



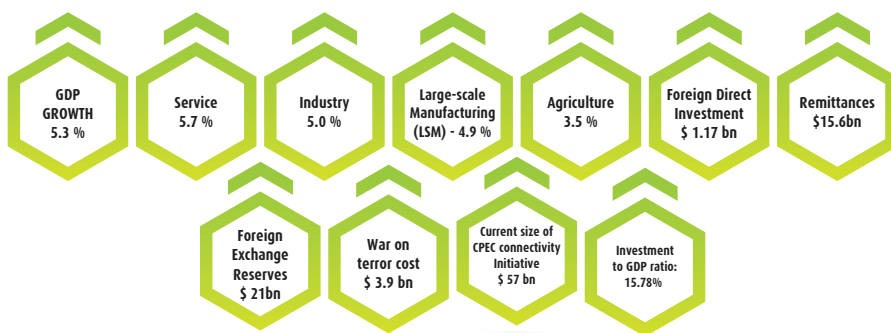
Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Volume 12, Issue No. 21 | Date: May 26, 2017

PAKISTAN

Economic Survey 2016-2017



Note: After a decade long slump, growth is finally returning to Pakistan's economy, much of the growth has come from a spurt in services and a rebound in agriculture.

Pakistan received \$ 1.733 bn in FDI during the first 10 months of FY 2016-17 up from a year earlier, as investment from Chinese companies continued to increase.

United Nations Industrial Development Organization (UNIDO) has developed a project proposal for Gilgit- Baltistan on agro-industry development programme, targeting fresh and dry fruits, trout fish as well as dairy sector. UNIDO has contributed \$ 50,000 as seed money for the developing the project. The anticipated budget will be around \$ 3 mn for the first phase to be mobilized by the federal government, international donors and UN funds.

Islamic Development Bank (IDB), the largest development organization in the Muslim world, plans to revamp its operations, including a shift away from small-scale capital interventions to more sustainable grassroots-level support. The non-profit group has extended \$ 86.1 bn in financing in the last ten years for energy, transportation, water and sanitation projects in many countries.

Deposits and other accounts of all Scheduled Banks stood at Rs. 11,070.49 bn after a 1.28 % decrease over the preceding week's figure of Rs. 11,214.048 bn for the week ended May 5, 2017.

Gross Advances of all scheduled banks stood at Rs. 5,805.25 bn higher by 0.50 % over the preceding week's figure of Rs. 5,776.687 bn.

Notes in circulation stood at Rs. 3,795.23 bn during the week ended May 5, 2017 against Rs. 3,731.47 bn a week earlier showing a rise of 1.70 %.

MARKETS AT A GLANCE

Rates are taken till 05:00pm

KIBOR (6 months)

	Bid%	offer%
BEGINNING	5.90	6.15
ENDING	5.90	6.15
CHANGE	+0.00	+0.00

Foreign Exchange Rates

	GBP(£)	EURO(€)	USD(\$)
BEGINNING	PKR 137.20	PKR 117.00	PKR 105.80
ENDING	PKR 137.00	PKR 118.30	PKR 105.90
CHANGE	-0.2	+1.3	+0.1

Pakistan Stock Exchange

	100 Index
BEGINNING	50,742
ENDING	52,636
CHANGE	+1894

Gold Rate

	(10 gm)
BEGINNING	PKR 43,242
ENDING	PKR 42,771
CHANGE	-453



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The State Bank of Pakistan (SBP) increased the spread of banks and development finance institutions (DFIs) on the refinance facility for the modernization of small and medium enterprises (SMEs) and the Financing Facility for Storage of Agricultural Produce (FFSAP). An SBP circular said that to encourage banks and DFIs to use these facilities for promoting the flow of long-term financing to SMEs, it has been decided that the rates of service charges for banks/DFIs and rates for end-users for loans up to 10 years will be 4 % and 6%, respectively, effective June 1. Earlier, spreads of banks and DFIs were smaller than the new rates while the rate for end-users was the same.

The State Bank of Pakistan (SBP) on Saturday kept the policy rate unchanged at 5.75%. It is a reflection of stable economic indicators as the rate, at 40-year low, has remained unchanged since May 2016. Although inflation is crawling up, the SBP treated growth as a priority by keeping the cost of money stable for the private sector.

Real GDP growth in 2016-17 is provisionally estimated at 5.3% representing a 10-year high. Specifically, the revival of domestic demand has been instrumental in the current upturn, said the SBP monetary policy statement. The upbeat economic sentiments and low interest rates have encouraged the private sector to undertake capacity expansions. Private-sector credit posted a net expansion of Rs. 503 bn in July-April, which is significantly higher than the uptick of Rs. 334 bn in the corresponding period of last year.

The SBP said official inflows are expected to provide support to foreign exchange reserves. A sustained increase in other private inflows-foreign direct investments and export earnings, in particular is required to fully finance the surge in imports.

