



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 September 1, 2017, deposits and other accounts of all scheduled banks stood at Rs. 11,661.904 bn after a 0.09 pc increase over the preceding week's figure of Rs. 11,651.413 bn. Compared with last year's corresponding figure of Rs. 10,223.484 bn, the current week's figure was higher by 14.07 pc.

Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 6,061.510 bn, higher by 0.44 pc over the preceding week's figure of Rs 6,034.893 bn.

UK Announces Support for GSP Plus for Pakistan

The United Kingdom (UK) recently announced its support for Pakistan at the European Union (EU) for continuity of GSP plus scheme till 2023, besides maintaining these preferences on bilateral basis even after Brexit. This was announced by the visiting British Minister of State for Trade Policy, Greg Hands at a joint press conference with Pakistani Commerce and Textile Minister, Pervaiz Malik. During the press conference, the visiting Minister reiterated these promises along with commitments made by Pakistan with respect to improvements in human rights. Pakistan has acknowledged that as a result of GSP Plus incentive, Pakistan's exports to the EU have increased from Euro 4.54 bn in 2013 to Euro 6.29 bn in 2016 which indicates an increase of 38 pc. The UK is Pakistan's biggest trade partner in Europe with a bilateral trade amounting to Euro 2.08 bn in 2016. Pakistan's exports to UK amounted to Euro 1.3 bn as compared to imports of Euro 756 mn. (Note: Generalized System of Preferences (GSP) supports economic growth and job creation in the beneficiary country by generating increased export revenue, provides duty-free treatment to goods of designated beneficiary countries).

Sugar Output Rises to 7.1 mn Tonnes

Federal Minister for National Food Security and Research Sikandar Hayat Khan Bosan has said Pakistan has been among the top six sugar-exporting countries since 2012. The country produces 7.1 mn tonnes of the commodity against the domestic demand of 5.1 mn tonnes. Addressing the concluding session of Pakistan Society of Sugar Technologists recently, the minister said Pakistan inherited two sugar mills at the time of independence, and the number has now risen to 90.

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 months)

	Bid%	offer%
BEGINNING	5.91	6.16
ENDING	5.92	6.17
CHANGE	+0.01	+0.01

Foreign Exchange Rates

	GBP(£)	EURO(€)	USD(\$)
BEGINNING	PKR 139.50	PKR 124.50	PKR 105.40
ENDING	PKR 141.80	PKR 125.00	PKR 105.90
CHANGE	+2.3	+0.5	+0.5

Pakistan Stock Exchange

	100 Index
BEGINNING	42,787
ENDING	42,750
CHANGE	-37

Gold Rate

	(10 gm)
BEGINNING	PKR 44,914
ENDING	PKR 44,614
CHANGE	-300



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Surge in Home Remittances

It is indeed a welcome change that the level of home remittances has increased sharply during the first two months of FY18. According to the latest data released by the State Bank, inflows of remittances sent by overseas Pakistanis rose by 13 percent or \$ 407 mn to \$ 3.496 bn during July-August, 2017 compared with \$ 3.089 bn received in the corresponding period of last year. A detailed analysis revealed that increase was recorded from all major corridors including Saudi Arabia, the UAE, the US and the UK. While workers' remittances from the US soared by 15.42 percent to \$ 1.929 bn, inflows from the UK shot up by 33 percent or \$ 112 mn. With a 3.89 percent surge, inflows from Saudi Arabia stood at \$ 920.12 mn in the first two months of this fiscal year compared to \$ 885.95 mn in the same period of last year. In addition, inflows from the UAE rose by 11 percent to \$ 775 mn. During August 2017, workers' remittances amounted to \$ 1.954 bn – an amount which was 26.78 pc higher than a month earlier and 11 pc higher than August 2016. Again, the inflows of home remittances from almost all the countries during August 2017 were higher than those of the previous month.

FDI Jumps by 155 %

The Foreign Direct Investment (FDI) inflows jumped by 155 pc to \$457.2 mn during the first two months of this fiscal year against \$179.4 mn in the corresponding period of last year. The State Bank of Pakistan (SBP) reported that the investment from China grew rapidly to \$259.4 mn during July-August period against \$48.4 mn in the corresponding period last year, which is 56 pc of the total FDI received during the period. The data showed that Chinese invested \$210 mn in the power sector during the period mainly in coal-based electricity projects, which attracted \$171 mn. In the same period of previous fiscal year, the coal projects attracted \$82.6 mn. The second highest inflow of FDI was from Malaysia with \$110.8 mn during the July-August period. The Malaysian interest was new because the previous year investment was just \$1.3 mn. Telecommunications attracted \$92.5 mn during the first two months of this fiscal year, a significant increase from \$23.6 mn in the corresponding period of last year. The construction sector attracted \$55.7 mn foreign investment

during the July- August period against a meagre \$1.6 mn in the same period last year. The sector started receiving FDI from the second half of last fiscal year. Oil and gas exploration attracted \$30.6 mn FDI in the period under review against \$14.2 mn in the same period last year. The details showed that almost all important sectors received higher foreign investment inflows during the period.

