



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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PAKISTAN COMPENDIUM

BANKING SCENARIO

Deposits Folder

According to the weekly statement of position of all scheduled banks for the week ended October 20, deposits and other accounts of all scheduled banks stood at Rs. 11,685.493 bn after a 0.40 per cent decrease over the preceding week's figure of Rs.11,733.096 bn. Compared with last year's corresponding figure of Rs. 10,301.370 bn, the current week's figure was higher by 13.44 pc.

Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 6,135.235 bn, higher by 0.14 pc over the preceding week's figure of Rs. 6,126.880 bn. Compared with last year's corresponding figure of Rs. 5,140.605 bn, current week's figure is higher by 19.35 pc.

Promising Performance of LSM

LSM growth from July to August	
Segments of LSM	Growth in July-Aug FY18
Iron and steel products	49.64pc
Automobiles	30.82pc
Non-metallic products (including cement)	19.64pc
Wood products	18.43pc
Engineering products	18.35pc
Coke and petroleum products	16.30pc
Leather products	14.79pc
Food, beverages and tobacco	13.35pc
Paper and board	11.78pc
Pharmaceuticals	11.04pc

Source: Pakistan Bureau of Statistics

After posting a 10-year high growth of 5.7 pc last year, large-scale manufacturing (LSM) has taken an even better start in the first two months of this fiscal year. In July-Aug, this year, annualized increase in LSM output shot up to 11.3 pc, according to the Pakistan Bureau of Statistics. And, whereas LSM growth in the last fiscal was primarily driven by domestic demand, this year's growth impetus

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 141.75	PKR 125.00	PKR 107.60
ENDING	PKR 142.75	PKR 125.95	PKR 107.7
CHANGE	+1	+0.95	+0.1

Pakistan Stock Exchange

	100 Index
BEGINNING	41,064
ENDING	41,435
CHANGE	+371

Gold Rate

	(10 gm)
BEGINNING	PKR 45,514
ENDING	PKR 45,685
CHANGE	+171



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is likely to also come from export-led requirements. Exports have begun to grow. In July-September FY18, exports rose around 10.84 pc over the same period of FY17. So, export-led demand is there. And, officials say it is going to increase, infusing more life in LSM segments like coke and petroleum, pharmaceuticals, chemicals, leather and engineering products etc.

Local demand is robust. Prospects of export-led demand have brightened. Industries have also invested in capacity building. Meeting LSM growth target of 6.3 pc for FY18 looks quite possible, more so because ongoing CPEC-related projects and higher FDI inflows will have a positive impact on LSM, according to a SBP assessment revealed in its FY17 annual report.

Number of Small Borrowers Rises Sharply

The number of small borrowers of bank money increased sharply in 2016-17, with the highest 36 pc growth registered in recipients of agriculture credit, said a State Bank of Pakistan (SBP) report. The Annual Performance Review, issued recently by the central bank, said a line of credit is being established with the help of World Bank for women and micro-enterprises. The banks extended agricultural credit to 3.27 mn farmers by June 30 compared to 2.4 mn last year, an increase of over 36 per cent. A growth of 17.8 pc was noted in the volume of agriculture credit during the year surpassing the Rs. 700 bn target. The agriculture outstanding portfolio also registered a growth of 17.4 pc to Rs. 405.8 bn as of June 30. This increase in the number of borrowers can be mainly attributed to inclusion of 15 microfinance institutions/rural support programmes in the SBP's Agriculture Indicative Credit Target Scheme, as they collectively provided credit to more than 0.55 mn farmers in FY17," said the SBP report. The second highest growth in the small borrowers was noted in the microfinance banks (MFBs) by 29.9 pc to 2.209 mn. The microfinance banking industry grew by 52.5 pc during FY17 with its assets base reaching to Rs. 203.3 bn and microcredit portfolio to Rs. 111.9 bn. A line of credit is being established with the funding support of the Government of Pakistan under World Bank's Financial Inclusion Infrastructure Project. It will allow MFBs to improve women and microenterprises' access to credit, said the SBP report. The growth in MFBs'

