



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Volume 12, Issue No. 31 | Date: August 4, 2017

## PAKISTAN COMPENDIUM

### BANKING SCENARIO

#### Deposits Folder

According to the weekly statement of position of all scheduled banks for the week ended July 14, deposits and other accounts of all scheduled banks stood at Rs. 11,685.139 bn after a 0.96 pc decrease over the preceding week's figure of Rs. 11,798.262 bn. Compared with last year's corresponding figure of Rs. 10,156.160 bn, the current week's figure was higher by 15.05 pc.

#### Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 6,072.443 bn, higher by 0.13 pc over the preceding week's figure of Rs 6,064.397 bn. Compared with last year's corresponding figure of Rs. 5,159.835 bn, current week's figure is higher by 17.68 pc.

#### FBR collected Rs. 200 bn in July 2017

The Federal Board of Revenue (FBR) collected Rs. 200 bn in the first month of this fiscal year exceeding the target set for the month. It registered a growth of 22 pc over the collection of Rs. 164 bn in the same month last year. FBR Official spokesperson Dr. Muhammad Iqbal said recently that the revenue collected was the provisional target for July. Few more billions are expected to be received when the revenue collection figures are finalized next week. The government has projected a revenue collection target of Rs. 4,013 bn for 2017-18. The breakup shows that the FBR will collect Rs. 1,594.910 bn under direct taxes and Rs. 2,418.090 bn in indirect taxes. Tax-wise breakup showed that the revenue target of income tax was projected at Rs. 1,577.557 bn, customs duty at Rs. 581.371 bn, sales tax at Rs. 1605.200 bn and Federal Excise Duty at Rs. 231.519 bn for the current fiscal year, respectively.

#### Inflation eased to 2.9 pc in July 2017

The country's average inflation, measured through Consumer Price Index (CPI), dipped to 2.9 pc in the first month of this fiscal year—its lowest level since November 2015. Falling petroleum and food prices, coupled with a stable rupee, largely contributed to low inflation. The CPI, which tracks prices of 481 commodities every month in the country's urban centers — eased to 2.9 pc in July from 3.9 pc in June, the Pakistan Bureau of Statistics said recently.

### MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

#### KIBOR (6 months)

	Bid%	offer%
BEGINNING	5.89	6.14
ENDING	5.90	6.15
CHANGE	+0.01	+0.01

#### Foreign Exchange Rates

	GBP(£)	EURO(€)	USD(\$)
BEGINNING	PKR 140.00	PKR 124.80	PKR 107.30
ENDING	PKR 139.75	PKR 125.75	PKR 106.80
CHANGE	-0.25	+0.95	-0.5

#### Pakistan Stock Exchange

	100 Index
BEGINNING	45,912
ENDING	46,877
CHANGE	965

#### Gold Rate

	(10 gm)
BEGINNING	PKR 43,542
ENDING	PKR 43,628
CHANGE	+86



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## LNG Imports

Ongoing imports of Liquefied Natural Gas (LNG) are meeting up to 25 pc of gas shortage, which currently hovers around 2.5 bn cubic feet per day. According to an official at the Ministry of Petroleum and Natural Resources, Pakistan has saved approximately \$1.7 bn by importing LNG, which is cheaper than furnace oil. Pakistan has imported 6.1 mn tonnes of LNG through the country's only LNG terminal, which is located at Port Qasim. Operated by Engro, the terminal has handled 94 LNG cargo ships within 28 months and re-gasified approximately 284.7 bn cubic feet of gas into the national distribution network.

## Pakistan's Automotive Sector Contributes Nearly 3 pc (Rs. 50 bn) To GDP and 16 pc To Manufacturing Sector

The Automotive Development Policy 2016-21 has brought about a drastic change in the automotive landscape of Pakistan. The policy, since its announcement, has attracted many global car brands that are looking to invest in the country, including Nissan, Renault, Audi, BMW and Volkswagen. Anticipating a tough competition, the existing brands are gearing up and launching multiple new models to retain market share, while other companies are entering into joint ventures with foreign car makers to set up plants. Few key statistics about the sector:

### *Market share of major players*

Pak Suzuki Motor Company 60%; Indus Motor Company 33 pc, Others 7 pc. Others include Gandhara Nissan Limited, Al Haj FAW, Atlas Honda etc.

### *No. of Units Rise*

The number of car units sold in FY 2015-16 increased by 19 pc compared to FY 2014-15. According to industry experts, the sales are predicted to go further up by 10 pc in 2016-2017.

### *People Employed*

192,000- The number of people currently employed by the automotive sector.

### *Further Investment*

\$4.09 bn- The investment government aims to attract in the next five years.

### *Future Demand*

By 2025, the annual demand is expected to reach 500,000 cars.

The year 2016 turned out to be an auspicious one for the automotive sector of Pakistan. It not only heralded the entry of several new carmakers and saw new models launched by local manufacturers, but it also witnessed a 19 pc increase in the overall sales. About 180,000 units were sold in FY 2015-16 compared to 151,131 units in the previous year. A Khaleej Times report has predicted that these sales will go up a further 10% or more this year.

