



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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PAKISTAN COMPENDIUM

BANKING SCENARIO

Deposits Folder

Deposits and other accounts of all scheduled banks stood at Rs. 11,728.993 bn after a 0.20 pc increase over the preceding week's figure of Rs. 11,707.279 bn, according to the weekly statement of position of all scheduled banks for the week ended Nov 17. Compared with last year's corresponding figure of Rs. 10,428.839bn, the current week's figure was higher by 12.47 pc.

Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 6,218.023 bn, higher by 0.40 pc over the preceding week's figure of Rs. 6,193.066 bn. Compared with last year's corresponding figure of Rs. 5,220.159 bn, current week's figure is higher by 19.11 pc.

Microfinance Sector Growth

The microfinance sector in Pakistan is on a rapid growth. The figures quoted by Pakistan Microfinance Report 2016 show that the sector is progressively becoming an industry. It appears to be a healthy sign that microfinance is cogitated to be closely associated with poverty alleviation in the country. In Pakistan, a combination of financial inclusion and a correct social development strategy has mostly been successful. Small and mid-sized MFIs, which have played a pivotal role thus far in the development of the sector, are expected to bear the brunt. In Pakistan, the Orangi Pilot Project (OPP) and the Aga Khan Rural Support Programme (AKRSP) were pioneers in the sector, providing small loans to financially excluded segment of society, which had no access to mainstream financial institutions. The objective of both the organizations was poverty alleviation by providing the poor with micro-credit. In the last four years, the growth of the sector has been impressive. The number of active borrowers has more than doubled from 2 mn in 2012 to 4.2 mn in 2016 and 5.2 mn at present.

Reserves Soar to \$ 21 bn

The foreign exchange reserves have jumped to \$ 21 bn after the country received \$2.5bn it raised through auction of bond on the international market. The State Bank of Pakistan(SBP) recently reported that the reserves held by it rose to \$ 14.883 bn after receiving bond auction proceeds on Dec 5. The country's total foreign exchange reserves during the week ending Nov 30 stood at \$ 18.746 bn.

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 months)

	Bid%	offer%
BEGINNING	5.94	6.19
ENDING	5.95	6.20
CHANGE	+0.01	+0.01

Foreign Exchange Rates

	GBP(£)	EURO(€)	USD(\$)
BEGINNING	PKR 143.50	PKR 126.50	PKR 107.40
ENDING	PKR 144.00	PKR 125.60	PKR 107.50
CHANGE	+0.5	-0.9	+0.1

Pakistan Stock Exchange

	100 Index
BEGINNING	40,010
ENDING	39,080
CHANGE	-930

Gold Rate

	(10 gm)
BEGINNING	PKR 46,714
ENDING	PKR 45,942
CHANGE	-772



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INTERNATIONAL ARENA

Italy: A Brief Review

Italy, the world's ninth-biggest economy, relies mainly on services and manufacturing. The service sector accounts for almost three quarters of its GDP and employs around 65 pc of the workforce. Industry accounts for a quarter of GDP and employs around 30 pc of the workforce. Manufacturing, which specialized in high-quality goods and mainly run by small-and medium-sized, mostly family-owned enterprises, is the most important sub- sector within the industry sector which plays an important role in the global market of luxury goods.

One of the most important pillars of the economy is the production of high-quality products such as in the machinery, textiles, industrial designs, alimentary and furniture sectors, which contribute substantially to the country's exports. Main exports are mechanical machinery and equipment, which account for around 24 pc of total exports. Exports of clothing and footwear account for around 11 pc. Other important exports include motor vehicles and luxury vehicles, electronic equipment and pharmaceutical products.

Spain: A Brief Review

Spain is the world's 14th-largest economy by nominal GDP, but the fifth largest in Europe behind Germany, United Kingdom, Italy and France, and the fourth largest in the eurozone. It has a mixed capitalist economy. The economic growth remains fluctuated, hitting record growth of 5.7 pc in 1987 and highest decline of 3.7 pc in 2009. After registering 1.9 pc decline on annual average basis during 2011-13, the economic situation started improving from 2014 onwards. In just two years (2014 and 2015), the Spanish economy had recovered 85 pc of the GDP lost during the recession. In 2015, the GDP grew 3.2 pc, hitting the highest growth among larger European economies that year. With the country growing twice as fast as the eurozone average, the GDP continued to grow by 3.3 pc in 2016. Spain, Europe's fifth-largest economy, is now in its fourth year of expansion. Economic activity accelerated in the first half of this year, underpinned by private consumption and exports. Growth

is set to remain robust, but ease going forward, driven by a slowdown in private consumption.

