



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

Volume 12, Issue No. 36 | Date: September 08, 2017

PAKISTAN COMPENDIUM

BANKING SCENARIO

Deposits Folder

According to the weekly statement of position of all scheduled banks for the week ended August 18, 2017, deposits and other accounts of all scheduled banks stood at Rs. 11,551.465 bn after a 0.27 pc decrease over the preceding week's figure of Rs. 11,582.543 bn.

Compared with last year's corresponding figure of Rs. 10,207.594bn, the current week's figure was higher by 13.16 pc.

Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 6,018.497bn, higher by 0.06 pc over the preceding week's figure of 6,014.555 bn. Compared with last year's corresponding figure of Rs. 5,047.519 bn, current week's figure is higher by 19.23 pc.

Energy Sector Contributes Over Rs. 1 trn to National Kitty

The federal government collected revenue of more than Rs. 1 trillion from the oil and gas sector in 2016-17. The oil and gas sector is the single largest revenue contributor to the national kitty. The collection from the sector was Rs. 912 bn in the preceding fiscal year. The annual increase in total revenue collection was 11 pc, which is almost identical to the rise in the collection from the oil and gas sector. Three major factors are reported to have made a healthy contribution to the national exchequer: highest sales tax rates, increase in consumption and higher international oil prices.

Lending to Small Farmers Needs More Attention

The State Bank of Pakistan (SBP) has been advising the commercial banks since the 1980s to give more loans to priority sectors, including agriculture. This was emphasized by SBP Governor Tariq Bajwa during an Agricultural Credit Advisory Committee's meeting held in Quetta. The press release issued by the SBP's external relations department lay emphasis on planning for the current fiscal year's disbursement target, increasing financial inclusion of smallholders to address their credit needs, rationalizing markup rates on agricultural financing to pass on the benefit of historically low discount rate, and increasing bank's presence in underserved regions. Mr. Bajwa also urged banks to address geographical and

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 136.51	PKR 126.28	PKR 105.50
ENDING	PKR 137.00	PKR 125.60	PKR 106.00
CHANGE	+0.49	-0.68	+0.5

Pakistan Stock Exchange

	100 Index
BEGINNING	41,206
ENDING	41,401
CHANGE	+195

Gold Rate

	(10 gm)
BEGINNING	PKR 44,057
ENDING	PKR 45,128
CHANGE	+1071



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 02

Volume 12, Issue No. 36 | Date: September 08, 2017

sectoral imbalances. The low level of credit to the agriculture sector can be partly attributed to factors which are within the scope of the financial sector and partially to ones that go beyond its reach.

Pakistan's Exports to Qatar Intact

Pakistan's exports to Qatar remain intact so far, showing no signs of an immediate fall in the aftermath of a diplomatic and political row between Doha and other Gulf Cooperation Council (GCC) countries. Merchandise exports to Qatar slipped to \$ 52.6 mn during the last fiscal year from \$ 59.9 mn in 2015-16, according to data released by the State Bank of Pakistan. However, the decline has nothing to do with the latest political development in the GCC region according to Trade Development Authority of Pakistan (TDAP). Brushing aside concerns regarding the impact of a political crisis in the GCC region, it was pointed out that exports to Qatar in fact increased nearly 12 pc to \$ 5.6 mn in June, chiefly due to larger shipments of rice, leather products and shipping machinery.

SECP Notifies Draft Code of Corporate Governance

The Securities and Exchange Commission of Pakistan (SECP) has notified the draft Listed Companies (Code of Corporate Governance) 2017, under the newly promulgated Companies Act 2017. The draft regulations are aimed at strengthening governance structures, bring consistency in the corporate practices and promote transparency through enhanced disclosure requirements. Noteworthy requirements of the regulations, among others, include decreasing the limit of permissible directorship in listed companies from seven to five. Further, the regulations aim at strengthening the presence and role of independent directors therefore, boards of directors are mandated to have at least two or one third of directors, whichever is higher, as independent directors. The independent directors shall be required to file a declaration of independence with the company. One of significant requirements of the Act is to prescribe female directors and that requirement has been incorporated in the regulations by mandating one female director within one year of notification of regulations or reconstitution of board whichever is later.

Around 5pc More Sacrificial Animals this Year

Pakistan Tanners Association (PTA) has reported that the slaughter of sacrificial animals on Eidul Azha was around 5 pc more as compared to the last year. The numbers of cows slaughtered were more this year as compared to the last year while relatively fewer goats slaughtered this year as compared to the previous year. Around 7.8 mn hides and skins were collected during three days of Eid-ul Azha in the country. During Eid days, approximately 2,500,000 hides of cows and buffalos worth rupees 1600 to 1800 per hide, 4,000,000 skins of goats worth rupees 200 per skin, 800,000 skins of sheep worth rupees 100 per skin and 30,000 hides of camels worth rupees 800 per hide were collected. Comparison of the statistics of 2016 with 2017, shows that the trend of collective qurbani was increasing and individual qurbani was reducing.

