



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 13, Issue No. 07 | Date: February 16, 2018

## PAKISTAN COMPENDIUM

### BANKING SCENARIO

#### Deposits Folder

According to the weekly statement of position of all scheduled banks for the week ended Jan 26, 2018 deposits and other accounts of all scheduled banks stood at Rs. 12,002.239 bn after a 0.66 pc increase over the preceding week's figure of Rs. 11,923.348 bn.

#### Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 6,556.145 bn, higher by 0.88 pc over the preceding week's figure of Rs. 6,498.758 bn.

#### Investments Brief

Investments of all scheduled banks stood at Rs. 7,637.035 bn against preceding week's figure of Rs. 7,670.889 bn, lower by 0.44 pc.

### Branchless Banking Updates

- The Jul-Sep 2017 quarter witnessed the highest quarterly increase in BB accounts of 5.7 mn, exhibiting 21 pc growth.
- The quarter also witnessed a policy change by SBP, under which it was made mandatory for the banks to conduct Person-to-Person transactions (also called CNIC to CNIC) only through the Biometric Verification System (BVS) devices starting July 2017.
- Encouraging growth of 21 pc in BB accounts to reach at 33 mn.
- M-wallet share in customer oriented transactions rose to 66 pc.
- Rs. 30.6 bn disbursed on account of social welfare payments.
- 29 pc growth in female accounts.
- Female share in BB accounts remained 22 pc, whereas Sindh represents highest share of females.

### Auto Sales Make a New Record

Local car assemblers (including LCVs, Vans and Jeeps) sold 23,700 units in January 2018, up 13 pc year-on-year and 23 pc sequentially as start of the year was generally a robust period for auto sales.

The change in import procedure, demand from online ride-hailing services as well as availability of auto finance at lower rates contributed to strong demand in outgoing month. This was the highest monthly unit sale recorded for month of January. Cumulatively, industry sales during the seven months of fiscal year 2018 posted 29 pc growth to 147,838 units.

### MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

#### KIBOR (6 months)

	Bid%	offer%
STARTING	6.18	6.43
ENDING	6.17	6.42
CHANGE	-0.01	-0.01

#### Foreign Exchange Rates

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 156.00	PKR 137.80	PKR 111.90
ENDING	PKR 154.30	PKR 137.30	PKR 111.70
CHANGE	-1.7	-0.5	-0.2

#### Pakistan Stock Exchange

##### 100 Index

STARTING	43,808
ENDING	43,627
CHANGE	-181

#### Gold Rate

##### (10 gm)

STARTING	PKR 48,514
ENDING	PKR 47,914
CHANGE	-600



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## Remittances Rise to \$ 11.4 bn Since July 2017

Remittances being sent by overseas Pakistanis are on the uptick as the first seven months of the fiscal year have seen an inflow of \$11.4 bn, the State Bank of Pakistan reported recently. The report said remittances saw growth of 3.55 pc compared to the same period of last fiscal year. Inflows from United States, United Kingdom and European Union countries increased significantly. The data showed highest growth in remittances from UK. Workers in the Kingdom are still the biggest suppliers of remittances. The major changes were noted in the remittances from US and UK. Pakistan received \$ 1.585 bn from UK and \$ 1.504 bn from the US in the reporting period. The growth from EU countries was highest at 41.7 pc but the size of remittances was limited to \$ 371 mn. Highest remittances were received from Saudi Arabia which was \$ 2.914 bn followed by UAE of \$ 2.512 bn with a growth of 2.1 pc. The remittances from GCC countries amounted to \$ 1.314 bn.

## Exports Rise to \$ 20.4 bn

Pakistan exports, have surged to \$ 20.4 bn in FY 2017. During the first half of the current financial year FY 2018, exports grew by 11.24 pc compared with the corresponding period last year. At this rate, the exports are likely to rise to \$ 22.7 bn in FY 2018. In order to maintain the growth momentum, it is important to identify the drivers of growth to ensure that the endogenous factors contributing to the recovery are sustained. The exports recovery can be attributed to three major factors. Firstly, the Prime Minister's Export Package of Rs. 180 bn provided a much-needed respite in the face of waning export competitiveness due to an overvalued currency, high energy tariff, increasing labor costs and rising tariffs on imported inputs. The export package has delivered precisely what it aimed to deliver — increasing export volumes by quoting competitive prices. During the first half of FY 2018, quantities of 73 pc of the exports covered under the package have increased; 90 pc of this increase was linked to a simultaneous decrease in average unit price.

