



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 12, Issue No. 46 | Date: November 17, 2017

PAKISTAN COMPENDIUM

BANKING SCENARIO

Deposits Folder

According to the weekly statement of position of all scheduled banks for the week ended October 27, deposits and other accounts of all scheduled banks stood at Rs. 11,777.383 bn after a 0.78 pc increase over the preceding week's figure of Rs. 11,685.493 bn. Compared with last year's corresponding figure of Rs. 10,446.971 bn, the current week's figure was higher by 12.73 pc.

Foreign Investment Rise by 74 pc

The Foreign Direct Investment (FDI) surged 74 pc in the first four months of this fiscal year with Chinese inflows remaining dominant in the overall mix. The State Bank of Pakistan (SBP) reported recently that the country received \$939.7 mn FDI during the July-October period of 2017-18 compared to \$538.7 mn in the same period last year. The inflow from China rose to \$631.7m constituted over 67 pc of the total FDI during the July-October period. It jumped 225 pc when compared to \$194.6m in first four months of last fiscal year. Beijing has been investing heavily in power sector as per agreement under the China-Pakistan Economic Corridor (CPEC) project. During the July-October period sector received the highest amount of \$422.4 mn, which accounts for 45 pc of the total FDI. During the same period of FY17 the power sector had received \$187.4m. The construction sector got the second place as it received \$177m during July-October compared to just \$31m in the same period of the last year. Telecommunications bounced back compared to last year. The inflow of FDI in this sector rose to \$64.9m compared to an outflow of \$38.3m during the same period last year. The financial business and oil and gas exploration sectors received \$76.3m and \$57.9m, respectively, during the four months of this fiscal year.

Services Exports Grow 9 pc

Pakistan's services exports witnessed a growth of 9 pc year-on-year to \$457.78 mn in September, according to the Pakistan Bureau of Statistics. The growth in export of services mainly remained driven by finance and insurance, transport and storage, wholesale and retail trade, public administration and defence. In three months, between July to September, export proceeds of services recorded a growth of 5.6 pc over the corresponding period of last year. Last year, Pakistan's exports of services recorded a growth of 1.76 pc year-on-year to \$5.55 bn.

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 months)

	Bid%	offer%
BEGINNING	5.92	6.17
ENDING	5.94	6.19
CHANGE	+0.02	+0.02

Foreign Exchange Rates

	GBP(£)	EURO(€)	USD(\$)
BEGINNING	PKR 142.75	PKR 125.95	PKR 107.7
ENDING	PKR 142.50	PKR 127.55	PKR 107.4
CHANGE	-0.25	+1.6	-0.3

Pakistan Stock Exchange

100 Index

BEGINNING	41,435
ENDING	40,844
CHANGE	-591

Gold Rate

(10 gm)

BEGINNING	PKR 45,685
ENDING	PKR 45,771
CHANGE	+86



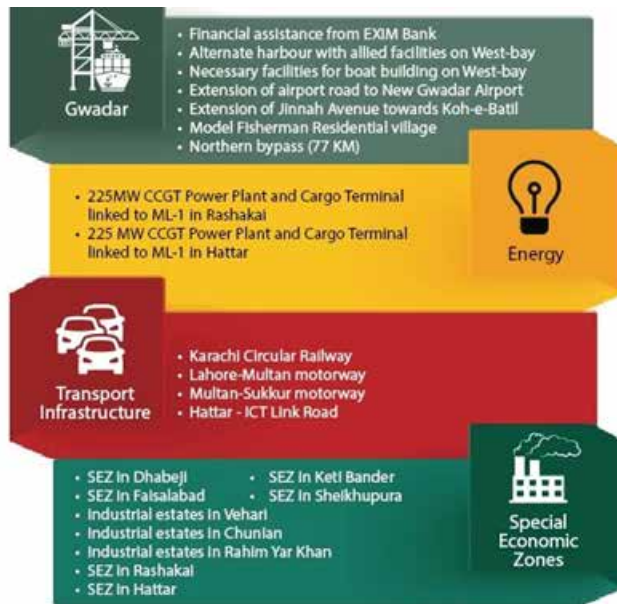
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CPEC Enters the Next Phase: Some Highlights



Six Pakistanis Featured on Forbes Magazine

Six individuals of Pakistani origin have featured on Forbes magazine's '30 under 30' list released recently. The list, which is released annually, features 600 individuals making strides in 20 different industries, including art and style, education, games, food, enterprise technology and media. The four individuals of Pakistani origin featured in the 2018 list have been selected for their achievements in the industries of retail and e-commerce, enterprise technology and education.

