



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Volume 12, Issue No. 27 | Date: July 7, 2017

## PAKISTAN COMPENDIUM

### BANKING SCENARIO

#### Deposits Folder

Deposits and other accounts of scheduled banks stood at Rs. 11,421.34 bn after a 1.20 pc increase over the preceding week's figure of Rs. 11,287.43 bn, according to the weekly statement for the week ended June 16, 2017.

#### Credit Portfolio

Gross Advances of scheduled banks stood at Rs. 6,009.88 bn, higher by 0.47 pc over the preceding week's figure of Rs. 5,981.55 bn.

#### Notes in Circulation

Notes in circulation stood at Rs. 4,041.09 bn during the week ended June 16, 2017, according to the State Bank of Pakistan, against Rs. 4,015.53 bn a week earlier, showing a rise of 0.64 pc.

#### Pakistan's Reserves Increase by \$ 1 bn

Pakistan's total liquid foreign exchange reserves amounted to \$ 21.36 bn on June 23, 2017, up \$ 997 mn or 4.9 pc from a week ago, the State Bank of Pakistan (SBP) reported recently.

#### OGDCL and MOL Pakistan Performance

Oil and Gas Development Company Limited (OGDCL) and Magyar Olaj- és Gázipari Részvénytársaság, Hungarian Oil and Gas Public Limited Company (MOL Pakistan) produced over 89,998,250 barrels (bbl) crude oil and 87,217, 244 million cubic feet (Mcf) natural gas during the last 17 years.

#### SMEs Financing Targets

The Financing of Banks and DFIs of SMEs reached Rs. 401 bn during 2016 against the SBP target of Rs. 397.86 bn.

#### Electric Fan Exports

Electric fan exports surged 22.40 pc during the first 11 months of 2016-17 over the same period last year. As many as 1.129 mn electric fans (\$ 27.712 mn) were exported during the July 2016 – May 2017 period.

### MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

#### 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 136.20	PKR 119.80	PKR 105.80
ENDING	PKR 137.00	PKR 120.30	PKR 107.50
CHANGE	+0.8	+0.5	+1.7

#### Pakistan Stock Exchange

	100 Index
BEGINNING	46,565
ENDING	45,222
CHANGE	-1343

#### Gold Rate

	(10 gm)
BEGINNING	PKR 43,114
ENDING	PKR 43,157
CHANGE	+43



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## Generation Licenses

Pakistan has issued generation licenses to three companies – Indus Energy Ltd., Mirpurkhas Energy Ltd. and Faran Energy Ltd. – for bagasse-based electricity generation, envisaging that 5 pc or 9700 MW would be met through renewable energy resources by 2030.

## P@SHA Releases IT Salary Survey

The Pakistan Software Houses Association for IT & ITES recently released its 2017 IT Salary Survey that provides an analysis of the average salaries, growth, promotions and benefits for the IT and IT Enabled Services Sector (ITES) employees in Pakistan. With over 450 member companies nationwide, the IT and ITES Industry of Pakistan provides direct employment to around 120,000 people and indirect employment for 50,000. The Survey reveals there has been an overall average increment of 16.33 pc in salaries across all job functions when compared to 2016. The highest paid job function is the Chief Executive Officer (CEO) who on an average earns PKR 520,650 per month (which is an increase of 7.46 pc over 2016). The highest increase in salary has been witnessed in Entry Level Game Designer with a growth of 38.72 pc.

## CPEC Snippet

China has emerged at the most attractive foreign direct investment (FDI) destination globally and its outbound FDIs have reached around \$200 bn globally. Pakistan's share last year was \$615.6 mn or an infinitesimal percentage of China's total outbound FDI. One Belt, One Road (OBOR) is a Chinese-driven initiative with bilateral dimensions. China is poised to undertake OBOR initiative because of three main factors. (i) It has a trade surplus of \$ 38.5 bn from April 2017, (ii) An investment rate of 50 pc of GDP and (iii) declining factor productivity (ever greater investment is required to produce the same level of growth) coupled with low domestic consumption accounting for rising stockpiles of steel, cement (products that may be used for OBOR). It is little wonder that China has begun to look abroad to invest its surplus to achieve higher domestic growth rates.

## INTERNATIONAL ARENA

### Alibaba Readies for Showdown in SE Asia

Jack Ma's e-commerce giant is preparing for a showdown in Southeast Asia. Alibaba is spending another \$ 1 bn to tighten its grip on Lazada. The extra control could be useful as Alibaba confronts increased competition and formidable operational challenges, from logistics to payments. Just over a year after taking a controlling stake, Alibaba is doubling its investment in the five-year old company. Ma's \$ 369 bn web group would buy out two other shareholders, lifting its stake to 83 pc from 51 pc.

### Volkswagen Returns to Iran After 17 Years

German Car giant Volkswagen announced recently that it is returning to Iranian market for the first time in 17 years due to the lifting of economic sanctions. The company, maker of brands including VW, Porsche, Skoda and Seat, is resuming its Iranian business from next month.

### Britain Misses Out

British factories were left out of a demand-driven surge in activity across much of Asia and Europe in June as weakness in sterling failed to translate into export growth, surveys showed. While factories in Eurozone rounded off the first half of 2017 by ramping up at the fastest rate for over six years and Asia's tech-manufacturing economies were helped by global demand for electronics products. But British manufacturers grew more slowly than anyone expected as consumers faced the double hit of accelerating inflation—caused in large part by the fall in the pound sterling since last year's vote to leave the EU and slowing wage growth.