Growth of Digital Marketing

The growth of digital marketing can be gauged from the fact that the Interactive Advertising Bureau reported that in 2016, for the first time ever, digital advertising revenues (\$72.5 bn) overtook TV ad spends (\$71.3 bn). However, the extent to which this global phenomenon has gained traction in Pakistan as there are no data centers that track digital ad spends, e-commerce statistics or media consumption trends. Pakistan did not even have digital regulations until the announcement of the Digital Pakistan Policy 2017 in April this year, with the stated objective as being "development of a holistic digital ecosystem for the rapid delivery of next generation digital services, applications and content." The policy is a welcome initiative, because it is expected to regulate and standardize the entire digital spectrum and further increase the rate of technology adoption in a country with significant untapped potential. Of a total population of approximately 194.8 mn, there are currently 35.1 mn internet users (18% penetration) and 31 mn active social media users (16% penetration). More than 40 mn people have a smartphone out of whom 39 mn use 3G and 4G services; almost 28 mn people now access social media from their mobile phones



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 03

Volume 12, Issue No. 36 | Date: September 08, 2017

INTERNATIONAL ARENA

France to End Fossil Fuel Production

The French government unveiled plans recently to put an end to oil and gas production on its territory in a largely symbolic move it hopes will inspire bigger producing nations to copy. Under a draft law approved by cabinet, no new permits will be granted to extract gas or oil and no existing licenses will be renewed beyond 2040, when all production in mainland France and its overseas territories will stop. The country is a minor player in the global hydrocarbons industry, extracting the equivalent of about 815,000 tonnes of oil per year — an amount produced in a few hours by Saudi Arabia.

UK Banks Ask for EU License as Brexit Looms

Fewer than ten of the approximately 40 banks that conduct EU business out of London have applied so far for a license to continue banking in the bloc after Britain leaves, regulatory sources told Reuters. The slow pace of applications is raising concern at the European Central Bank, the EU's top banking supervisor, that some lenders are not doing enough to prepare for Brexit, or may even avoid its watch through a gap in the rules. The past two months have seen a pick-up in the number of banks saying they plan to set up new EU subsidiaries after Brexit, with most major US, British and Japanese banks saying they will establish units in Frankfurt or Dublin. The Bank of England estimates that half of all the debt and equity issued in the EU involves financial institutions in Britain. Big banks have warned a 'hard Brexit' could trigger financial instability if they were to suddenly lose access to EU markets.

China's Wealth Managers Look to Profit From Risk and Capital Crackdowns

As regulatory crackdowns in China hit risky investment products and capital outflows, the country's private banks are looking to profit as they target a bigger share of growing wealth in the world's second-largest economy. Wealth managers like Noah Holdings and units of China Merchants

Bank and China International Capital (CICC) are casting wider nets to tap affluent clients, who have so far remained outside mainstream private banking. They are now targeting small cities, where the wealthy have traditionally relied on shadow banking investment products that promise high returns but are illiquid and opaque, according to bankers and consultants working for the wealth managers. Beijing's clampdown since last year on sending capital outside the country was also opening up opportunities for domestic wealth managers in China. China's onshore private wealth market has grown rapidly in the last few years. This year, it is set to reach \$28 trillion, nearly three times the country's gross domestic product in 2016, making it the second-largest such market after the United States.

LIMELIGHT

- ◇ Pakistan's Commerce Minister said that the government is making an effort to reduce the cost of doing business for the poultry sector.
- ◇ The Agricultural Credit Advisory Committee proposed that banks should dedicate at least 20 % of their total branches to agri-lending.
- ◇ The Executive Committee of the National Economic Council (NEC) approved a total of eight development projects at a cost of Rs. 125 bn.



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 04

Volume 12, Issue No. 36 | Date: September 08, 2017

Oman Counts on Chinese Billions to Build Desert Boomtown

In the remote desert along Oman's southern coast, construction machines hired by a Chinese consortium are levelling an expanse of pale orange sand — a first step towards billions of dollars of investment. Over the past year the Chinese have become key to Oman's effort to transform Duqm, a fishing village 550 km (345 miles) south of Muscat, into an industrial center that will help the country diversify its economy beyond oil and gas exports. In a pattern seen across much of the Middle East, the economic interests of the Omani and Chinese governments are coinciding in ways that promise a surge of Chinese capital into the region over the next few years. Oman's state finances have been hit hard by low oil prices, so it is scrambling to attract foreign money for new industrial zones that will create jobs for Omanis whom the government can no longer afford to employ. For China, the project is a potential success in its Belt and Road Initiative, a government-backed drive to win trade and investment deals along routes linking China to Europe. Duqm, which lies on the Arabian Sea, is a potential operating base for Chinese businesses near export markets which they want to develop in the Gulf, the Indian subcontinent and East Africa. It is also close to some of the raw materials which Chinese companies will need for that purpose: the oil and gas resources of the Gulf.

