



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

Volume 13, Issue No. 28 | Date: July 13, 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 29, 2018, deposits of all scheduled banks stood at Rs. 13,062.787 bn after a 4.69pc increase over the preceding week's figure of Rs.12,477.955 bn.

Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 7,361.622 bn, higher by 2.13pc over the preceding week's figure of Rs. 7,207.921 bn.

Investments Brief

Investments of all scheduled banks stood at Rs. 8,178.723 bn against preceding week's figure of Rs. 8,014.637 bn, increased by 2.05pc.

Daimer Basha and Mohmand Dam Fund - 2018

On the directives of Chief Justice of Pakistan Mian Saqib Nisar, the "Daimer Basha and Mohmand Dam Fund Account- 2018", has been opened at all the field offices of SBP Banking Services Corporation (SBP BSC), Commercial and Microfinance banks operating in Pakistan for collection of donations/contributions to raise funds for construction of the two dams in the country.

Remittances Amount to \$19.62bn

Remittances sent by overseas Pakistanis reached \$19.62 bn in FY18, up 1.4pc, from \$19.35 bn the previous year. Saudi Arabia remained the largest source of remittances with inflows from the kingdom clocking in at \$4.86 bn. United Arab Emirates came out to be a runner-up with remittances from the country amounting to \$4.333 bn. Remittances from other Gulf Cooperation Council (GCC) countries were recorded at \$2.158 bn. There was a massive growth of 35.92pc from the European Union with inflows reaching \$656.08 mn in FY18. The single-largest yearly increase in remittances among all countries came from Spain, posting a mammoth growth 132.06pc. The United Kingdom contributed \$2.762 bn. Remittances from the United States stood at \$2.713 bn. Inflows from Malaysia, Norway, Switzerland, Australia, Canada, Japan and other countries amounted to \$196.69 mn.

20 Business Groups Get 30pc of Total Bank Loans

A research report by the State Bank of Pakistan (SBP) said 30pc of banks' exposure is to only 20 business groups. Growth in credit depends heavily on the appetite

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	6.81	7.06
ENDING	6.82	7.07
CHANGE	0.01	0.01

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 163.50	PKR 144.50	PKR 124.00
ENDING	PKR 163.50	PKR 143.50	PKR 123.50
CHANGE	0	-1	-0.5

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	40,284
ENDING	40,271
CHANGE	-13

GOLD RATE

	(10 gm)
STARTING	PKR 50,968
ENDING	PKR 50,583
CHANGE	-385



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of the corporate sector, which currently receives nearly 70pc of total bank lending, according to *Bank Credit to Private Sector: A Critical Review in the Context of Financial Sector Reforms*, issued earlier this week. The gap is widening over time, it said. Over the past 25 years, however, the ratio of private credit-to-GDP has shrunk even in absolute terms, said the report.

Largest Passenger Airplane Lands at New Islamabad Airport

The Emirates A380 touched down in Islamabad on Sunday (July 8, 2018) for a historic one-off service to Islamabad International Airport. This was the first time ever that the iconic double-decker aircraft has landed in Pakistan. The landing demonstrated the airport's readiness to accommodate the A380, the world's largest commercial passenger jet. The special Emirates A380 flight was operated by UAE national, Capt. Abbas Shaban, Chief Pilot of Technical Operations and Pakistani national, First Officer Qadir Moin.

Rs. 250 mn Fund to Execute Smog Control Policy

Chief Secretary Akbar Durrani recently approved creation of a Rs. 250 mn Punjab Environment Fund for, what officials said, implementing recommendations of a commission formed by the Lahore High Court to suggest ways and means to control smog, blanketing Punjab in October to November for the past few years. The fund was approved at a meeting held to review smog control policy and tree plantation campaign in the province here at the Civil Secretariat.

