



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 24 deposits and other accounts of all scheduled banks stood at Rs. 11,759.157 bn after a 0.26 pc increase over the preceding week's figure of Rs. 11,728.993 bn. Compared with last year's corresponding figure of Rs. 10,471.739 bn, the current week's figure was higher by 12.30 pc.

Deposits and other accounts of all commercial banks stood at Rs.11,668.518 bn against preceding week's deposits of Rs. 11,639.118 bn, showing a rise of 0. 25 pc.

Deposits and other accounts of specialized banks stood at Rs. 90.639 bn, higher by 0.85 pc against previous week's figure of Rs. 89.875 bn.

(Please note: The deposits of Scheduled Banks minus those of Commercial Banks are the deposits of the specialized banks)

Impressive Wheat Harvest

In FY17, for the fourth consecutive year, wheat harvest crossed the 25 mn tonnes mark. As harvest exceeded domestic consumption, the surplus added to Pakistan's existing wheat stocks which rocketed to 5.7 mn tons by June this year, as compared to 1.2 mn tonnes in June 2014. SBP expects these stocks to increase to 7.05 mn tons in FY18. As per the FAO, current year's global wheat supply is expected to be at 984 mn tons whereas utilization is estimated to be 734 mn tons. (Metric ton is called 'tonne', which is equal to 1000 kgs; while one ton is 0.907 metric ton.)

Bank Credit Records Robust Growth

Net advances of the banking sector grew 20.6 pc in July-September 2017, according to the quarterly performance review released by the State Bank of Pakistan (SBP) recently.

"It is attributed to 51.5 pc increase in financing by Islamic banking institutions. Investments have also increased (12.8 pc), resulting in the expansion of 16 pc in the asset base of the banking sector," said the review. The broad-based advances disbursement to various sectors – agriculture, textile, automobile and electronics – resisted the overall fall in financing during the reviewed quarter. Consumer financing continued its steady growth with a 5 pc increase during the quarter. This was primarily on account of auto, mortgage and credit card loans. "It is

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 months)

	Bid%	offer%
BEGINNING	5.95	6.20
ENDING	5.95	6.20
CHANGE	0	0

Foreign Exchange Rates

	GBP(£)	EURO(€)	USD(\$)
BEGINNING	PKR 144.00	PKR 125.60	PKR 107.50
ENDING	PKR 145.75	PKR 128.25	PKR 109.80
CHANGE	+1.75	+2.65	+2.3

Pakistan Stock Exchange

	100 Index
BEGINNING	39,080
ENDING	38,645
CHANGE	-435

Gold Rate

	(10 gm)
BEGINNING	PKR 45,942
ENDING	PKR 46,457
CHANGE	+515



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essential to note that cars' production has been quite impressive during July- September," said the SBP report. In line with the trend, Islamic banking contributed 28 pc of the total increase in consumer financing during the quarter. About 73 pc of the increase in auto financing was disbursed by Islamic banks, said the report.

IMF Lauds Impressive Growth

A monitoring mission of the International Monetary Fund (IMF) recently completed talks with economic managers of Pakistan on the country's performance post-IMF program. The three-year program under the Extended Fund Facility (EFF) had been approved by the IMF executive board in September 2013. According to the finance ministry, post-program monitoring is an annual feature for countries graduating from an IMF program whereby overall economic conditions of a member country that owes funds to the IMF are monitored and a report is presented to the executive board. The current visit took place after a gap of over three years, which reflected improved security conditions as well as the economic performance of the country. The finance secretary informed the IMF mission that the government has set its eyes on achieving 6 pc GDP growth which is inclusive, pro-poor and sustainable. The IMF mission appreciated Pakistan's efforts in maintaining macro-economic stability and noted impressive economic growth in Pakistan despite multiple challenges.

