



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 12, Issue No. 40 | Date: October 6, 2017

PAKISTAN COMPENDIUM

BANKING SCENARIO

Deposits Folder

According to the weekly statement of position of all scheduled banks for the week ended September 15, deposits and other accounts of all scheduled banks stood at Rs. 11,647.739 bn after a 0.47 pc increase over the preceding week's figure of Rs. 11,593.328 bn. Compared with last year's corresponding figure of Rs. 10,163.595 bn, the current week's figure was higher by 14.60 pc.

Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 6,051.872 bn, higher by 0.37 pc over the preceding week's figure of Rs. 6,029.679 bn. Compared with last year's corresponding figure of Rs. 5,052.232 bn, current week's figure is higher by 19.78 pc.

Banks to Facilitate Tax Payment via ATMs

People will soon be able to pay federal taxes and customs duties through internet banking and ATMs. According to a press release, the State Bank of Pakistan (SBP), Federal Board of Revenue (FBR) and 1LINK signed an agreement to develop the mechanism, which is expected to be operational by the end of 2017. According to the proposed mechanism, banks will add FBR-Inland Revenue Service and FBR-Customs as billers in the Billers Module and develop the necessary interface with 1LINK. After the system is made operational, taxpayers and importers will fill their tax and customs duty payment details in the FBR-IRS and Customs online modules to generate Payment Slip IDs. The PSID will be used to access the tax or duty payment details on the bank's webpage or ATM. The taxpayer or his agent will then pay the tax by debiting his bank account for onward credit to the respective government account in SBP Banking Services Corporation. The whole process will be online and fully automated. The SBP said the facility will be available around the clock, seven days a week. The banks have been advised to demonstrate full ownership and commitment for the successful and timely implementation of this strategically important project. This will bring huge efficiency gains and let the public pay taxes and duties in a hassle-free manner.

SBP Maintains Policy Rate at 5.75 pc Yet Again

The State Bank of Pakistan (SBP) kept the policy rate unchanged at 5.75 pc for the next two months, a statement by the central bank said recently. The SBP expects

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 months)

	Bid%	offer%
BEGINNING	5.92	6.17
ENDING	5.92	6.17
CHANGE	0	0

Foreign Exchange Rates

	GBP(£)	EURO(€)	USD(\$)
BEGINNING	PKR 142.25	PKR 124.30	PKR 106.00
ENDING	PKR 140.00	PKR 124.80	PKR 106.40
CHANGE	-2.25	+0.5	+0.4

Pakistan Stock Exchange

	100 Index
BEGINNING	42,362
ENDING	41,312
CHANGE	-1050

Gold Rate

	(10 gm)
BEGINNING	PKR 44,914
ENDING	PKR 44,700
CHANGE	-214



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the economic growth rate of six pc in the current fiscal year. It expects inflation to remain well below the 2017-18 target of 6 pc. The policy rate has stayed unchanged for the last 16 months. It was revised down in May 2016 by 25 basis points to 5.75 pc. The monetary policy statement of the SBP said that an upbeat industrial outlook and promising assessment of major crops are going to have positive spillovers on the services sector. Based on current projections of agriculture-sector growth, GDP growth is likely to reach the annual target of 6 pc for 2017-18, leading to an improved capacity to accommodate rising domestic demand. The SBP believes manufacturing activity is expected to benefit from higher development spending, growing investments in China-Pakistan Economic Corridor (CPEC) related projects, improvement in security conditions and continued trend of stable and low-cost of borrowing.

Customer Confidence Survey

Consumer confidence has increased in the wake of improved economy and higher expectations for future economic growth, results of a State Bank survey show. SBP's Consumer Confidence Survey — conducted during Sept 5 and 9 — notes, overall, the Consumer Confidence Index (CCI) increased by 5.07 pc compared to the previous survey held in July 2017. The increase in CCI is attributed to both current economic conditions index (CEC), which increased by 6.18 pc, and expected economic conditions index (EEC) that recorded a growth of 3.9pc from its value in the previous survey. The survey shows higher expected inflation compared to the previous poll for overall inflation and its sub-categories — food, energy, non-food and non-energy. The State Bank of Pakistan has been conducting Consumer Confidence surveys regularly via telephone calls every two months. The participants are selected randomly across the country. The survey helps the SBP in gathering information on “what people are thinking” about current and future economic conditions, future trends in inflation, interest rates, unemployment, and their household incomes. Such information is helpful in monetary policy formulation, the SBP notes.