deposits base also remained high at 68.3 pc during the period with the aggregate deposit base reaching Rs.146.5 bn compared to Rs. 87 bn. Concurrently, the number of depositors surged 71.7 pc to 21.951 mn in FY17 from 12.782 mn last year. A growth of 57 pc (Rs. 62.127 bn) was also registered in the gross loan (micro-credit) portfolio that increased to Rs. 171 bn from Rs. 108.8 bn during the preceding year. The average loan balance also increased by Rs. 6,703 to Rs. 32,868, said the SBP report. The microfinance sector comprises of 51 microfinance providers

Cotton Production Rises 17.07 pc

The country has so far produced 1.186 mn more cotton bales than the production recorded up to Nov 1 last year, which makes the 2017-18 target of 12.6 mn bales achievable. The last two fortnightly reports by the ginners' body recorded the year-on-year growth in cotton production at 50.88 pc and 36.79 pc. The latest report shows the annual increase of 17.07 pc only.

Boosting Trade Volume with Senegal

Commerce Minister Pervaiz Malik recently informed the National Assembly that initiatives had been taken to boost trade with Senegal, which has been stagnating in the range of \$40 mn to \$50 mn for the past several years. In a written reply to a question by MNA Shaikh Rohale Asghar, the minister said that the volume of trade was far below its potential. However, Pakistan attaches high importance to its economic relations with Senegal, he added. He said the first meeting of the Joint Ministerial Commission (JMC) was held in July and important decisions were taken to boost bilateral trade. The minister said that the Trade Development Authority of Pakistan (TDAP) has relaxed the hospitality criteria from African countries including Senegal to attract delegates and ensure better participation in the upcoming 'Expo Pakistan 2017' being held this month. He said the TDAP will provide special subsidy in the range of 80-90 pc to Pakistani companies to encourage their participation in trade exhibitions in Africa, including Senegal. Pakistan and Senegal agreed to tackle the difficulties hampering the bilateral trade.

Bank of China Begins operations in Pakistan

Bank of China has formally launched its operations in Pakistan, with its first branch inaugurated in Karachi on Tuesday.



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Speaking to the inauguration ceremony in Islamabad, Bank of China Chairman Chen Siqing said it was "a great honour" for the bank to be launching in Pakistan, observing that the Karachi branch was its first in South Asia. He said the bank would strengthen the "brotherly relations" between the two countries in the financial sector. Siqing said China's progressive and fast-paced economy was ready to enter an era of high-grade standards, and emphasized that the Bank of China could help Pakistan effectively reap the benefits of China's economic prosperity. State Bank of Pakistan (SBP) Governor Tariq Bajwa welcomed the bank to Pakistan, saying that the increased diversity of foreign banks would increase the country's economic resilience. He also expressed hopes that Pakistan would learn from the Bank of China's expertise in the small and medium enterprises sector.

INTERNATIONAL ARENA

Pricing Oil in Yuan May be Next Move in China's Currency Ambitions

An attempt to wean the world off US-dollar priced oil would mark another milestone for the yuan. Much has been written about China's emergence as a major exporter of capital that would inevitably increase its companies' ownership of physical and intellectual assets in Europe and the United States. However, on one front, there is a conspicuous lack of discussion — the internationalization of the Chinese currency. That would seem odd considering the great efforts made by China to turn the yuan into a reserve currency by becoming the fifth currency in the basket that formed the International Monetary Fund's (IMF) Special Drawing Right. Not to mention the growing role which Chinese equities now play in international investors' portfolios. Stock index provider MSCI announced in June that it would add 222 China A-shares, traded on mainland bourses, to its benchmark emerging markets index from next year. Yet, as The Economist magazine recently noted, the yuan's international reach appeared to have faltered in the past two years. While it has regained its rank as the world's fifth most active currency for international settlements this year, its monthly market share in international payments has

slipped to 1.9 pc in August from 2.8 pc two years ago. The Economist also noted that the use of the yuan to raise funds in the global bond markets over this two-year period has also fallen by half, as companies have chosen to raise funds within China. Since January, China's foreign reserves have been growing again, while gross domestic product growth in the first half accelerated to 6.9 pc from last year's 6.7 pc. As China's central bank noted recently, the scope of the yuan will be further expanded in 2017 and usage channels will be further widened