With expected improvements in global demand, the current composition of imports, mainly machinery, bodes well for the future economic activities, said the SBP, adding that the current growth momentum led by the China-Pakistan Economic Corridor (CPEC) - related investments is likely to boost foreign direct investment inflows.

China's One Belt, One Road (OBOR) project will benefit Pakistan and the local business community must take advantage of it, trade representatives told a Chinese delegation during its visit to the Rawalpindi Chamber of Commerce and Industry (RCCI) to explore business opportunities regarding joint ventures and trade partnerships in construction, building materials, agriculture, transportation, furniture and real estate.

INTERNATIONAL

The European Commission aims to make adopting of the euro more attractive to European Union members currently outside the currency bloc in a bid to make the union more tight-knit after Britain's vote to leave. Public opinion in EU states outside the eurozone is often against joining the common currency area. Opposition is strong in Britain, Czech Republic, Sweden, Denmark, Bulgaria while Hungary, Croatia and Romania are favourable to the currency bloc. Currently 19 out of 28 members have adopted euro as their currency.

China's online retailer JD.com Inc. announced plans to develop drone-aircraft capable of carrying a ton or more for long-distance deliveries. The company said it will test the drones on a network it is developing to cover the Northern Chinese province of Shaanxi. It said they will carry consumer goods to remote areas and farm produce to cities. JD.com, headquartered in Beijing, says it made its first deliveries to customers using smaller drones. Other e-commerce brands including Amazon.com Inc. also are experimenting with drones for delivery.

The euro is too weak due to the European Central Bank's monetary policy, German Chancellor Angela Merkel said, pointing out that this helped explain Germany's relatively high trade surplus.

Africans are seeing a steady improvement in the quality of their lives, with some countries even nearing world averages, says a wide-ranging report on the continent's future. While



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large portions of the continent's 1.2 bn people live in poverty, many of Africa's 54 nations have made significant progress in health, education and standard of living. Rwanda recorded the most progress, followed by Ghana and Liberia in fight against poverty since 2017. At the same time Egypt and Tunisia have health insurance systems that cover 78 % and 100 % respectively of their residents. However serious challenges remain in the fight against poverty.

Asian trade ministers met at Hanoi recently to hammer out the terms of a massive China-led pact that has taken centre stage as Washington pulls away from regional trade deals in favour of bilateral agreements. The 16-nation Regional Comprehensive Economic Partnership is poised to become the largest free trade agreement in the world, covering about half of its population.

Japan posted trade surplus for the third straight month in April helped by a further rise in exports including to USA, official data showed recently. In April, Japan logged a trade surplus in goods of 481.7 bn yen, (\$ 4.3bn) the finance ministry said, marking the third straight month in the black.

According to a study published this year by researchers at Harvard Business School, between 1880 and 1940 about 19.6 % of inventors in the USA were immigrants compared to 30 % today.

Nordstrom, the retail giant, employs more than 72,000 people , and the company's handbook consists of entirely of one rule: Use judgment in all situations. There will not be additional rules. Nordstrom was founded in 1901, its net income in 2015 was US\$ 600mn and total assets worth US\$ 7.698 bn. HQ at Seattle, Washington USA. (*Harvard Business Review*)

Earn your manager's respect by being adaptable: Respect from your boss isn't a given, you have to earn it. Start by understanding what matters to your manager. Pay close attention to his priorities and pressures he is under, next, figure out the best way to communicate with your boss. Does your manager like email, texts, face-to-face conversations? If there is a mismatch between how you and your boss like to work, have a candid conversation about the reasons for your preference. Discuss the situation openly and decide together how to proceed. (Adapted from *How to Earn Your Managers's Respect* by Rebecca Knight)

Donkeys are being slaughtered at an alarming pace to feed a global trade in donkey hides that is fueled by soaring demand in China. With its large donkey population and close trade relations with China, Africa is a key target for donkey buyers. Annual global sales of the cooked gelatin may be worth as much as \$ 2.6 bn based on 2014 per kg sales price in China, according to the UK-based charity, The Donkey Sanctuary. Gelatine extracted from the skins are used to manufacturing anti-ageing creams.

The world's largest private equity fund, backed by Japan's Softbank Group and Saudi Arabia's main sovereign wealth fund, said on Saturday it had raised over \$93 bn to invest in technology sectors such as artificial intelligence and robotics. "The next stage of the Information Revolution is underway, and building the businesses that will make this possible will require unprecedented large-scale, long-term investment," the Softbank Vision Fund said in a statement. Masayoshi Son, Japanese billionaire and chairman of Softbank, revealed plans for the fund last October and since then it has obtained commitments from some of the world's most deep-pocketed investors.

Editor: Rafi Ahmed | **Designed by:** Jahangir Ishaq

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