National Savings Mobilize Rs. 50 bn

The Central Directorate of National Savings (CDNS) mobilized savings of Rs. 50 bn in the first quarter (July-Sept) of this fiscal year. The CDNS has set Rs. 250 bn net target for 2017-18. The CDNS had achieved the revised target of Rs. 228 bn set for 2016-17. The official said the directorate had notified similar profit rates for various saving certificates to benefit its investors especially the widows and pensioners, which had been unchanged since June 1. The consistency in previous rates was made in the backdrop of current market scenario and in accordance with the government's policy to provide a market-based competitive rate of return to the investors of the National Savings. As per notification issued by the federal government, the rates for Defence Savings Certificate, Special Savings Certificate, Regular Income Certificate and Savings Accounts had been revised upward at an average of 7.54 pc, 6.03 pc, 6.54 pc and 3.95 pc, respectively.

KALEIDOSCOPE

China (16 neighbors)

The second largest country in the world by land area, the People's Republic of China shares its international borders with 14 sovereign states and 2 special territories. The country is bordered by North Korea and Russia in the northeast and Mongolia on the north. Bordering China to the south are countries of the Indian subcontinent, including India, Bhutan, and Nepal. Vietnam, Laos, and Myanmar lie to the southeast of China, and Pakistan to its southwest. The western borders of China are shared with the countries of Afghanistan, Kazakhstan, Kyrgyzstan, and Tajikistan. Besides these 14 countries, China also shares a 3-kilometer-long border with Macau, a Portuguese territory until 1999, as well as a 30-kilometer-long border with the former British territory of Hong Kong. Today, Hong Kong and Macau are autonomous, Special Administrative Regions of China. With land borders totaling 22,117 kilometers, the country has the longest system of land borders in the world.



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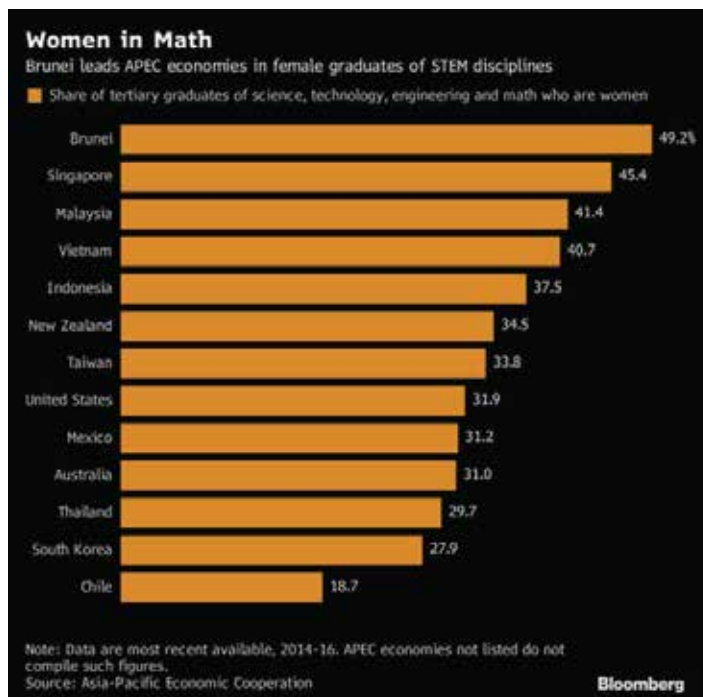
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INTERNATIONAL ARENA

Brunei Leads Female Science Graduates

Brunei leads the pack in Asia-Pacific for its high share of women graduates in science, technology, engineering and math. Almost half of the graduates are female, compared with just 32 pc in the U.S, according to a report published by the Asia-Pacific Economic Cooperation this week. The country of 417,200 people had fewer men than women among tertiary students as of 2015, with the ratio at 67 per 100 female students, according to the nation's Key Indicators annual report.



Growing Demand for Animal Protein is Good News, but a Worry for Public Health

Food animals will consume 200,235 tons of antimicrobial medicines by 2030, 53 pc more than they were getting in 2013, according to a study published in the journal, *Science*. China, already the world's largest consumer of veterinary antimicrobials, is forecast to lead the charge, with a 59 pc jump.