773 Companies Enrolled in June, 2018

The Securities and Exchange Commission of Pakistan (SECP) registered 773 companies in June, a growth of 28pc compared to the corresponding month last year, raising the total number of registered companies to 87,622. Around 77pc companies were registered as private limited, while around 21pc as single-member, 2pc as public unlisted,

non-profit associations, foreign companies and limited liability partnerships. Moreover, two foreign companies were also registered by the Karachi CRO.

Duty Exemption on Cotton Import Withdrawn

The Federal Board of Revenue has withdrawn duty exemption on import of cotton. A notification SR0847 issued on Thursday stated the exemption facility will be ineffective from July 15, 2018. Since Jan 8, the government has exempted 5pc sales tax and 4pc customs duty on import of cotton through a notification SR048 of 2018. The exemption was withdrawn to give benefit to local growers.

Auto Parts Exports to Cross \$500 mn by 2023

The industry has more than 1100 manufacturers (400 are members of PAAPAM) that by most estimates provide direct employment to around 500,000 with an indirect employment of 2.4 mn. There are different categories of work that these manufacturers do including forging, machining, sheet metal work, plastics, chemicals, electronics and electrical work. Industry's total revenue amounts to Rs. 370 bn; the sub-sector contribute Rs. 110 bn per annum in taxes and has an import substitution of \$3.3 bn. Exports are about \$210 mn and are made to the US, Europe and a number of African countries.

Exports of Services Up 7pc

The export of services posted a growth of over seven pc in May to reach \$429.08 mn, the Pakistan Bureau of Statistics reported recently. The export of services rebounded in April after witnessing a negative growth in March. During the July-May period of this fiscal year, foreign sales declined 7.9pc to \$4.69 bn. The services sector has emerged as the main driver of economic growth with its share in GDP rising 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.



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Page No. 03

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INTERNATIONAL ARENA

Russia Plans to Raise \$7 bn On External Debt Market in 2019

Russia plans to raise \$7 bn on the external debt market in 2019, a sum that would include swapping existing Eurobonds for new ones, Russian Finance Minister Anton Siluanov said recently. Russia wants to complete swaps of old Eurobond issues for new ones in 2019 and borrow \$3 bn per year by selling Eurobonds in 2020-2021, Siluanov said.

France Says Europe United against US tariffs

The French government insisted recently that Washington should expect united retaliation from Europe to further tariff increases after Germany signalled it was prepared to negotiate. With Germany's powerful car industry facing the threat of higher US duties, Chancellor Angela Merkel said she would back a lowering of European Union levies on imports of US cars. "If tomorrow there is an increase in tariffs, like in the car industry, our reaction should be united and strong to show that Europe is a united and sovereign power, French Finance Minister said. The question is no longer whether or not there will be a trade war, the war has already started. US President hit the EU, Canada and Mexico with tariffs of 25pc on steel and 10pc on aluminium at the start of June, ending exemptions that had been in place since March.

Economics of FIFA and Pakistan

Across the world people are glued at screens cheering at 22 men kicking a ball around. The ball in question is Telstar 18, the latest in ball technology with polyurethane coated textiles and waterborne heat activated adhesive. It is also equipped with Near Field Communication technology with an embedded chip. And this ball is made in Pakistan. Adidas's contract to Pakistan for the 2018 FIFA World Cup is not a one-off event. Pakistan also supplied the 2014 FIFA ball, Brazuca, which had initially been contracted to a Chinese company. However, Adidas' main manufacturer in

China was unable to meet the demand and the Pakistani company Forward Sports got the order on short notice, and was able to fulfill it. The football sector in particular has gained international prominence with over 37 million balls exported so far this year.

The World's Largest Ice Cream Shop

The world's largest ice cream shop looks like something out of a storybook, surrounded by sweet treat-themed playgrounds from strawberry 'waterfalls' to mysterious trees that blow bubbles. The Ice Cream Farm is tucked away in Tattenhall near Chester, UK. Its parlor also happens to hold the Guinness World Record for being the world's largest ice cream shop, a title it has had since 2015. The parlor has plenty of seating as well as a children's play area, making it ideal as a day out no matter what the weather.