Car Sales Post Robust Growth

Car sales continued to show robust growth, reaching 87,273 units in July-November against 71,877 units in same period in the previous fiscal year. The sales of trucks swelled to 3,574 units from 2,766. Figures released by the Pakistan Automotive Manufacturers Association (PAMA) showed that Toyota Corolla sales amounted to 21,518 units in the first five months of this fiscal year. Sales of Honda Civic and City reached 17,157 from 14,155 units respectively. Suzuki Swift sales stood at 1,760 units versus 1,789 units in the same period last year. Introduction of the new Cultus boosted sales to 8,002 units from 5,805 units in July-Nov 2016 while WagonR sales almost doubled to 11,383 from 6,183 units. Amid tough challenge with 660cc used imported cars, Suzuki Mehran excelled with sales of 18,829 as against 14,394 units. Suzuki Bolan, sales reached 8,624

units in July-Nov 2017 as compared to 7,923 units in corresponding period of 2016.

State Bank Relaxes Forex Regulations

Relaxing foreign exchange regulations, the State Bank of Pakistan (SBP) allowed exporters on Monday to directly dispatch transport documents to the buyers abroad against shipments valuing up to \$ 100,000 or equivalent. An official statement said the decision has been taken in the wake of changing global trade practices, adding that it will facilitate exporters. The development is expected to provide manifold benefits to local exporters, such as a reduction in the cost of doing business, efficient processing of export documents and improved competitiveness of Pakistani exports in the international market, said the SBP. Earlier, carriers like shipping companies, airlines and railways were required to draw transport documents — bill of lading, airway bill, and railway receipt — only to the order of an authorized dealer for exports taking place from Pakistan and the same were required to be dispatched to the buyer abroad through an authorized dealer.

LIMELIGHT

- With the kinno export season just beginning this year, the government has fixed the export target to 250,000 tonnes. Kinno are mainly exported to markets in the Far East which comprises of Indonesia, Singapore and the Philippines and the Gulf, mainly Dubai. Combined exports to these countries can only help meet half of the target, they believe.
- SBP has advised banks to expedite the use of PayPak, a payment card developed under a domestic payment system 1Link, and urged them to ensure security of payment instruments to safeguard consumers' money.
- Over the years, the use of ATMs has been growing rapidly in Pakistan. According to SBP statistics, about 110 mn ATM transactions took place in just nine months from July 2016 to March 2017, with the total value of these transactions exceeding Rs. 960 bn.



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INTERNATIONAL ARENA

Wealth Survey

Credit Suisse issued on November 14, 2017, its 2017 Global Wealth Report, which analyzed data on prosperity and poverty across the world in this millennium. Some of the findings:

- 170 percentage increase in the number of millionaires in the world since 2000.
- 5 multiple by which \$ 50 mn or more (known as ultra-high net worth individuals) increased in the same time period.
- 50.1 pc amount of global household wealth currently owned by the world's richest 1 pc.

As shown in the latest edition of the Global Wealth Report by the Credit Suisse Research Institute (CSRI), total global wealth has now reached USD 280 tn and is 27 pc higher than a decade ago at the onset of the financial crisis.

China Is Catching Up

While the majority of wealth is still held by high-income economies in North America, Europe, and Asia Pacific (excluding China and India), new wealth creators are becoming more visible. China, after suffering losses of 20 pc during the crisis, quickly overtook its pre-crisis level of wealth growth. This year, its pace of wealth creation caught up with the pace of Europe, and its input to the global wealth stock was USD 1.7 tn. This represents the second highest absolute wealth gain after the US. According to the report, global wealth should continue to grow at a similar pace to the last half a decade and is anticipated to reach USD 341 tn by 2022. Emerging economies are expected to generate wealth at a faster pace than their developed peers, and are likely to achieve a 22 pc share in global wealth at the end of the five-year period. Unsurprisingly, the strongest contribution is expected from China and is estimated at around USD 10 tn, an increase of 33 pc.

Millionaires Rise

The outlook for the millionaire segment is more optimistic than for the bottom of the wealth pyramid (less than 10,000 dollars per adult). The former is expected to rise by 22 pc, from 36 mn people today to 44 mn in 2022, while

the group occupying the lowest tier of the pyramid is expected to shrink by only 4 pc.

