



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 November 10, deposits and other accounts of all scheduled banks stood at Rs. 11,707.279 billion after a 0.65 pc decrease over the preceding week's figure of Rs. 11,783.372 bn. Compared with last year's corresponding figure of Rs.10,401.843 bn, the current week's figure was higher by 12.55 pc.

Car Makers Enter Pakistani Market

Pakistan is said by many carmakers to be one of the most dynamic markets in Asia. Little wonder then that tax and other fiscal incentives offered in the new Automotive Development Policy are attracting new brands. Two Korean brands — Kia and Hyundai — have already decided to set up their plants for starting local assembly of their cars by 2020. A growing competition is now forcing the existing auto manufacturers to invest in upgrade and rethink their strategy Volkswagen is also interested in investing in business ventures in Pakistan in a market starved for a wider range of good-quality cars while Chinese brands also plan to bring in cheaper cars to help middle-class households transition to four-wheelers from two-wheelers.

CPEC Investment has Increased to \$60 bn

Total investment envisioned under the China-Pakistan Economic Corridor (CPEC) has increased to \$ 60 bn, Radio Pakistan reported recently while quoting the deputy chairman of the Planning Commission, Sartaj Aziz. Aziz made the remarks after speaking to a delegation of Chinese journalists in Islamabad, whom he told that Pakistan has evolved a liberal investment policy to attract foreign investment in the country. CPEC has become a regional project which offers immense investment opportunities, he said; adding that China and other countries can invest in industrial zones to be established in Pakistan. CPEC has become a regional project which offers immense investment opportunities, he said; adding that China and other countries can invest in industrial zones to be established in Pakistan.

Non-textile Exports Grew 13.6 pc in July-October

Exports of non-textile products rebounded and posted a growth of 13.6 pc during the first four months (July-October) of the current fiscal year from a year ago. The export proceeds from these products surged to \$ 2.66 bn between July-October from \$2.34 bn over the corresponding period of last year, suggested data

MARKETS AT A GLANCE

Rates are taken till Thursday 5:00 pm*

KIBOR (6 months)

	Bid%	offer%
BEGINNING	5.94	6.19
ENDING	5.94	6.19
CHANGE	0	0

Foreign Exchange Rates

	GBP(£)	EURO(€)	USD(\$)
BEGINNING	PKR 142.20	PKR 126.50	PKR 107.50
ENDING	PKR 143.50	PKR 126.50	PKR 107.40
CHANGE	+1.3	0	-0.1

Pakistan Stock Exchange

100 Index

BEGINNING	40,248
ENDING	40,010
CHANGE	-238

Gold Rate

(10 gm)

BEGINNING	PKR 46,242
ENDING	PKR 46,714
CHANGE	+472

* Due to holiday on account of 12 Rabi-ul-Awwal



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compiled by Pakistan Bureau of Statistics. The rebound in export proceeds apparently is due to the support package the government has extended to non-textile sector under the prime minister exports enhancement package. In the export package, the commerce ministry has separately announced additional incentives for non-textile products. The support was announced for leather manufacturers, footwear, sports goods, surgical, engineering goods, furniture, meat and meat products, fish products and cutlery.

Data show an increase of 80.4 pc year-on-year in exports of petroleum products. Petroleum products, petroleum crude and naphtha, led the increase in petroleum sector's exports.

All value-added leather products posted a growth of 2.48 pc in exports proceeds in July- October. This growth was mainly led by sales of leather gloves. Exports of surgical goods and medical instruments went up by 12.8 pc and engineering goods surged by 18.47 pc during the period under review over last year. Year-on-year exports of gur (jaggery) was up by 48 pc, and molasses 91 pc during the period under review. The increase was witnessed in exports of both basmati and non-basmati rice, which went up by 16.87 pc.

Exports of sugar and wheat are the other two major exports commodities which recorded a growth during the period under review. Other products which also posted growth during the period under review are oil, fish, seeds, pulses and tobacco.

