



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Volume 12, Issue No. 30 | Date: July 28, 2017

PAKISTAN COMPENDIUM

BANKING SCENARIO

Deposits Folder

According to the weekly statement of position of all scheduled banks for the week ended July 7, deposits and other accounts of all scheduled banks stood at Rs. 11,798.262 bn after a 1.52 pc decrease over the preceding week's figure of Rs. 11,980.697 bn. Compared with last year's corresponding figure of Rs. 10,214.526 bn, the current week's figure was higher by 15.50 pc.

Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 6,064.397 bn, lower by 1.81 pc over the preceding week's figure of 6,176.306 bn. Compared with last year's corresponding figure of Rs. 5,209.193 bn, current week's figure is higher by 16.42 pc.

UNDP Report

According to the United Nations Development Programme (UNDP) latest report titled "Development Advocate Pakistan (DAP) on Financing for Development", the performance of our key macroeconomic indicators should be of deep interest to the country's economic managers. There is a varied list and keeping this in view, the following constructive measures are required to improve the country's economy in response to the UNDP's recommendations:

- (i) The country's share in the global market needs to be advanced aggressively so that they are at par with the other regional players in our geo-physical neighborhood
- (ii) Pakistan needs to attain exports to Gross Domestic Product (GDP) ratio of 10 pc which would enable the country to reduce its borrowing needs which in turn would enable the country to manage its external account with ease
- (iii) There is a pressing need to address such issues which call for revisiting competitiveness, a revamped tax regime, overcome energy scarcity, increase effective bureaucratic decisions and clearance, reduction in import tariffs and fostering of a robust coordination mechanism between various government tiers to stimulate exports
- (iv) The capacity of tax collection needs to be enhanced to 22 pc of GDP

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 months)

	Bid%	offer%
BEGINNING	5.89	6.14
ENDING	5.89	6.14
CHANGE	0	0

Foreign Exchange Rates

	GBP(£)	EURO(€)	USD(\$)
BEGINNING	PKR 138.00	PKR 122.30	PKR 107.10
ENDING	PKR 140.00	PKR 124.80	PKR 107.30
CHANGE	+2	+2.5	+0.2

Pakistan Stock Exchange

100 Index

BEGINNING	45294
ENDING	45912
CHANGE	618

Gold Rate

(10 gm)

BEGINNING	PKR 43,585
ENDING	PKR 43,542
CHANGE	+385



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- (v) Revise the fiscal policy in line with objective of inclusive growth
- (vi) Removal of inefficiency in power distribution companies and fiscal targets, efforts to restructure loss-making entities or privatizing them which are a drain on scarce resources
- (vii) Productivity in agriculture sector needs to be boosted and market diversification resorted due to decline in international commodity prices and institutional constraints
- (viii) Federal government should revisit the expenditure domain including debt repayment, pensions and salaries while it is assigned only 40 pc of the taxable revenues

National Savings Data

Central Directorate of National Savings is an attached department of Ministry of Finance, which has around 3,700 employees, over 7 million customer accounts and 376 branches across Pakistan. The total investment portfolio is in excess of Rs. 3.4 bn which is almost 30 % of the total banking deposits in Pakistan. Its products range from 3 months to 10 years.

SBP Maintains Interest Rate at 5.75 pc

The State Bank of Pakistan (SBP) has decided to maintain the interest rate at 5.75 pc, according to an announcement made by the Monetary Policy Committee of the SBP on Saturday last. A statement from the SBP said that average headline inflation, though higher than FY17, is expected to be lower than earlier outlook and stay below the target of 6 pc, mainly on the back of favorable supply conditions. Domestic demand is set to gain further traction as evidenced in the current growth in the real sector, thanks to private sector and imports, it said.

Oil output increased 3 pc in FY17

Pakistan's oil production grew three per cent to 88,189 barrels per day (bpd) in 2016-17, according to a research

note issued by Topline Securities on Monday. Temporary shutdowns suffered by some major oil companies affected production at the start of 2017. As a result, oil production averaged 95,000 bpd initially. Oil production went up 10 pc year-on-year to about 91,000 bpd during June. However, on a month-on-month basis, it was up 11 pc, owing to the low-base effect. Nashpa field, which accounts for 26 pc of Pakistan's total oil production, experienced a brief shutdown in May. Listed exploration and production companies registered an increase of 9-11 pc. The research report said additional flows from developed fields and commissioning of some new projects lifted the oil production of Oil and Gas Development Company (OGDC), Pakistan Petroleum (PPL) and Pakistan Oilfields (POL)

Banks Achieve Agricultural Credit Disbursement Target

Banks disbursed agricultural credit of Rs. 704.5 bn in 2016-17, exceeding the annual target of Rs. 700 bn set by the Agricultural Credit Advisory Committee (ACAC).

The State Bank of Pakistan (SBP) issued a report about the banks' performance in the agriculture sector. Agricultural credit in 2016-17 was 17.8 pc higher than the disbursement in the preceding year. The agricultural credit outreach increased to 3.27 mn farmers from 2.4 mn farmers last year, according to the SBP report. The achievement of the agricultural credit disbursement target was an uphill task due to the high-risk perception of banks about agricultural financing and volatile prices of agricultural commodities. Five major banks collectively disbursed agricultural loans of Rs. 342 bn, which was 100.6 pc of their annual target of Rs. 340 bn. Their disbursement was 9.9 pc higher than Rs. 311.4 bn disbursed a year ago. Amongst the five major banks, National Bank achieved 105 pc of its annual target, MCB Bank 103.2 pc, Habib Bank 101 pc, United Bank 100.5 pc and Allied Bank 85.4 pc. Under the category of specialized banks, Zarai Taraqati Bank disbursed Rs. 92.5 bn or 90.2 pc of its annual target of Rs. 102.5 bn in 2016-17.