Anna Khan, 29, has made it to the list for sourcing several breakout startups since joining Bessemer Venture Partners in February 2012 — she has raised over \$141 mn in total financing.

Sarah Ahmed, 28, was selected for her work in the retail and e-commerce industry. The New York-based entrepreneur founded Warp + Weft, "a premium denim brand that weaves its own fabric to guarantee the best value and fit." Two individuals of Pakistani origin have been selected in the enterprise technology category.

S. Zayd Enam, 25, and Khizer Hayat, 28.

Enam, who dropped out of high school to start Mediconnect, "a healthcare provider platform in Pakistan", also later dropped out of his PhD program at Stanford University and founded Cresta.ai a startup that aims to scale and improve the quality of customer services. Hayat is the president of Teach Pakistan Initiative, a non-government organization working to improve the rural education system in Pakistan. He features on the list as co-founder of ThroughPut, "a data science automation company.

The final Pakistani to appear on the list is Raza Munir whose startup, Climb Credit, aims to help students in skills-based fields manage their debt.

Abbas Haider, 28, has made it to the Forbes list under the 'Manufacturing and Industry' category for co-founding Aspetto, a clothing firm that deals in comfortable, tailor-made, bullet-resistant clothing.

Pakistan Development Update: November

The World Bank launched its Pakistan Development Update, a twice-a-year publication, shedding light on the state of the economy and its future prospects recently. Below are few of the highlights:

- GDP Growth rate is projected to increase to 5.5 pc this fiscal year and 5.8 pc in 2018-2019.
- Growth side is likely to come from service and industry sectors on the supply side
- Only 12.3 pc of small borrowers in Pakistan use foreign inputs or supplies in their products compared to the global average of 55 pc
- Non-tax revenues rose 23 pc to Rs. 967 bn
- Collection from direct and indirect taxes grew by 12.7 pc and 5.1pc. on average, 17 pc of direct taxes were collected as withholding tax over the last three years
- To maintain continuity of tax reforms, a detailed review of tax policy is needed. A fully automated and able tax administration is also imperative.

Housing to Get Boost With Cheaper Financing

The Pakistan Mortgage Refinance Company (PMRC) started its operations recently with initial funds of Rs. 6 bn to boost the housing sector. State Bank of Pakistan (SBP) Deputy Governor, Jameel Ahmed, inaugurated the company's first



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office to offer mortgage borrowers long-term funding at an affordable fixed rate.

PMRC Chief Operating Officer Dr Mohammad Saleem—who is the key person behind the development of schemes said that the company would issue mortgage bonds like corporate bonds in the domestic market. The PMRC would provide loans at a fixed rate to banks which will then provide housing loans to end users at the same rate, he said. Currently, the banks take risk as they provide long-term housing loans while they have short-term deposits. Most of the deposits in the banks are meant for less than one year which is the main hurdle for long-term loans. At present, the PMRC has Rs. 6 bn funds with Rs 1.2 bn contributed by the federal government and the rest was contributed by nine commercial banks. The PMRC is also in contact with the International Finance Corporation (IFC) and Asian Development Bank (ADB) to get support for the mortgage housing development.