QUOTABLE QUOTE

“An expert is one who knows more and more about less and less until he knows absolutely everything about nothing.”

-- Nicholas Murray Butler

MANAGEMENT & INFOTECH CORNER

Apple Plans to Change the Next iPhone

Apple Inc. plans to transform the way people use its next high-end iPhone by eliminating the concept of a home button and making other adjustments to a flagship device that is becoming almost all screen, according to images of the new device viewed by Bloomberg News and people familiar with the gadget. The home button is the key to the iPhone and the design has not changed much since it launched in 2007. Currently, users click it to return to the starting app grid that greets them multiple times a day. They hold it down to talk to the Siri digital assistant. Double click it and you get multitasking where different apps screens can be swiped through like a carousel. Apple is preparing three new iPhones for debut next month. One of the models, a new high-end device, packs in enough changes to make it one of the biggest iPhone updates in the product's decade-long history.

A fast start for Tesla Model S

The Tesla Model S — which is outselling car models from Porsche, BMW and Mercedes combined in the US — can go from zero to 60 miles per hour in just 2.5 seconds.

Africa's consumer class to surge ahead

Analysts at the Frontier Strategy Group predict that Africa's consumer base will grow from 250m consumers today to about 290m by 2020.

Bring an End to Burnout

Employee burnout is not an individual issue, but a broader organizational challenge. To find a cure, focus on unchecked organizational norms that may be causing the stress — heavy workloads, an always-on culture, and spending too much time in meetings. Measure how employee time is spent across the organization. Using that data, map the places in your organization where too much



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 05

Volume 12, Issue No. 36 | Date: September 08, 2017

time is being used or people are carrying more than their share of work. Encourage managers to make targeted changes like introducing meeting-free days, redesigning workflows, and making it clear that everyone's time is a precious resource. By tackling the conditions that lead to burnout, you can head it off before it happens. (Adapted from *Employee Burnout Is a Problem with the Company, Not the Person*, by Eric Garton, HBR.)

Many Americans Refuse to Take Time Off

According to research from the US Travel Association, more than 40pc of American workers plan not to use all of their paid time off this year.

Use Your Hands to Project Confidence

When you are in front of an audience, you want to project confidence. But when you are nervous, your hands often flit about and fidget. Use one of these positions to keep your hands still.

- ◇ Hold the ball. Gesture as if you are holding a basketball between your hands. This movement, a Steve Jobs favorite, displays confidence and control, as if you have the facts at your fingertips.
- ◇ Palms up. Turning your hands up indicates openness and honesty, and it shows that you are willing to connect with the people you are speaking to.
- ◇ Pyramid. Keep your hands still by clasping them together in a relaxed pyramid. Beware of overusing this position or pairing it with domineering or arrogant facial expressions. The idea is to show that you are relaxed, not smug.

(Adapted from *6 Ways to Look More Confident During a Presentation*, by Kasia Wezowski, HBR.)

KALEIDOSCOPE

What the Names Stand For

Nikkei

Nikkei is short for Japan's Nikkei 225 Stock Average, the leading and most respected index of Japanese stocks. It is a price-weighted index comprised of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange. It is now named for the "Nihon Keizai Shimbun" or Japan Economic Newspaper, commonly known as Nikkei, which sponsors the calculation of the index.

Toyota

Toyota Motors is named after its founder Sakichi Toyoda. The name was later changed to Toyota as writing "Toyoda" in Japanese requires 10 brush strokes — explains John R. Malott, president of the Japan-America Society of Washington DC — but writing "Toyota" requires only eight.

Suzuki

Michio Suzuki (1887–1982) founded the Suzuki Group. His forte was manufacturing bikes, but based on consumer demand, he decided that building a small car would be the most practical new venture. By 1954, Suzuki was producing 6,000 motorcycles per month and had officially changed its name to Suzuki Motor Co., Ltd. Following the success of its first motorcycles, Suzuki created an even more successful automobile: the 1955 Suzuki Suzulight.

Editor: Rafi Ahmed | Deputy Editor: Shahla Naqvi | Designed by: M. Jahangir Ishaq | Email: Publications@ibp.org.pk

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

General Disclaimer: Data used in the Economic Letter is based on government sources besides recognised representative private sector trade bodies as reported in the print media. They are cross-checked before release. Yet an error or two may creep in, regrettable as they may be as part of human nature. Reporting is unopinionated. The Institute of Bankers Pakistan stands totally absolved of any error contained in the Economic Letter, either in reporting or composing.