Interesting Facts & Figures

- 280 tn USD global wealth in 2017
- 8740 thousand new millionaires since 2007
- 56540 USD average 2017 wealth per adult
- 341 tn USD global wealth by 2022

(Note: A trillion [tn] is represented in the U.S. by 1 followed by 12 zeros, and in UK by 1 followed by 18 zeros.)

Japan: The Move from Cash to Plastic

Bic Camera, a Japanese electronics retailer, accepts payments in so many ways that the list nearly obscures the till: credit, debit and pre-paid cards; mobile wallets; ApplePay and Alipay; and, in some stores since April, bitcoin too. Efforts are under way to wean Japan off genkin, or cash. Handling notes and coins is expensive for businesses; many operate on tight margins because a persistent lack of inflation has inhibited price rises. The government reckons more cashless payments could help the economy, too, encouraging people, including a growing number of tourists, to spend more. Entrepreneurs think the data that come with cashless methods could promote new business.

Yet cash still dominates. Thank a preponderance of ATMs in convenience stores, safe cities where people are happy to carry wads of cash, and wariness about handing over personal data. Last year cash accounted for 62% of consumer transactions by value, according to Euromonitor, a market-research firm. That is down from 65% in 2015, but compares with just 22% in Britain, 34% in America, 10% in South Korea and 50% in China. Of the other methods, pre-paid cards are increasingly popular. They covered 12% more transactions by value in 2016 than the year before, despite mainly being used for payments under ¥3,000 (\$ 26). Retailers small and large, such as Rakuten, a giant of e-commerce, have launched their own cards. Transport companies' cards are widely used, too.



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Meanwhile many businesses still refuse credit cards. That is a problem for tourists—and for the 2020 Olympics in Tokyo. In McDonald’s fast-food outlets in Japan, for example, 13 different pre-paid cards are accepted. Japan continues to move away from cash. Companies outside the financial sector, such as social-media apps, may launch payment arms, as Tencent’s WeChat has done in China. Foreign companies are coming in, too. Some shops accept Alipay, a Chinese e-payment system that can be used by a retailer who simply downloads an app. Reports suggest it will launch a Japanese version next year. Banks are also working on e-payments. (Courtesy: *The Economist*)

Turkey’s Economy Grows 11.1 pc

Turkey’s economy grew by an eye-catching 11.1 pc in the third quarter of 2017, official statistics showed recently, with the high reading driven by one-off effects as well as resilient output. The year-on-year figure has reportedly made Turkey the world’s fastest-growing economy — was even well above the consensus market forecast which had been for 10 pc growth. The economy had grown by 5.3 pc in the first quarter and 5.4 pc year-on-year in the second, according to revised figures. Growth was driven by construction and services, as well as a strong rise in exports, official data published by the Turkish Statistics Institute (TUIK) showed.

India’s Retail Inflation Ups

India’s retail inflation in November breached the central bank’s medium-term target of 4 pc, which could put pressure on it to raise policy rates in 2018. Annual inflation of 4.88 pc last month was the steepest level in 15 months, government data showed, up from 3.58 pc in October. Analysts polled by Reuters had forecast November’s CPI inflation to rise to 4.20 pc. Last week, the Reserve Bank of India (RBI) held rates unchanged, despite having faced some pressure to cut rates to aid growth. The central bank’s increased concern about inflation has prompted it to hold rates since a trim in August. India’s inflation outlook has deteriorated in recent months, driven by rises in the prices of food and fuel products. The RBI has raised its inflation projection to between 4.3 pc and 4.7 pc for the six months ending in March 2018.