## Pakistan Producing Quality Auto Parts

The local autoparts manufacturers are producing quality products and can now enter the export market, CEO of SMEDA said recently. The auto sector is growing rapidly and its contribution to the economy in the form of technology transfer, employment and revenue generation was becoming visible. The CEO further expressed satisfaction over the completion of the first-term of the four-year SMEDA-JICA Auto Parts Project and appreciated local manufacturers for achieving skills to produce quality auto parts.

## South Asia Becomes Global LNG Hotspot

South Asia, long a backwater for energy markets, is emerging as a hotspot for liquefied natural gas (LNG), with Pakistan and Bangladesh set to join India as major consumers, helping to ease global oversupply that has dogged this market for years. Only India and Pakistan currently import LNG in South Asia, taking in a combined 25 million tonnes, or eight pc of global demand last year. But with a fast-growing population, strong economic growth and soaring energy demand, more import projects are being developed, led by Pakistan and Bangladesh.



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## INTERNATIONAL ARENA

### China Signs Port Deal With Sri Lanka

Sri Lanka's government signed a long-delayed agreement to sell a 70 pc stake in a \$1.5 bn port to China in a bid to recover from the heavy burden of repaying a Chinese loan obtained to build the facility. The agreement comes after a nearly six-month delay since the signing of the framework deal, which immediately drew public criticism and protests. The document was signed between the government-run Sri Lanka Ports Authority and the state-run China Merchants Port Holding Co. in the capital Colombo, in the presence of senior government officials from Sri Lanka and China. According to the agreement, the Chinese company will invest \$1.12 bn in the port, which sits close to busy east-west shipping lanes. Under the original framework agreement, an 80-pc stake would have been sold to China. Two local companies whose shares will be split between the Chinese enterprise and the Sri Lanka Ports Authority will be set up to handle the port's operations, security and services.

### Eurozone Outperforms Britain for Second Straight Quarter

The eurozone economy confirmed a robust expansion in the second quarter of the year, growing twice as much as Britain for the second consecutive quarter, preliminary estimates released by the European Union's statistics agency showed recently. The reading confirmed the trend begun this year as the 19-country currency bloc consolidates its recovery while Britain starts to feel the negative impact of its decision to quit the European Union. Gross domestic product (GDP) in the eurozone increased 0.6 pc on the quarter, after a slightly downwardly revised 0.5 pc rise in the first quarter, Eurostat's data showed. In the March-June period, Britain's economic output grew by 0.3 pc on the quarter, edging up from a sluggish rate of 0.2 pc in the first three months of the year. Britain's slowdown comes after the country showed robust growth last year, outgrowing the Eurozone in the last three quarters. The loss of pace coincides with the beginning of divorce talks with

## KALEIDOSCOPE

### World's Highest Mountain

Mount Everest, also known in Nepali as Sagarmāthā and in Tibetan as Chomolungma, is Earth's highest mountain. Its peak is 8,848 meters above sea level. Mount Everest is in the Mahalangur Range

Elevation: 8,848 m

First ascent: May 29, 1953

First ascenders: Edmund Hillary, Tenzing Norgay

Mountain range: Himalayas

### World's Lowest Mountain

Mount Wycheproof is a hill located in the small town of Wycheproof, Victoria, Australia which stands at 43 meters (141 ft.) above the surrounding terrain. The township of Wycheproof is located on the hillside, and a unique geological substance known as Wycheproofite is exclusive to the local area.

### Pablo Picasso

Spanish painter with one of the longest names of any artist: Pablo Diego José Francisco de Paula Juan Nepomuceno María de los Remedios Cipriano de la Santísima Trinidad Ruiz y Picasso.

Picasso (1881-1973) was a Spanish painter, sculptor, printmaker, ceramicist, stage designer, poet and playwright who spent most of his adult life in France. His various phases in art-forms included Cubism, Surrealism, Expressionism, Post-Impressionism.



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the EU in March and increased prospects of no access to the EU market after Brexit for Britain-based companies. Meanwhile, the eurozone economy has picked up speed, bolstered by higher business optimism, strong domestic consumption and decreasing unemployment, which in June 2017 reached its lowest level since 2009.

## Global Stocks Hit Skids

World stock markets fell last week as a rash of disappointing company results triggered profit-taking ahead of the weekend, capping a record-breaking run for equities. The dollar took a hit from US GDP data which cast further doubt on any early interest rate increase from the Federal Reserve. Wall Street was soft approaching midday in New York, with sentiment undermined by retail giant Amazon severely undershooting profit estimates. Other major fallers following earnings reports were ExxonMobil and Starbucks. The US indices have had a powerful run recently, and it's not at all surprising that we have seen a relatively small retreat from the record highs, according to a market analysis carried out at CMC Markets (a UK consultancy). Political uncertainty after another failed attempt at healthcare reform in the US also weighed on confidence, the dealers said.