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INTERNATIONAL ARENA

IMF to Launch New Form of Aid—With No Money

The International Monetary Fund (IMF) announced recently it will launch a new tool to support governments in financial trouble — but one that involves no money — formalizing a step it took last week for Greece. Instead of providing cheap loans to member countries, the new IMF tool will serve as a good housekeeping seal of approval for a government's reform program. With that approval in hand, governments would be more likely to be able to access other forms of financing from banks and bond markets, the IMF said in a statement. The new instrument is designed to help countries unlock financing from official and private donors and creditors as reported by the IMF. It enables them to signal commitment to reforms and catalyze financing from other sources. The IMF last week revived a rarely-used mechanism under which it approved a one-year loan to Greece but withheld the disbursement of funds until the country receives significant debt relief from its eurozone partners. That had a similar effect as the new tool: allowing Greece to return to markets this week to issue three billion euros (\$3.5 bn) worth of five-year bonds, and removing a major roadblock in the negotiations with the euro area.

Saudi Arabia Borrows \$ 4.53 bn Through Sukuk

Saudi Arabia has raised \$4.53 bn from a local Islamic bond issue that was three times oversubscribed, according to a statement, as it battles a budget deficit caused by low oil revenues. The finance ministry said orders exceeded 52 bn riyals (\$13.6 bn) for its first issue of domestic sukuk bonds worth 17 bn riyals. It said the new bonds would be divided into three tranches, with maturities ranging from five to ten years. The strong demand for local bonds reflects the confidence of investors in the kingdom's issuing and confirms the strength of the Saudi economy's foundations, the ministry said in a statement. In April, Saudi Arabia raised \$9 bn in its first global Islamic bond issue, a move analysts said could ease pressure on its foreign reserves.

KALEIDOSCOPE

World's 10 Largest Cities

Rank	City / Urban Area	Country	Population
1	Tokyo–Yokohama	Japan	37.80 mn
2	Jakarta (Jabodetabek)	Indonesia	30.54 mn
3	Delhi	India	25.00 mn
4	Manila (Metro Manila)	Philippines	24.12 mn
5	Seoul–Gyeonggi–Incheon (Sudogwon)	South Korea	23.48 mn
6	Shanghai	China	23.41 mn
7	Karachi	Pakistan	22.12 mn
8	Beijing	China	21.00 mn
9	New York City	USA	20.63mn
10	Guangzhou–Foshan (Guangfo)	China	20.60 mn



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Tidbits

- France signed an agreement with Pakistan recently to provide the country with a loan of euro 165 mn to help it enhance the power transmission network and rehabilitate a hydropower project.
- FDI increased 4.6 pc to \$ 2.14 bn in 2016-17, data released by the State Bank of Pakistan recently.
- The Large-scale manufacturing sector posted a staggering 6.30 pc growth in May compared with the same month last year as oil and auto production rose during the month, official data showed recently.
- The country's surplus wheat stocks piled up to 4.5m tonnes as it failed to export excess grain because of high domestic prices and quality constraints.

MANAGEMENT & INFOTECH CORNER

Apple's New 'Ring'

Apple's new headquarters in California — nicknamed the 'Ring' — comprises 2.8 million square feet and will accommodate about 12,000 employees when it is complete.

Uber Rival Grab to Raise \$ 2.5 Billion in New Financing

Southeast Asian ride-hailing firm Grab expects to raise \$2.5 bn in financing, mostly from China's Didi Chuxing and Japan's Softbank, as it strengthens its lead over rival Uber. Didi, China's ride-hailing leader, and mobile giant SoftBank will invest up to \$2.0 bn while \$500 mn is expected to come from other new and existing investors. Grab said it amounts to the largest single financing in Southeast Asia.

Both Didi and SoftBank are already investors in Grab. The Singapore-based firm said it would use the fresh funds to bolster its leading position in the ride-hailing industry and invest in a mobile payment platform called GrabPay.

Google's Quantum Computing Push Opens New Fronts

For years, Google has poured time and money into one of the most ambitious dreams of modern technology: building a working quantum computer. Now the company is thinking of ways to turn the project into a business. Alphabet Inc.'s Google has offered science labs and artificial intelligence researcher's early access to its quantum machines over the internet in recent months. The goal is to spur development of tools and applications for the technology, and ultimately turn it into a faster, more powerful cloud-computing service, according to people pitched on the plan. A Google presentation slide, obtained by Bloomberg News, details the company's quantum hardware, including a new lab it calls an Embryonic quantum data center. Another slide on the software displays information about Project Q, an open-source effort to get developers to write code for quantum computers. They are pretty open that they are building quantum hardware and they would, at some point in the future, make it a cloud service, according to Peter McMahon, a quantum computing researcher at Stanford University. These systems push the boundaries of how atoms and other tiny particles work to solve problems that traditional computers can't handle. The technology is still emerging from a long research phase, and its capabilities are hotly debated. Still, Google's nascent efforts to commercialize it, and similar steps by International Business Machines, are opening a new phase of competition in the fast-growing cloud market.

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