USEFUL ABBREVIATIONS

UPS	<u>Uninterruptible Power System</u>
HDMI	<u>High Definition Multimedia Interface</u>
VPN	<u>Virtual Private Network</u>
APN	<u>Access Point Name</u>
SIM	<u>Subscriber Identity Module</u>
LED	<u>Light Emitting Diode</u>
DLNA	<u>Digital Living Network Alliance</u>
RAM	<u>Random Access Memory</u>
ROM	<u>Read-Only Memory</u>
VGA	<u>Video Graphics Array</u>

What Men and Women Study Globally

MEN	FIELDS OF STUDY	WOMEN
2 %	<u>AGRICULTURAL SCIENCES, FORESTRY</u>	2 %
26 %	<u>BUSINESS, ADMINISTRATION AND LAW</u>	28 %
10%	<u>EDUCATION</u>	17 %
19 %	<u>ENGINEERING, MANUFACTURING AND CONSTRUCTION</u>	6 %
6 %	<u>HEALTH AND WELFARE</u>	13 %
8 %	<u>HUMANITIES AND ARTS</u>	10 %
7 %	<u>INFORMATION COMMUNICATION TECHNOLOGY</u>	3 %
5 %	<u>NATURAL SCIENCES , MATHEMATICS AND STATISTICS</u>	5 %
4 %	<u>SERVICES</u>	2 %
8 %	<u>SOCIAL SCIENCES, JOURNALISM AND INFORMATION</u>	10 %

(Source: *Global Gender Gap Index- 2017- World Economic Forum*)



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MANAGEMENT & INFOTECH CORNER

The Amazon Model

How Jeff Bezos' vision has transformed Amazon into the world's largest online shopping retailer. On June 16, 2017, Amazon, the world's largest online retailer by sales volume and market capitalization announced the buyout of Whole Foods, the iconic fresh food supermarket chain and the 30th largest retailer in the United States. The deal entails a \$ 13.7 bn all-cash transaction, the largest in the history of Amazon's many takeovers. The acquisition by Amazon of the leading US fresh food retailer shows how far the company has come since their launch in 1994 as an online bookseller by former hedge fund manager, Jeff Bezos. Some analysts believe that the move to buy a brick-and-mortar retailer like Whole Foods as well as other experiments in retail real estate by Amazon, such as the Amazon Go convenience store concept, the Amazon physical book stores and the electronic gadget boutiques selling Amazon gadgetry, represent an abandonment of Bezos' original vision that Amazon would remain online and never be a traditional brick-and-mortar retailer.

The Digitally Driven Workplace

According to a study from Brookings Institution of 545 occupations in the USA, 95 pc of jobs became more digital-focused between 2002-2016.

Look at All Options Before Making a Decision

We make thousands of decisions every day, some simple and some more involved. To improve the chances that you'll make a 'right' choice, try looking at all of your options together rather than evaluating them one at a time. For example, if you're deciding which job candidates to interview, it's better to lay out the résumés of all applicants on a table, evaluate and compare them, then decide whom to interview — instead of looking at one candidate's résumé, forming an opinion about it, and then moving on to assess the next one. Recent

research shows that viewing options together like this makes you more likely to choose the objectively best one. With all of the information in front of you at once, you can compare the options more thoroughly. (Adapted from *To Make Better Choices, Look at All Your Options Together*, by Shankha Basu and Krishna Savani-HBR)

Share Stories that Reinforce Values

Too many companies rely on a vague, generic statement to articulate what matters to it. If you want employees to embrace and express your organization's values, use stories instead of a mission. Look for stories about co-workers supporting one another, representatives providing excellent customer service, and customers being delighted by your products. Then find unique ways to spread those stories. You could invite a customer to share their stand-out experience at an all-staff meeting. Or you could play a video of one of your best stories at employee orientation. Storytelling teaches your employees to pay attention to the experiences of real people and helps employees feel good about the values your organization stands for. (Adapted from *Use Stories from Customers to Highlight Your Company's Purpose*, by Erica Keswin-HBR)

KALEIDOSCOPE

Cities at Highest Altitudes

The highest town in the world is Wenzhuan, on the Qinghai-Tibet road north of the Tangla mountain range. It is 16,730 ft. above sea level.

The highest capital in the world, before the merger of Tibet with China, was Lhasa, with an elevation of 12,087 ft. above sea level.

La Paz, the Capital of Bolivia is 11,913 ft. above sea level.

Quito, capital of Ecuador is 9,350 ft. above sea level.
Asmara, the capital of Eritrea is 7,627 ft. above sea level.

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