## Dollar down

US GDP growth at 2.6 pc in the second quarter, meanwhile, offered little support to the "beleaguered" dollar, FXTM research analyst Lukman Otunuga reported. Although US GDP printed in line with expectations, price action suggests that concerns over stubbornly low inflation in the US, as well as political risk, continue to weigh heavily on the dollar, adding a further fall "may be on the cards". The mood also soured in Europe, where shares in Renault tumbled on a weak outlook for the French carmaker, despite surging sales and record profits in the first half of 2017. In Frankfurt, BMW, Daimler and Volkswagen shares also fell. The three were hit with lawsuits over their alleged collusion to drive up the prices of their cars. London's benchmark FTSE 100 index was down one percent at the closing bell, weighed down by poor results from troubled telecoms and television firm BT Group.

## MANAGEMENT & INFOTECH CORNER

### Societal Contributions

When asked to rank how much people in 10 specific occupations contributed to society's well-being, only 24 pc of respondents to a recent survey from the Pew Research Centre said that business executives contributed 'a lot.'

### iPhone - 10 Years Old Now

In June 2007, Steve Jobs introduced the world to Apple's first iPhone. At the time, the phone cost \$ 499 for 4 gigabytes of memory. Today, an iPhone with 32GB of memory retails for \$649. (Note: iPhone is a smartphone made by Apple that combines an iPod, a tablet PC, a digital camera and a cellular phone. The device includes Internet browsing and networking capabilities).

### Motivate Your Employees

If you are struggling to inspire the people on your team, look to your past. Think about your own experience and what motivated you when you were in the lower levels of a company. Who was the best boss you ever had? What did that person do to make you want to perform at your best? Reflect on what made your boss's motivational strategies so effective for you. Now think about how you can apply those lessons to your own team. Be fearless in examining your behavior and curious about how your employees respond to you? Repurpose your favorite boss's techniques and make them your own. (Adapted from *Motivating People Starts with Having the Right Attitude* by Monique Valcour, *Harvard Business Review*).

### Hefty Fine for Google

Earlier this year, the European Union accused Google of unfairly exploiting its dominance of search engines and smartphone operating systems and fined the company \$ 2.7 bn. Google is appealing the fine.



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## Average Tenure of CEOs

According to a recent study by the advisory firm Kim Ferry, the average tenure for a CEO in the United States is about eight years.

## Smartphone Sales Slip

Smartphone sales saw a modest decline in the second quarter of 2017, as market leaders Samsung and Apple consolidated their positions, a survey showed recently. The International Data Corporation (IDC) survey showed South Korean giant Samsung maintaining the top spot by delivering some 79.8 mn handsets for a 23.3 pc market share. Apple held onto the number two spot with a 12 pc share after delivering 41 mn iPhones. Samsung and Apple both slightly increased their market share compared with a year earlier, increasing sales 1.4 pc and 1.5 pc, respectively, IDC said.

## Five Pakistani Companies Make it to Forbes List

Five Pakistani companies have made it to Forbes annual Asia's 200 Best Under a Billion List. Agriauto Industries, Cherat Packaging, Ferozsons Laboratories, Ghandhara Industries and Searle Company made it to the list in 2017. Ferozsons Laboratories, which made it to the list for the second time, grew 93 pc last year, Forbes said. Meanwhile India, which had its 11 companies appearing on the list in 2015, had only three appearances in this year's list. This year's candidates come from 13 countries and averaged 55pc growth in sales, a 24 pc profit margin, and 113 pc growth in earnings per share, Forbes said, adding that most of them did so by tapping global markets. China, with over 70 entries, dominated the list with Japan getting 38 entries this year. The list includes companies with annual revenue between \$5 mn and \$1 bn.

## Bitcoin Dispute

A dispute among developers of virtual currency Bitcoin gave birth to a new version of the crypto - coin after they failed to agree on software changes. Bitcoin, which is created or 'mined' from computer code and not regulated or backed by nation's central bank, can be used to pay for a variety of products and services online and increasingly in real shops. Miners run a digital ledger, known as the blockchain, which keeps a theoretically unhackable record of transactions. But some developers have grown impatient with the original technical protocols for the currency since its 2009 launch that limit the number of transactions. A group, backing a new protocol allowing for an increase in the volume of transactions that can be processed by the increasingly popular currency, created a new variant Bitcoin Cash. Bitcoin's value has been extremely volatile but recent months have seen the peer-to-peer traded virtual commodity close in on the \$ 3,000 mark. Following an announcement, its market value was almost unchanged at \$ 2,775.03 (2,347.37), according to data compiled by Bloomberg, which collates readings from the crypto unit's largest exchanges.

## QUOTABLE QUOTE

**Not everything that counts can be counted, and not everything that can be counted counts.**

**--Albert Einstein**

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Published by: The Institute of Bankers Pakistan, M.T. Khan Road, Karachi 74200, Pakistan

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