### China's Step Towards Liberalization

China recently widened access to its \$ 10 trillion bond market, which analysts said will boost Beijing's drive to internationalize the yuan and more deeply integrate its market with the world financial system.



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## MANAGEMENT & INFOTECH CORNER

### World's Biggest Incubator Inaugurated in Paris

Paris takes a step closer to fulfilling its ambition of becoming Europe's technology capital when President Emmanuel Macron inaugurated Station F, the world's largest startup incubator on the banks of the Seine. The 34,000 square meter facility which entirely fills an old railway depot is being bankrolled by billionaire Xavier Niel, who revolutionized the French internet and mobile market with its low-cost free service and is now on a crusade to put French technology on the map. The cavernous concrete and glass hub, which aims to house up to 1,000 startups, will be a very visible place that creates a strong image for Paris.

**Note:** It may be mentioned that a *business incubator* is a company that helps new and startup companies to develop by providing services such as management training or office space. The National Business Incubation Association (NBIA) defines business incubators as a catalyst tool for either regional or national economic development. A *startup* is a young company that is just beginning to develop. Startups are usually small and initially financed and operated by a handful of founders or one individual.

### What is NASDAQ?

The Nasdaq is a term which stands for the National Association of Securities Dealers Automated Quotations exchange, the first electronic exchange where investors can buy and sell stock. The Nasdaq Stock Market is an American stock exchange. It is the second-largest exchange in the world by market capitalization, behind only the New York Stock Exchange.

### Two Billion Users Now Active on Facebook

Facebook said recently its ranks of monthly active users had hit the two billion mark — meaning more than a quarter of the world's population is on the giant social network. The Facebook community is now officially 2 billion people, co-founder and chief executive Mark Zuckerberg wrote in a post on his Facebook page, marking the milestone.

## KALEIDOSCOPE

### BUSY BRAIN

The human brain takes up only 2 pc of the volume of a body, yet it consumes 20 pc of the body's energy, according to the National Academy of Sciences, USA.

### CREATE A 'YES LIST' TO BREAK YOUR BAD HABITS

If you really want to break a bad habit, try creating a 'yes list' to track and review your progress. Translate your goals into small, measurable tasks. For example, if you want to listen better, your task might be to attend one meeting a day without your computer and phone. Write your tasks on a checklist with a space to mark a daily Y for yes (if you meet your goal) or N for no (if you did not). Pin your list somewhere visible and fit it out at the end of the day for the next few weeks. After tracking your habits, assess whether there are patterns in all those Ys and Ns that need adjusting. (Adapted from *Break Bad Habits with a Simple Checklist* by Sabina Nawaz- *Harvard Business Review*)



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Facebook is making progress connecting the world, and bringing it closer together. Naomi Gleit, a vice president at the internet giant, credited millions of small communities at Facebook for helping drive growth. There are two billion people connecting and building communities on Facebook every month. More than a billion people take part in groups at Facebook each month and more than 800 million people like something at the social network on an average day. Founded in 2004, the social media behemoth hit the billion-user mark five years ago. As it has grown, Facebook has consistently updated features to fend off challengers such as Snapchat and adapt to trends such as the migration of news and streaming video online.

## **Amazon Deal can Help Nike Get Back on Track**

Nike may be getting back on track. The \$96 bn sportswear maker confirmed it will sell its sneakers and the like on Amazon after years on the sidelines. Though still the dominant athletic brand, it has been losing ground especially to Adidas. Coupled with its own direct-to-consumer push, the new initiative could make it a pacesetter again. The company lead by Mark Parker reported better-than-expected quarterly revenue and profit recently and finally said it was launching a pilot program with the e-commerce titan, in line with earlier press reports. He was coy about what products would be part of the launch, but investors nevertheless sent Nike shares up more than 8 pc last week.

## **iPhone Sales Lift Apple to Record Quarter**

Apple reported a rebound in iPhone sales to lift the tech giant to record revenue in the past quarter in quarterly results that eased concerns of slowing growth. The results showed strong demand for Apple's iPhone 7 models launched last year, with demand outpacing supply. Revenue climbed to an all-time record \$78.4 bn compared to \$75.9 bn in the same period a year earlier, the company said in its earnings update for the quarter ending in December. Compared with the same quarter a year earlier, profit dipped 2.6 pc to \$17.9 bn. Apple shares were up nearly three pc to \$124.80 in after-market trades that followed release of the earnings results.

## **KALEIDOSCOPE**

### **WORLD'S SMALLEST COUNTRY IS VATICAN - ONLY 0.44 SQ. KM IN AREA**

The world's smallest country is the Vatican, also known as the Holy See. This country fits within the Italian capital city of Rome, and is the center of the Catholic Church. Its income comes from the voluntary contributions of over 1 bn members of the Roman Catholic Church around the world. The remainder of its economy comes from the sales of postage stamps, tourist mementos, and admission fees of museums.

### **PRESIDENT WITH THE LONGEST, TONGUE TWISTING NAME**

President of Madagascar Hery Rajaonarimampianina, boasts of having the longest name of any head of state in the world. His full name – Hery Martial Rakotoarimanana Rajaonarimampianina – totals 45 characters. However, his Prime Minister also does not lag behind; his name is Olivier Mahafaly Solonandrasana.

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