Oligopoly

Oligopoly is a market structure in which a small number of firms has the large majority of market share. An oligopoly is similar to a monopoly, except that rather than one firm, two or more firms dominate the market. There is no precise upper limit to the number of firms in an oligopoly, but the number must be low enough that the actions of one firm significantly impact and influence the others. An example of an oligopoly is the wireless service industry in Canada, in which three companies – Rogers Communications Inc. (RCI), BCE Inc. (BCE) subsidiary Bell and Telus Corp (TU) – control approximately 90% of the market. Canadians are conscious of this oligopolistic market structure and often lump the three together as "Robelus," as though they were indistinguishable.

Americas - GDP & Unemployment Rates

Country	GDP, % change on a year ago				Unemployment rates, % - Latest 2017
	Latest	Quarter	2017	2018	
Argentina	+2.702	+2.8	+2.7	+3.0	8.702
Brazil	+0.302	+1.0	+0.7	+2.2	12.6Aug
Canada	+3.702	+4.5	+2.8	+2.2	6.2Aug
Chile	+0.902	+3.0	+1.3	+2.7	6.6Aug
Colombia	+1.302	+3.0	+1.7	+2.5	9.1Aug
Mexico	+1.802	+2.3	+2.2	+2.2	3.3Aug
Peru	+2.402	+3.0	+2.5	+3.7	5.5Aug
United States	+2.202	+3.1	+2.2	+2.3	4.4Aug
Venezuela	-8.804	-6.2	-9.3	-5.7	7.3Apr

(Source: The Economist - October 5 2017)



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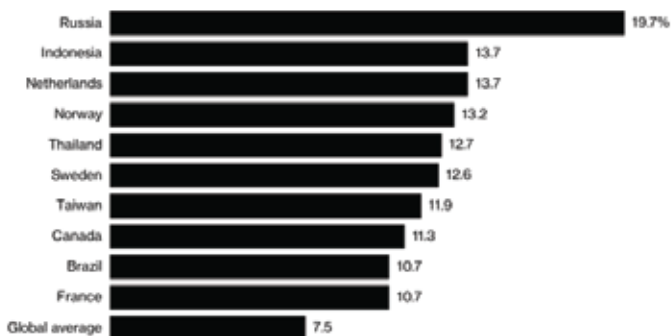
Big Jumps in their Populations of High-Net-Worth Investors Last Year

The rich are, predictably, getting richer. Both the number of people with investable assets of at least \$1 mn in U.S. dollars and the total wealth that represents are expanding around the globe, according to World Wealth Report 2017 from Capgemini. By 2025, the consulting and technology services company predicts, assets held by high-net-worth investors will exceed \$100 tn, up from \$63.5 tn in 2016. Sadly, even the very wealthy suffer from income inequality. While the ranks of the millionaire next door, with \$1 mn to \$5 mn in investable assets, increased by 7.4 pc, the number of people in the top 1 pc of the high-net-worth world—those with at least \$30 mn in investable assets—grew by 8.3 pc. The report found big leaps in the ranks of millionaires in North America and Europe, where wealthy populations grew 7.8 pc and 7.7 pc. That was an acceleration from 2 pc and 5 pc in 2015. Growth slowed slightly in the Asia-Pacific region (excluding Japan), home to the most millionaires, slipping to 7.4 pc from 9 pc.

Millionaires Are Multiplying

These are some of the countries across Europe, Asia-Pacific, North America and Latin America where high-net-worth populations grew by double digits.

■ Percent gain in high-net-worth population



Source: Capgemini

Bloomberg

MANAGEMENT & INFOTECH CORNER

Address Mediocre Performance Immediately

What do you do when someone's work is OK but not great? The toughest test of a manager isn't dealing with poor performance — it's addressing mediocrity. Don't let lackluster performance fester.

— Start by showing how mediocrity negatively affects your team, the organization, and its customers. You could, for example, have middling employees listen in on calls with complaining customers so that they understand the negative effects of not doing their jobs well. It's also important to share accountability.

— Encourage your employees to immediately and respectfully confront one another when problems arise. There is no way for even the strongest supervisor to see and address every performance gap.

— And lastly, speak up when you see mediocrity in other parts of the organization. For example, if everyone knows that a corporate initiative is not working but no one is discussing it, your team will notice whether you have the integrity to point out the emperor's lack of clothes. High performance is a norm that needs to be defended regularly and vigilantly.

(Adapted from *What to Do About Mediocrity on Your Team*, by Joseph Grenny)

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