



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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PAKISTAN

IN A NUTSHELL

- The National Assembly passed The Companies Bill 2017 with a majority vote.
- ICI Pakistan has signed an asset purchase agreement with Wyeth Pakistan Ltd. and Pfizer Pakistan Ltd. for the acquisition of certain assets at an aggregate purchase price of Rs. 1.91 bn.
- ADB has approved a loan of \$20 mn to help Pakistan's Khushhali Microfinance Bank to expand its credit access to agriculture-related borrowers and small businesses.
- The federal and provincial governments last week agreed to purchase up to 450 MW of electricity from sugar mills.

SPOTLIGHT ON BANKING

Deposits

Deposits and other accounts of all scheduled banks stood at Rs. 11,179.26 bn after a 0.98% increase over the preceding week's figure of Rs. 11,070.49 bn according to the weekly statement for the week ended May 12, 2017.

Credit

Gross advances of all scheduled banks stood at Rs. 5,869.52 bn higher by 1.10% over the preceding week's figure of Rs. 5,805.25 bn.

Budget Highlights

- Gross Federal Receipts-Rs. 5,310.3 bn
- Provincial Transfers - Rs. 2,384.2 bn
- Net Federal Receipts - Rs. 2,926.1bn
- Total Expenditure - Rs. 4,752.9 bn
- Deficits- Rs. 1,479 bn
- 5.3 % increase in net revenue receipts of federal government
- Poultry industry gets a boost
- Min wage raised by Rs. 1,000 to 15,000
- Pensioners and civil servants get 10% rise
- Construction to cost more
- FED on cement raised
- Sales tax on steel up
- Corporate tax reduced to 30%
- Super tax extended by one year
- Withholding agents can file revised statement in 60 days
- Provisional tax assessment order abolished
- Fixed sales tax on DAP import reduced by Rs. 1,000
- GST on mobiles reduced from 14% to 12%
- Tax on dividend up from 12.5% to 15% regardless of holding period
- Modarba companies to be taxed in line with banks
- Tax credit on new listings for 4 years
- 40% risk cover by government for houses up to Rs. 1 mn
- Min turnover tax raised to 1.25%

MARKETS AT A GLANCE

Rates are taken till Friday 01:00pm (during Ramadan) —

KIBOR (6 months)

	Bid%	offer%
BEGINNING	5.90	6.15
ENDING	5.91	6.16
CHANGE	+0.01	+0.01

Foreign Exchange Rates

	GBP(£)	EURO(€)	USD(\$)
BEGINNING	PKR 137.00	PKR 118.30	PKR 105.90
ENDING	PKR 135.75	PKR 118.50	PKR 105.90
CHANGE	-1.25	+0.2	+0.0

Pakistan Stock Exchange

100 Index

BEGINNING	52,636
ENDING	48,555
CHANGE	-4081

Gold Rate

(10 gm)

BEGINNING	PKR 42,771
ENDING	PKR 42,814
CHANGE	+43



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Budget - Provincial Transfers

- Punjab - Rs. 1,162 bn
- KPK - Rs. 390 bn
- Sindh - Rs. 613 bn
- Balochistan - Rs. 220 bn

Remittances

The inflow of dollars from foreign countries rose 15% in the first two days of Ramazan, according to a foreign exchange dealer. This suggests the country may achieve the last fiscal year's level of remittances by the end of 2016-2017.

Gwadar Coal Power Project:

The Private Power and Infrastructure Board (PPIB) has issued a letter of interest to China Communications Construction Company for the development of 300 MW imported coal fired power project in Gwadar at a cost of Rs. 55 bn.

MANAGEMENT & IT CORNER

Stay calm when someone is getting on your nerves:

Every manager has a few behaviours they are particularly touchy about. Maybe you loathe being interrupted, especially by a certain self-important colleague. Or maybe you get riled up when someone keeps asking you the same question over and over again. To help yourself remain calm in these situations, acknowledge your emotions and think through why you are reacting the way you are. Recognize what is triggering you, and make a conscious decision to redirect your emotions. Then abstract yourself from the situation. Imagine if you are watching the situation happen to someone else. What would be the best way for that person to respond? (Adapted from *Harvard Business Review Manager's Handbook*)

Smoking Hazards: Beware!

According to the latest figures issued by World Health Organization (WHO), seven million people in the world die each year due to smoking and other tobacco use. WHO estimates it drains more than \$ 1.4 trn from households and government each year and lost productivity. Besides, tobacco farming is the main reason of deforestation in several countries, as one tree is needed for every 300 cigarettes produced, as large amount of wood is needed for curing tobacco.

Lenovo in Profit

Chinese Technology giant Lenovo said its profit for the fiscal year was back in the black, helped by stabilization in its core PC market. The firm reported a net profit of \$ 535 mn for the year ending March 31, 2017 compared to the previous year's \$128 mn net loss.

Apple's first Store in Singapore

Apple opened its first Southeast Asia store in Singapore, drawing hundreds of excited fans to the swanky two-storey site in the city's upmarket shopping district. Located on the affluent Orchard Road, the new shop – easily distinguished by its iconic glass façade is expected to be one of the most popular Apple stores in the world. Apple Store is a chain of retail stores owned and operated by Apple Inc. dealing with computers and consumer electronics. The stores sell Macintosh personal computers, software, iPod, iPad, iPhone, Apple Watch, Apple TV, and select third-party accessories. All stores offer a Genius Bar for technical support and repairs, free product workshops for the public, youth programs (workshops, field trips, Apple Camps).

Google Eyes on Physical Stores

Google already monitors online shopping and now it is keeping an eye on physical stores to try to sell more digital advertising. The internet company said that a new tool will track how much money people spend in merchant's brick-and-mortar stores after clicking on their digital ads.

INTERNATIONAL

Sterling Steadies

Britain's pound was the main mover among major currencies, recovering some ground after weekend polls showed Prime Minister is set to win next week's elections even if the scale of victory is in question. The pound rose 0.2% to 0.3% in thin trade in Europe, trading at \$ 1.2837 and 87.07 pence per euro respectively.



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Eurozone Corporate Lending

Corporate lending in the eurozone, a gauge for measuring the health of economic recovery, accelerated slightly in April to hit a near eight-year high, ECB data showed. Growth in loans of non-financial corporations picked up to 2.4% in April from 2.3% in March, its highest level since June 2009, ECB calculated in regular monthly data. The ECB closely monitors lending in the 19 countries that share the euro.

Canada's Current Account (Q1)

Canada's current account deficit widened more than expected in the first quarter of the year on an increase in imports of both goods and services, data from Statistics Canada showed. The C\$ 14.05 bn (\$ 10.44 bn) gap in the first three months of the year exceeded economists' expectations for a deficit of C\$12 bn.

World Economy - growth rate 2.8 %

The world economy grew by 2.8% in the last quarter of 2016 compared with a year earlier, according to our estimates. The contributors to global growth have shifted over the past two decades. China's economy may be slowing—it expanded by less than 7% in the fourth quarter of 2016—but it still accounts for over two-fifths of global growth. America was the main propellor of the world economy 20 years ago, accounting for 30% of the total. It is now behind China and India in third place, contributing a mere 11%. Hong Kong was a bright spot in the fourth quarter of last year: growth in service exports helped the economy expand by 3.1% year on year, up from 2% in the previous quarter.

QUIPS



Give me a one-handed economist! All my economists say, On the one hand on the other. (Harry S. Truman)

They say that Christopher Columbus was the first economist. When he left to discover America, he didn't know where he was going. When he got there, he didn't know where he was. And it was all done on a government grant.

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