Bank of China Begins Operation in Pakistan

The Bank of China (BoC) has been allowed to commence banking business in the country, said the State Bank recently. This is the second Chinese bank which has been allowed to operate in Pakistan. Earlier, the Industrial and Commercial Bank of China (ICBC) opened two branches in Karachi and Islamabad on May 20, 2011. The ICBC provides various services including corporate finance, investment banking, foreign deposits, project loans, and working capital loans. The BoC has complied with the important regulatory and operational requirements necessary to commence banking business in Pakistan. The BoC is a subsidiary of China Central Huijin, the investment arm of the Government of China. The BoC is the 4th and 5th largest global bank in terms of tier-1 capital and total assets, respectively. Globally, the footprint of BoC is spread across 50 countries out of which 19 are located across China's One Belt One Road initiative. The BoC's entry into Pakistan will not only further strengthen the bilateral relationship of Pakistan and China but will also represent growing confidence of international investors on the country's banking sector and the stable economic outlook.

2.36 mn Bales of Cotton Produced

The country produced 2.36 mn bales of cotton up to September 15, 2017, the Pakistan Cotton Ginners Association (PCGA) reported recently. Ginners are currently holding around 445,000 bales from the new crop. Textile mills purchased about 1.82m bales and private exporters lifted over 95,000 bales. Phutti arrivals in Punjab were recorded at 846,238 bales while 1,519,317 bales reached ginneries of Sindh. The country is expected to produce around 13 mn bales this season and the figure could be much higher if the current month passes by without any pest attacks in Punjab.



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Gwadar as a Smart Port City

The Planning Commission has initiated the process to launch a project for developing Gwadar as an integrated 'smart port city'. The plan aims to leverage information technology-based solutions to boost economic productivity and quality of life of Gwadar citizens, whilst minimizing resource consumption and pollution. With the inclusion of the port in the China-Pakistan Economic Corridor (CPEC) project, there is an urgent need to update the existing plan to reflect the new strategic direction, a Planning Commission document said. The current master plan of Gwadar city, last updated in 2005, has two interdependent elements: the port and the city of Gwadar. The strategic focus on simultaneous development is primarily due to the natural, symbiotic relationship that exists between a port and the city that surrounds it; one cannot be developed without the other. As of 2013, the concession for the port has been awarded to a Chinese operator who is in the process of updating the port master plan. Under the new plan initiated by the Planning Commission, the port will be considered as a separate entity from the city. The new plan is also designed to update the existing master plan of Gwadar city, and develop strategies for the establishment of Gwadar as a preferred economic and lifestyle destination. The plan will be based on inclusive and sustainable strategic development to ensure the socio-economic uplift of the Makran coast in general and the Gwadar region in particular. The plan will recommend regulatory interventions and ways and means to develop Gwadar as a special economic zone (SEZ) and ensure near-term economic growth, including trickledown effects.

SMILE-A-WHILE

**I went to the ATM this morning
and it said "insufficient funds".**

I'm wondering is it them or me?

KALEIDOSCOPE

Ride a Cycle on 4,500m Glacier

Samar Khan is the first woman in the world to ride cycle on 4,500 meters Biafo Glacier in the Karakoram Mountains of Gilgit Baltistan. Samar Khan belongs to Khas Dir, Khyber Pakhtunkhwa. She holds a Master's degree in Physics. She discovered her love for sports in Army School of Physical Training, Kakul, from where she learned Para-gliding.

Longest Reigning Monarch Record

Queen Elizabeth II became the longest-reigning British monarch on September 9, 2015, when she surpassed the reign of her great-great-grandmother Victoria (who reigned for 63 years and 216 days). On 6 February 2017, she became the first British monarch to celebrate a sapphire jubilee, commemorating 65 years and 220 days on the throne.

King with the Shortest Reign

Prince Louis Antoine, Duke of Angoulême, was crowned as the Bourbon King Louis XIX of Kingdom of France, succeeded according to the order of succession with the abdication of his father Charles X only to abdicate in favor of his nephew, Henri V after 20 minutes on August 2, 1830.

Longest Ruling PM

Paul Biya, (age 84 years) of Cameroon, is holding the office of Prime Minister / President of the West African State since 30 June 1975 to date (42 years, 79 days).



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INTERNATIONAL ARENA

Saudi Arabia Raises \$1.87 bn in Islamic Bond

Saudi Arabia has raised \$1.87 bn in a new Islamic bond issue as the kingdom bids to finance a budget deficit resulting from low oil prices. Demand was strong for the third sale of Islamic bonds, known as sukuk, this year with orders exceeding 24 bn riyals (\$6.4 bn), the finance ministry said in a statement. The first two issues were made in April and July and were worth a total of \$13.5 bn. The kingdom had also issued conventional domestic and global bonds. The largest Arab economy is suffering from a sharp slide in oil revenues since crude prices plummeted in mid-2014, forcing Riyadh to cut subsidies and delay projects.