SBP Keeps Interest Rate Unchanged

The State Bank of Pakistan (SBP) decided on Friday to keep the interest rate unchanged at 5.75 pc, according to a press release. It said prospects of achieving the 6 pc target of real GDP growth continue to be strong due to the availability of cheaper money and higher credit off-take by the private sector. The SBP said economic activity is strong as corroborated by broad-based pick-up in the industrial output, gains in factors supporting the production of major crops and growth in private-sector credit. The interest rate has been kept unchanged since May 2016.

INTERNATIONAL ARENA

World Economy Growing Faster

The world economy is growing faster than it has in seven years and more and more people are working. That is according to recent forecasts from the Organization for Economic Co-operation and Development (OECD), which urged governments to do more to ensure longer-term growth and better living standards across the board. The group, which recommends policies for leading economies, predicts sustained growth in the US this year and next and a sharper-than-expected increase in the countries that use the euro currency. Chief Economist Catherine Mann urged faster re-training of workers amid drastic technological changes, extending retirement ages, investing in renewable energy and simplified tax rules to reduce risks of a new downturn. The agency slightly raised its global growth forecast to 3.6 pc this year the highest since the post-crisis upturn in 2010 thanks to rising industrial production, trade and technology spending. Globally, it forecasts 3.7 pc growth next year. In the United States (US), the OECD inched up its outlook, predicting 2.2 pc growth this year and 2.5 pc in 2018 thanks to "buoyant asset prices and strong business and consumer confidence." It expects US growth to fall back to 2.1 pc in 2019. The long-troubled eurozone enjoyed another boost as the OECD became the latest group to raise its forecasts for the 19-country region.

Singapore to Deploy Driverless Buses From 2022

Driverless buses will appear on some roads in Singapore from 2022 as part of plans to improve mobility in the land-scarce city-state, its transport minister said on Wednesday. Singapore has so far avoided the massive traffic jams that choke other Asian cities like Manila and Jakarta by imposing road tolls, spending massively on public transport and becoming one of the world's most expensive places to own a car. It now plans to embrace self-driving technology to further reduce reliance on cars and improve how people get around.



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Tesla Wants to Electrify Big Trucks, Adding to its Ambitions

After more than a decade of making cars and SUVs and, more recently, solar panels Tesla Inc. wants to electrify a new type of vehicle: big trucks. The company unveiled its new electric semi-tractor-trailer recently, near its design center in Hawthorne, California. CEO Elon Musk said the semi is capable of travelling 804 km on an electric charge even with a full 80,000-pound (36,287 kg) load and will cost less than a diesel semi considering fuel savings, lower maintenance and other factors. The truck will have Tesla's Autopilot system, which can maintain a set speed and slow down automatically in traffic. It also has a system that automatically keeps the vehicle in its lane. Tesla will guarantee the semi's powertrain for one million miles to help alleviate customers' concerns.

Alibaba Takes \$ 2.9 bn Stake in Food Retailer

Alibaba said recently it would take a major stake in one of China's top food sellers for \$ 2.9 bn as the e-commerce giant expands further into the retail world. China's largest e-commerce platform has invested heavily in recent years to connect its online and offline portfolio of businesses, taking stakes in several Chinese grocers, shopping malls and department stores. Alibaba will buy a 36 pc stake in Sun Art Retail Group from Taiwanese conglomerate Ruentex Group, leaving Alibaba and French firm Auchan Retail with roughly equal stakes in Sun Art's 446 hypermarkets.

QUOTABLE QUOTE

“Success is the ability to go from failure to failure without losing your enthusiasm.”

Winston Churchill

MANAGEMENT & INFOTECH CORNER

Cities Draw Americans

According to recent data, more than 80 pc of the US population lives in cities

China's Ambitious Goal in Health Care

By 2020 officials in China are aiming to have six hospital beds per 1,000 people available in the country. The ratio is more than twice that of the US and the UK.

