level since World War II, approaching 100pc.



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China Beige Book Says Economy is Better than Official Data Show

The picture of China's economy slowing in the second quarter is misleading, or even inaccurate, with retail sales and investment actually stronger than the official data show, according to the China Beige Book. "The retail sector may be seeing a turn higher, with profit and investment growth improving," CBB said in a report, adding that slowing seen in official data in May reflects not the current situation but weakness seen earlier this year and late last year. "The sector may already be emerging from the troubles Beijing is just now introducing publicly." (A Beige Book is a Summary of Commentary on Current Economic Conditions; a qualitative review of economic conditions).

Brexit Talks Deadline May Need to Be Extended

The U.K. should start planning to delay Brexit and extend negotiations with the European Union or face the disaster of leaving without a deal, according to former Prime Minister Tony Blair. In an impassioned appeal for a change of course, Blair warned that crashing out of the EU with no agreement will be "devastating" for the U.K., as he declares himself more worried than ever about the country's future.

MANAGEMENT & INFOTECH CORNER

Learn Skills You Will Need

You know it is important to your career to keep learning new skills, but how do you know which ones to focus on? Start by looking at recent job postings from the top companies in your industry. Notice which qualifications keep popping up; the most common skills are probably the most essential. Next, reach out to people in your network who have a job you may want someday. Ask them what they have been learning to succeed in their roles. For example, if you want to know which skills and technologies are valued in sales, talk to some high-level salespeople. Also ask these experts whether they

can recommend courses or other materials. And do not feel intimidated about reaching out: Most people are happy to share this information, either because they like helping others or because doing so reinforces their expertise. (Adapted from *4 Habits of People Who Are Always Learning New Skills*, by Mike Keho-HBR.)

Get Honest Feedback

Many leaders have a fatal flaw: a weakness so pronounced that it can hamper their career progress. But this type of flaw is hard to see because it is usually connected to what you do not do — it is the listening you did not make time for, or the strategic vision it never occurred to you to describe. To figure out your fatal flaw, find someone who will tell you the unvarnished truth. Whether it is a close friend, a coach, or a therapist, tell them that you genuinely want honest information about your major shortcomings. If they begin to convey the truth in a cautious, tentative way, encourage them to open up and not hold back. Ask questions that show you are curious rather than defensive. Your reaction will determine whether they share the complete story. And be sure to ask about the effect your flaw has on the organization. (Adapted from *Most Leaders Know Their Strengths — but Are Oblivious to Their Weaknesses*, by Jack Zenger and Joseph Folkman-HBR.)

TIDBITS

Customers Make Bigger Purchases Online

When consumers shop online, the average size of their carts is 25pc larger than when they make purchases in a physical store, according to a study from consulting firm Oliver Wyman.

Tech Titans Grow Stronger

Tech giants Apple, Alphabet, Amazon.com and Microsoft have a collective market cap in excess of \$3 trillion.

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