MANAGEMENT & INFOTECH CORNER

Pakistan Launches Two Satellites With China's Help

With the help of China's rocket, Pakistan launched two indigenously manufactured satellites to space recently. Pakistan launched two indigenously developed satellites, the PRSS1 and PAK-TES-1A, using the Chinese Long March 2C rocket. The former satellite is a dual-purpose Earth observational and optical satellite, while the latter is a scientific experiment satellite. PAK-TES-1A has been manufactured by SUPARCO for enhancing satellite manufacture capabilities in the country. The satellites were transported to China and launched into space via Chinese Long March-2C rocket, generally used to send satellites to low Earth or sun-synchronous orbits.



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Research Reveals Owning iPhone Indicates You're Rich

Apple is known for its expensive range of products and a new research has revealed that owning an iPhone or an iPad is an indication of being rich. Two economists from the University of Chicago published a paper titled 'National Bureau of Economic Research' that states signs of detecting rich people. The findings show that people owning Apple iPhone or iPad are likely to be rich. The researchers wrote, "Across all years in our data, no individual brand is as predictive of being high-income as owning an Apple iPhone in 2016."

Next-Generation Lithium-ion Technology for Future Battery Market

Arthur D. Little (ADL) recently released a new study, *Future of Batteries: Winner Takes All*. Based on extensive market analysis, the report examines the current enormous level of activity in the sector, which has seen existing and new players invest over \$13.7 bn over the last two years. It predicts future trends that will meet growing needs in areas such as electric vehicles (EVs), renewable power solutions and consumer electronics. It aims to help players across the ecosystem build effective strategies that unlock value and market position. The report predicts the battery market will become a \$90 bn-plus sector by 2025, and that new innovations, such as solid-state electrolyte lithium-ion (Li-ion) batteries, will replace existing battery technologies over the long-term.

Nine of World's Top 12 Smartphone Manufacturers are Chinese

By the end of 2017, China was home to nine of the world's top 12 smart phone manufacturers, according to research by IC Insights, a leading semiconductor market research company in the US. The research shows that the country's phone maker Huawei ranked third on the list, after Samsung and Apple. Its Chinese rival Xiaomi found itself in sixth place. The research showed that Huawei shipped 153

mn units last year, followed by BBK Electronics' OPPO and VIVO, shipping a combined total of 213 mn units in the same period. It was reported that the nine Chinese companies produced 626 mn handsets in 2017, 11pc more than in 2016. They accounted for 42pc of the global market, and the figure stood at 38pc and 34pc respectively over the previous two years.

Attendance at GSMA Mobile World Congress Shanghai Tops 60,000 Visitors

The GSMA reported that more than 60,000 unique visitors from 112 countries and territories attended the 2018 GSMA Mobile World Congress Shanghai, held from 27 to 29 June, 2018 in Shanghai. The three-day event attracted executives from the largest and most influential organizations across the mobile ecosystem, as well from companies in a range of vertical industry sectors. In addition to this business-to-business audience, nearly 8,800 consumers from the greater Shanghai metropolitan area attended the Migu Health and Fitness Festival, which was held in the Mobile World Congress Shanghai halls at the Shanghai New International Exhibition Centre (SNIEC). Covering seven halls at the SNIEC, the 2018 Mobile World Congress Shanghai hosted 550 exhibitors, nearly half of which come from outside of China. The conference program attracted nearly 4,000 attendees, with more than 55pc of delegates holding senior-level positions, including nearly 320 CEOs.

Samsung Opens the World's Largest Mobile Factory.

Samsung formally opened the company's expanded manufacturing plant in Nodia, about an hour outside New Delhi recently. Built on 32 acres of land next to Samsung's original factory in India, the plant will allow the South Korean firm to nearly double the number of smartphones it makes in India every year from 68 mn to 120 mn by 2020.

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