KALEIDOSCOPE

LARGEST ISLAND COUNTRIES

Indonesia	735,358 sq miles
Madagascar	226,917 sq miles
Papua New Guinea	178,704 sq miles
Japan	145,939 sq miles
Malaysia	127,320 sq miles
Philippines	115,831 sq miles
New Zealand	103,883 sq miles
Great Britain	80,823 sq miles
Cuba	42,804 sq miles
Iceland	39,769 sq miles

INTERNATIONAL ARENA

Russia, Venezuela Sign Debt Restructure Deal

The Russian Finance Ministry has signed a deal to restructure Venezuela's debt. The deal envisages that Venezuela will pay its \$ 3.15 bn debt to Russia over 10 years. It noted that payments will be 'minimal' during the first six years. The ministry added that the debt restructuring agreement will allow Venezuela to allocate more funds for economic development. The deal was signed a day after Venezuela hosted foreign investors to discuss strategies for reorganizing its debt. Venezuela used its oil wealth to spend heavily on social programs. The drop in world oil prices has ravaged its economy, leading to widespread shortages amid triple-digit inflation. Moscow and Caracas have been negotiating for months the terms of a deal that would restructure almost \$3 bn worth of debt taken out in 2011.

IFAD to Provide \$82m for Boosting Household Income

The International Fund for Agricultural Development (IFAD) will make an investment of \$82 mn in Pakistan to improve livelihoods, living conditions and income generating capacity for 320,000 poor rural households in the country. IFAD will initiate the 'National Poverty Graduation Program' covering 17 districts, with a focus on the 'ultra-poor' segment of the population residing in rural areas. The program will aim to provide a combination of safety nets and sustainable livelihood opportunities.

Women Entrepreneurs Contributing to Economic Growth

The Pakistan Women Entrepreneurs Network for Trade (WE-NET) was launched recently with the support of the World Bank (WB), said a press release. The network aims to create a representative platform for women entrepreneurs in trade of goods and services. The President WE-NET highlighted how technology was revolutionizing business operations and the need for women entrepreneurs to benefit from digital processes and ecommerce capabilities for global trade. Country Director of World Bank underlined the importance of women's participation in the economic



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development of Pakistan. He reiterated Pakistan's significant progress in regaining macroeconomic stability over the last 3 years.

Remittances Rise to \$ 6.4 bn

Remittances showed an increase of 1.5 pc to \$6.44 bn in the first four months (July-October) of this fiscal year compared to \$6.30 bn in the same period last year. A State Bank of Pakistan announcement recently said the inflow of workers' remittances in October jumped 27.87 pc to \$1.6 bn compared to \$1.29 bn in September. Remittances from the United Kingdom, which is the third biggest in the list of countries, surged almost 56 pc to \$ 270.46 mn against \$173.40m in October 2016. Inflows from the other Gulf Cooperation Council (GCC) countries – Bahrain, Kuwait, Qatar and Oman – however registered a slight increase to \$ 184.76 mn in the month under review compared to \$ 183.13 mn in October 2016. Pakistanis working in the United States remitted \$215.64 mn, a 17.66 pc more when compared with \$183.26 mn in October 2016, to their homeland. A 44.5 pc growth was recorded in the combined remittances from the EU countries to \$ 51.12 mn in October.

Quote of the Day

“IT ALWAYS SEEMS IMPOSSIBLE UNTIL IT'S DONE.”

- NELSON MANDELA

MANAGEMENT & INFOTECH CORNER

Intelligence and Multitasking

A person's IQ drops anywhere from 5-15 points when he or she is multitasking, according to University of London researchers.

More Spending, Inadequate Outcomes

In a study of the 13 high-income countries in the Organization for Economic Cooperation and Development (OECD), researchers found that the US spent 40 pc per patient on health, but still had the poor outcomes, like a decreased life expectancy.

Billions on Content

Netflix announced in October that it planned to spend up to \$8 bn next year on content, including new movies and original programs, for its streaming platform.

Twitter Tweets

Twitter has announced it will double the limit for tweets to 280 characters, in a bid to draw in more users and boost engagement at the social network. Giving users twice the space to voice their thoughts ushers in a new era for the online platform, whose hallmark 140-character cap had encouraged users to craft succinct missives. "We're expanding the character limit! We want it to be easier and faster for everyone to express themselves", tweeted the site, which started testing an increase to its limit in most languages in early September. The changes will be rolling out in all languages except Japanese, Korean, and Chinese, in which space limitations have not been an issue, Twitter said. It is the first time the tweet character cap has been raised since Twitter was founded 11 years ago.

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