Greek Factories Turn to Exports

After seven years of one of the deepest recessions seen in modern times, Greek factories are beginning to hum again, as falling wages cut production costs and a recovery in the eurozone makes one of its weakest members competitive again internationally, at least. The long-awaited rebound in Greek manufacturing as well as brisk (tourism, still an important industry for the Mediterranean country, may signal a turnaround for the broader economy). Gross domestic product has grown for three straight quarters, and in a crucial step for the government and its finances, Greece borrowed in the international bond markets in July after a three-year absence. Athens is also looking to end its third international bailout program next year, after seven years of international lender-mandated firings, cuts to wages and public spending, privatizations and other reforms.

LIMELIGHT

- Export of non-textile products grew 13.6 pc year-on-year basis to \$ 2.66 bn during July – October 2017, according to the Pakistan Bureau of Statistics.
- The return on foreign investment in Pakistan as profits and dividends increased to \$ 622 mn in July –October, 2017, up 15.3 pc from a year ago, (SBP).
- Total investment envisioned under the CPEC has increased to \$ 60 bn, (Deputy Chairman, Planning Commission).
- Pakistan's consumption of oils and fats for cooking and industrial application is increasing fast, it reached 3.8 mn tonnes in 2016.
- The private sector's borrowing from conventional banks rose to Rs. 74.2 bn so far in this fiscal year against a net retirement of Rs. 21.1 bn a year ago.



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MANAGEMENT & INFOTECH CORNER

Google Data-Saving Tool Aims to Help Manage Smartphone Bills

Google is taking aim at the 'next billion' internet users with a way to stop smartphone apps from needlessly burning through costly mobile data allowances. A newly released application dubbed 'Datally' made available free at the Google Play Store this week lets people see when games, social networks or other programs are using internet connections in the background, and then put a stop to it. "Next Billion Users" unit formed by Google Chief Executive Sundar Pichai set to work on Datally about two years ago, after traveling the world and finding that the cost of mobile data services was a vexation, especially in places where budgets are tight and smartphones are the main way people go online.

While smartphones seemed ubiquitous, it was common for them to be in "airplane mode," severing connections to networks out of fear of runaway mobile data costs, according to Product Manager, Josh Woodward.

Snapchat Redesign Keeps It Personal

Snapchat unveiled a redesign intended to rev up use of the image-sharing smartphone application by focusing on personal interests instead of what friends post. The parent company Snap has promised the redesign in a bid to make Snapchat more user-friendly in the face of competition from rival messaging apps, especially those fielded by leading social networking Facebook. Snap changes included separate streams for posts or messages from close friends versus digital content from publishers. Snap co-founder and chief Evan Spiegel outlined the service's approach in an online post, arguing that social media "fueled fake news" because content designed to spread was not necessarily accurate.

"The personalized newsfeed revolutionized the way people share and consume content," Spiegel said.

"But let's be honest: this came at a huge cost to facts, our minds and the entire media industry."

Bitcoin is Embraced by Wall Street

Bitcoin's stratospheric rise this week follows the digital currency's embrace by mainstream trading platforms and is seen by some in finance as normal growing pains often experienced by innovative technologies.

After starting the year at around \$ 1,000, bitcoin, which first appeared in 2008, surged as high as \$ 11,434 before promptly falling 15 pc. Nasdaq is the latest major financial market to reportedly planning to launch a bitcoin futures exchange next year, although the exact timing is unclear. The Chicago Mercantile Exchange and the Chicago Board Options Exchange announced plans to offer bitcoin trading in the next few months. Brokerage firm Cantor Fitzgerald also is looking to begin trading bitcoin derivatives on an exchange it owns.

"The asset class is not going away," Cantor Fitzgerald Chief Executive, Shawn Matthews, told the Wall Street Journal. "If you look at the next level, it will be the institutions coming in and being larger participants in the marketplace, especially as liquidity gets better."

The exchanges will trade bitcoin derivatives, not the currency itself, including futures, which set prices for a commodity or financial instrument at a future date. "The listing of bitcoin products by derivative markets is a major indirect endorsement that this thing is here to stay," said David Yermack, a finance professor at New York University, adding that the markets will attract new investors who bet that bitcoin will fall in value. Yermack, who teaches a course on bitcoin and cryptocurrencies, is closely watching the development of blockchain, the underlying technology behind bitcoin. Bitcoin has been propelled by the rising prominence of blockchain, which leading banks increasingly view as being at the heart of financial technology, Yermack said.

Nasdaq Plans Bitcoin Futures Contract in 2018

Nasdaq Inc. plans to launch a futures contract based on bitcoin in 2018, making it the third exchange operator to plan US derivatives contracts linked to the digital currency, a source with knowledge of the matter said on Wednesday. The price of bitcoin topped \$11,000 on Wednesday less than a day after passing the \$10,000 mark and has increased more than 10-fold in value so far this year, prompting concerns of a bubble.



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Asian Households Loans Rise

One of the more persistent beliefs about the global economy is that Asians are more frugal than others. Explanations have drawn on a culture of self-discipline and social safety-nets forcing people to save. For Lee Kuan Yew, the founding father of Singapore, thrift was one of the Asian Values. Whatever the true reason, data long supported the basic claim that Asian households were indeed careful with their cash. But over the past few years, consumers across the region have done their best to prove that prudence was perhaps just a passing phase.