Norway Wealth Fund Hits \$1 trn Milestone

Norway's sovereign wealth fund, the largest in the world recently reached the value of \$1 trn dollars for the first time, the Norwegian central bank, which manages the fund, said. This amount equals nearly \$189,000 (157,000 euros) for each of the 5.3 mn people living in Norway. Established in the 1990s to manage the Norwegian state's oil revenues, the fund set the record thanks to the appreciation of the world's major currencies against the dollar and a good stock market health. The fund mainly invests in stocks (accounting for 65.1 pc of the portfolio at the end of the second quarter), but also in bonds and real estate. With stakes in nearly 9,000 companies, it owns 1.3 pc of the world's market capitalization, and 2.3 pc in Europe.

ATM Turns 50 years

An automated teller machine. The cash machine. In Britain, a cashpoint. ATMs turn 50 years old this year. They're ubiquitous and possibly still a necessity, despite the big changes in how people pay for things. It was a radical move when Barclays installed cash machines in a London suburb in 1967. The utilitarian machine gave fixed amounts of money, using special vouchers the magnetic-striped ATM card hadn't been invented yet. There was no way for a customer to transfer money between accounts, and bank employees tabulated the transactions manually at the end

of each day. As the ATMs became familiar, though, they changed not only the banking industry but made people comfortable interacting with kiosks in exchange for goods. Now that means getting movie tickets and boarding passes, self-checkout at grocery stores, and online shopping that brings products to your door with a few clicks. "All are based on the idea that people can handle routine transactions by themselves without a teller or cashier. The ATM tapped into that innate force in people that gives gratification for doing a task on their own and it grew from there," said Charles Kane, a professor at the MIT Sloan School of Management. Around the US today are roughly three million cash machines, according to the ATM Industry Association. Most are actually not owned by banks, but by private companies that install them at convenience stores, restaurants and other outlets.

LIMELIGHT

Apple unveiled three new iPhone models including a top-of-line handset described as "the biggest leap forward" since the original iPhone 10 years ago.

Nanchong, Sichuan Province, China, known as the City of Silk, has a complete industry that covers mulberry growing, silkworm-raising, silk production, silk fabric processing, education and research on sericulture and silk production. The global silk market is projected to reach \$ 16.94 bn by 2021, at a rate of 7.8 pc from 2016-2021.



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MANAGEMENT & INFOTECH CORNER

When You Really Need a Favor, Ask in Person

When you want to ask your colleagues for a favor — to review your draft presentation, lend some resources to an important project, or even to support you in your local charity run — it feels most efficient to send a group email. But a new study finds that people tend to overestimate the power of their persuasiveness over text and email and underestimate how effective face-to-face requests are. Asking someone in person is far more likely to be successful. Remember that most people have an inbox full of requests from people. You don't want your favor to get lost in that heap. (Adapted from *A Face-to-Face Request is 34 Times More Successful than an Email*, by Vanessa K. Bohns - HBR)

Control your Negative Thoughts

It is understandable that managers sometimes get frustrated with their direct reports. Maybe someone turned in an assignment late, affecting the timeline for an important project. Or perhaps an employee who has a less-than-stellar track record made a mistake. Even if you are good about keeping your annoyance to yourself, your negative thoughts are probably increasing your stress levels and damaging your relationship with the employee. To mitigate these feelings, try to imagine that your thoughts are transparent — that each of your colleagues can actually see what you are thinking. If that were the case, you did be less likely to think awful things about other people and you did be more likely to find a way to understand their perspective. (Adapted from the *HBR Emotional Intelligence Series*)

Limit How Much You Use Your Phone

We carry our phones everywhere, but always being connected has costs: In one survey, 82 pc of people said smartphones have hurt their ability to converse with others and 89 pc said their devices have resulted in chronic physical pain. It is important to set boundaries around technology — and you do not have to go on an all-out 'digital detox' to do it. Try small experiments: Leave your phone behind when you go to lunch or take a walk. Set a time limit for how long you will scroll through Instagram or Twitter, especially at bedtime. And when the time is up, put your phone away — not on your bedside table but a short walk away from your bed or even in the other room. Giving yourself these needed breaks away from screens will help you see that you do not need your phone with you. (Adapted from *Device-Free Time Is as Important as Work-Life Balance*, by Charlotte Lieberman)

Young Leaders

According to a survey of more than 18,000 millennial workers in 19 countries, 77 pc of respondents in the US and 76 pc in Mexico said that attaining a leadership role is important to them, but only 47 pc of young workers in Norway said the same.

Top Companies Changed Over 50 Years

Of the top 10 corporations in the US in 1967, based on market value — AT&T, General Motors, Standard Oil, IBM, Texaco, DuPont, Sears, General Electric, Gulf Oil and Kodak — none remain in the top 10 today.

Diversity at General Electric

At GE, 59 pc of executives are women, minorities or from somewhere outside the US, a jump from 20 pc in 2001.

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