Unemployment Rate Falls in US

The unemployment rate in United States fell to its lowest level in nearly 17 years in October while job creation resumed climbing after the two late-summer hurricanes, the US Labour Department reported recently. Analysts said the rebound was smaller than expected but upward revisions to job creation in the prior months meant the storms had caused less damage than originally feared, making for an upbeat report. The White House hailed the outcome, saying the Trump administration's economic agenda was bearing fruit. However, the report also showed a shrinking labour force and confirmed job creation in 2017 has lagged behind last year. The US jobless rate fell to 4.1 pc, down a tenth of a point from September, the lowest the US economy has seen since December 2000. Employers added 261,000 net new positions as businesses reopened in the wake of Hurricanes Harvey and Irma, although economists had forecast a rebound of 300,000 new jobs. But the data for September turned out not be as bad as initially reported, with 18,000 new jobs created, rather than a loss of 33,000 positions. Together with the upward revision for August, an additional 90,000 jobs were added for those two months. The results generally showed US labour markets in good health, easily bouncing back from the storms that idled the US energy hub in southeast Texas and forced millions of Floridians to flee their homes.

17,508 Islands

According to earlier survey in 2002 by National Institute of Aeronautics and Space (LAPAN), the Indonesian archipelago has 18,307 islands.



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MANAGEMENT & INFOTECH CORNER

New Life Into Old iPhones

By delivering solid financial results that beat Wall Street's expectations for both revenues and profits recently, Apple Inc's CEO Tim Cook put to rest concerns that the company's flagship device, the iPhone X, wouldn't be ready in time for the holiday shopping season. But beneath the headline revenue and profit figures, Cook also seemed to have solved two of Apple's longest-standing problems: its heavy reliance on the latest flagship iPhone to buoy its profits, and its lack of affordable offerings to help budget-minded buyers see the benefits of joining Apple's ecosystem of hardware and software. And all Cook had to do was stop Apple's unusual Steve Jobs-era policy of ruthlessly killing off old products when better ones came along. To see the effect of the Cook Doctrine, look no further than Apple's current, unprecedented line-up of five different iPhones. The flagship iPhone X, priced at \$ 999, has drawn most of the media attention for the holiday shopping season. But far from the limelight is the humble iPhone SE — essentially an updated iPhone 5, which came out five years ago. It retails for only \$ 349 and appears to have played a major role in Apple doubling its revenue in India, an important emerging market.

GE's Global Reach

GE currently has 300,000 employees and maintains a presence in 180 countries, according to Chairman Jeffrey R. Immelt.

How CEOs Spend their Time

About 25 pc of a CEO's time during an average work day is spent alone, according to the results of a survey of more than 1,000 CEOs across six countries.

KALEIDOSCOPE

World's Longest Beaches

Beach and Country

Praia do Cassino Beach, Brazil	150
Ninety Mile Beach, Australia	90
Cox's Bazar, Bangladesh	75
Padre Island National Seashore, United States	70

Focus and Performance

When you focus on two mental tasks at the same time, performance can decrease up to 50pc, according to David Rock, the author of "Your Brain at Work."

Praise Someone the Way They Want

Recognition is one of the most powerful tools a manager has, but not everyone wants their good work to be called out in the same way. Acknowledging someone's work is meant to make them feel special — and it's hard to feel special if a corporate procedure treats everyone the same way. One person might appreciate public praise in front of their colleagues, whereas another might prize a professional or technical award. Tailor your approach to each employee's preferences. And if you aren't sure what those are, ask.

(Adapted from the HBR Guide to Performance Management)

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