Household debt is on a rise in a number of Asian countries. The biggest increase has been in China, where households have borrowed about \$ 4.5 trn over the past decade. But Chinese households were starting from an extremely low base. Relative to income levels, South Korea, Thailand and Malaysia have reached much loftier heights. Consumer borrowing has also risen in Hong Kong and Singapore. The increase in debt is, to a certain extent, healthy. An oft-heard criticism of Asian economies is that, in terms of global growth, they have been punching below their weight. The rise in debt has, so far at least, helped change that dynamic, fueling more consumption.

In Asia financial fragility is not the main worry. Even if households have been borrowing more freely, most regulators have remained prudent. In South Korea they mandate that mortgages cannot exceed 70 pc of a property's value. Singaporean homebuyers who borrow from banks must make down payments of at least 20 pc. Mortgage payments in China have reached about 4.5 pc of total annual household income, up from 3.6 pc in 2015.

Manage Your Stress by Identifying Triggers

We all have things that set us off — particular triggers that cause a less-than-helpful knee-jerk reaction. Understanding what stresses you out can help you improve your emotional intelligence and resilience. One way to identify your triggers is by completing statements like "I become overwhelmed when...", or "At work, I wish people would...", or "I think it's rude to..." You can also pay attention to your stress symptoms, such as sweaty palms, headaches, or tightness in your chest. Start watching for patterns in the situations that cause these symptoms. Maybe your manager learned that you missed an important deadline, or your colleague embar-

USEFUL ABBREVIATIONS

GOOGLE

Global Organization of Oriented Group Language of Earth

YAHOO

Yet Another Hierarchical Official Oracle

WINDOWS

Wide Interactive Network Development for Office Work Solution

COMPUTER

Common Oriented Machine Particularly United and used under Technical and Educational Research

VIRUS

Vital Information Resources Under Siege

UMTS

Universal Mobile Telecommunications System

AMOLED

Active-Matrix Organic Light-Emitting Diode

OLED

Organic Light-Emitting Diode

IMEI

International Mobile Equipment Identity

ESN

Electronic Serial Number



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rassed you at a meeting. Once you're aware of your triggers, you can actively manage how you react to them — instead of letting them control you. (Adapted from *Handle Your Stress Better by Knowing What Causes It*, by Anne Grady-HBR)

Celebrate Small Wins at Your Company

If you are trying to implement a new culture in your organization, employees are more likely to buy in if they see that the change is already sticking. Demonstrate small wins early on and showcase examples of how the new culture will help the company achieve its goals. Here is an example. Before the pharmaceutical company Dr. Reddy's rolled out the company's new mission, "Good health can't wait," leaders redesigned the product packaging to be more user-friendly and recast its sales reps as knowledge hubs for physicians. When the cultural shift was introduced, leaders could point to projects already under way to show how it was succeeding. Celebrating the first small steps toward a new vision helps your employees understand what the new culture should accomplish — and gives them models to follow when making their own contributions to the shift. (Adapted from *Changing Company Culture Requires a Movement, Not a Mandate* by Bryan Walker and Sarah A. Soule-HBR)

Transform Setbacks into Possibilities

Many of us can recall an experience that felt negative at the time but turned out to be a good thing in the long run. When faced with a setback — you were laid off, or your unit didn't meet its revenue goals — don't rush to label it "bad." Instead, think about what's most troubling to you about the situation. Are you worried about not finding another job? Not earning your bonus? Missing out on resources you need? Once you have identified the specific concern, ask yourself, "Is there any way in which this situation could turn out to be good?" This question will shift you away from negative thinking and open you up to new possibilities. Take it a step further and ask, "What can I do to make this positive scenario a reality?" As a result, you'll have an action plan — and the benefit of an optimistic outlook. (Adapted from *To Build Your Resilience, Ask Yourself Two Simple Questions*, by Srikumar Rao-HBR)

Non-verbal Communication

More than 65 pc of interpersonal communication is non-verbal, according to the authors Allan and Barbara Pease, who wrote *The Definitive Book of Body Language*.

Work-life Balance is Difficult for Working Parents

According to a survey of working parents conducted by the Pew Research Centre, 56 pc said that it was difficult to balance work and life.

Phishing Attacks Causing Data Breaches

According to research from Verizon, 90 pc of security breaches are caused by phishing attacks.

Costly Maintenance for IT Systems

According to data from the research firm Gartner, an average of about 66 pc of information technology budgets at traditional banks go to maintaining existing IT systems, while just 22 pc goes to growing the business.



Editor: Rafi Ahmed | Deputy Editor: Shahla Naqvi | Designed by: M. Jahangir Ishaq | Email: Publications@ibp.org.pk

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