It is All in Leadership

It says something about the power of a brand when it can inspire confidence in markets where it has little or no presence and get investors to place astronomical amounts of money in the largest initial public offering (IPO) in history. Well that is exactly what the Chinese ecommerce giant Ali Baba managed to accomplish with its \$ 25 bn IPO in New York on September 19, 2014. The company is now valued at \$ 231 bn, which is more than the combined value of Amazon and eBay. In the same way that Apple had Steve Jobs, the Ali Baba Group has Jack Ma, a man from a humble background but with a grand vision. Ma effusively personifies the brand values of Ali Baba. He is charismatic, energetic, accessible, flamboyant, a controversial upstart brimming with confidence; all the traits that Ali Baba's customers have come to associate with the company. An English teacher by profession, Ma turned tech entrepreneur when he had that stroke of genius in 1999 of bringing low cost Chinese speaking manufacturers and their global buyers together in a business-to-business portal that would help them maximize opportunities. Since then, there has been no turning back and the Ali Baba Group continues to be directed by Ma's vision.

Before a Conversation, Consider Others' View

It is natural to go into a difficult conversation focused on what you want from the situation. But thinking only about your goals will not give you and your counterpart the common ground necessary to resolve the conflict. You need a good understanding of what the other person's objectives and interests are. They had a rationale for the way they have behaved so far (even if you do not agree with it), so what might that be? Think about what's going on for them. Ask



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yourself: What are they hoping to accomplish? Why does this matter to them? If you are not sure, ask someone you trust what they think is going on in your counterpart's mind. (Adapted from the *HBR Guide to Dealing with Conflict*, by Amy Gallo)

To Inspire Your Team, Show Some Emotion

Keeping a cool head at work is important for decision making and team cohesion, but it can have an unintended drawback: Your calm professional persona may be so rigid that you forget to be yourself or show your emotions. As a leader, it is hard to generate enthusiasm among your direct reports if you always wear a serious face. Next time you prepare for an important speech or meeting, think about the emotional takeaway you want to impart to your employees. Then choose words that match your emotional tone. If you want your team to feel confident, for example, say you are "proud" and their ideas are "powerful." Or if your team is facing a tight deadline, tell them the task is "critical" and you're "eager" to meet the opportunity so that your organization won't "miss out." Without emotional language, your message may fall flat. (Adapted from "*New Managers Shouldn't Be Afraid to Express Their Emotions*," by Kristi Hedges)

NED Alumnus Sells Company to Chip-Maker Marvell for \$ 6 bn

Cavium, co-founded by Pakistani-American Raghiv Hussain, has been acquired by chip-maker Marvell in a \$6 billion deal in cash and stock. Hussain is an alumnus of NED University of Engineering Technology (NEDUET), Karachi, who started Cavium with his friend Syed B. Ali. The company was taken public at a market value of \$600 million in 2007. In an email sent to his friends on Nov 23, Hussain said: "To summarize: I started Cavium with Syed in late 2000, took it public in 2007 with a market cap of about \$ 600 mn. Ten years later in 2017, we are an established semiconductor company with revenue of \$ 1 bn, 2,000 employees and a market cap of \$ 5 bn, now consolidated for over \$ 6.5 bn enterprise value. At the market close on Wednesday, the deal already valued at \$ 7.5 bn (enterprise value). I am thankful for everyone's prayers and

support." Marvell's main business is to make chips that are used in hard disk drives. However, as the market for hard disks is slowly declining due to new technologies, Marvell made a move to expand its business. Cavium makes networking processors and the company is planning to use Acorn RISC Machine's designs to break into the server microprocessor business.

LIMELIGHT

- The Economy is likely to grow by 6 pc in the next fiscal year owing to timely completion of development projects as expressed by the Prime Minister of Pakistan.
- The Economic Coordination Committee (ECC) recently allowed the export of 1.5 mn metric tons (MMT) sugar in view of the availability of surplus sugar.

Cambridge Website Crashes After it Put Stephen Hawking's PhD Thesis Online

Cambridge University has put Stephen Hawking's doctoral thesis online, triggering such interest that it crashed the university's website. Completed in 1966 when Hawking was 24, "Properties of Expanding Universes" explores ideas about the origins of the universe that have resonated through the scientist's career. The university says the thesis was already the most-requested item in its online repository. It was free to download on Monday to mark Open Access Week. The website was intermittently inaccessible during the day as it struggled to handle the interest. Hawking said he hoped that making his thesis available to all would "inspire people around the world to look up at the stars and not down at their feet; to wonder about our place in the universe and to try and make sense of the cosmos".

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