## HIGHLIGHTS

- Exports of non-textile products grow nearly 19 pc to \$ 4.4 bn in the first fiscal year, according to the Pakistan Bureau of Statistics.
- The volume of bilateral trade touches \$ 6 bn in 2017, according to press release by US embassy.
- The flow of funds from the banking sector to the loss-making public sector increases by 45 pc as they borrowed Rs. 115 bn during the first seven months of this fiscal year.
- According to the latest Pakistan Economic Survey, the national savings rate was 13.1 pc of GDP in 2016-2017 fiscal year.
- Exporters from Pakistan have bagged some \$ 3 mn export orders at the recently held Expo in Berlin , Fruit Logistica.



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## INTERNATIONAL ARENA

### Second Wealthiest Country in the World

Luxembourg is the second-wealthiest country in the world in terms of GDP per-capita (PPP). The economy, which is dependent on the banking, steel, and industrial sectors, maintains a healthy budgetary position and the lowest public debt level in Europe. The economy is characterized by an attractive taxation system. The financial sector is the main driving force behind the small but high income economy, accounting for one-third of the country's GDP. With \$ 4 trillion of assets in custody in financial institutions, Luxembourg has the world's second-largest investment fund asset after US. Introducing an automated exchange on fiscal information among states as of Jan 1 2017, Luxembourg has continued its cooperation with other countries to fight against fraud and fiscal evasion.

### Switzerland : A Brief

Switzerland's economic freedom score is 81.7, making its economy the 4th freest in the 2018 Index. Its overall score has increased by 0.2 point, with improvements in judicial effectiveness, government integrity, and monetary freedom outpacing slightly lower scores for the property rights and government spending indicators. Switzerland is ranked 1st among 44 countries in the Europe region, and its overall score is well above the regional and world averages. Switzerland's prosperous and modern market economy is buttressed by economic and political stability, a transparent legal system, a sound regulatory regime, a highly skilled labor force, an exceptionally well-developed physical and communications infrastructure, efficient capital markets, and low corporate taxes. Well-secured property rights, including intellectual property rights, encourage entrepreneurialism and stimulate productivity. Flexible labor regulations and the absence of corruption also enhance the business environment. The legal system, independent of political influence, ensures strong enforcement of contracts and judicial effectiveness.

### India: Switch to Electric Cars

Electric cars bask in the limelight at India's flagship auto show, where an ambitious plan to phase out polluting clunkers has manufacturers racing to lure millions of new drivers to their green vehicles. The Indian government wants all new cars on

India's roads to be electric by 2030 to combat smog that routinely eclipses dangerous levels in the nation of 1.25 bn. Some auto giants at the motor show in New Delhi have expressed reservations about the aggressive roll out when so little of India is equipped to charge electric cars and most drivers cannot afford the hefty price tags. But few are willing to risk a golden opportunity in the world's fifth-largest car market, where owning a four-wheeler is a status symbol.

The Indian auto firm Mahendra Electric firm, which is a "pioneer in e-mobility", is investing \$ 75 mn in its electric fleet since 2010 with another \$ 90 mn earmarked as production ramps up in the next three years, according to its CEO.

### Why Governments Might Join the Cryptocurrency Craze

With crypto -mania sweeping the world, a handful of countries have stirred at the possibility of issuing their own virtual currencies based on blockchain, the technology behind Bitcoin. The advocates of government-backed cryptocurrencies (so-named because they rely on cryptography for security) say that if the movement takes hold – which is by no means assured – it could irrevocably change the international monetary system as we know it.

Venezuela's president has proposed virtual currency he calls the Petro, each unit of which would be backed by one barrel of oil. He says the Petro will have a "great impact" on how Venezuela accesses foreign currencies and obtains goods and services from around the world. Success is by no means assured. There is no mechanism to exchange the cryptocurrency for crude or other hard assets, his plan envisions. Russia's central bank plans to talk to countries including Brazil, China, India and the five former Soviet republics about creating a supra-cryptocurrency that could cover countries with 40 pc of the world's population. People's Bank of China Deputy Governor wrote an article broaching the possibility of a digital currency it would issue with Chinese commercial institutions. In Sweden, where use of cash is vanishing, the central bank is investigating issuing its own digital currency, the E-krona, out of concern that widespread use of other virtual currencies controlled by private actors could harm competitiveness. (Courtesy: Bloomberg News)



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## MANAGEMENT & INFOTECH CORNER

### Managerial Toolkit

#### Keep Your Employees Engaged

Leaders play a significant role in helping employees understand why their jobs matter, but it's not just about connecting their work to a larger purpose. You can also do it by demonstrating curiosity:

- Explore, ask questions, and engage people on their ideas about the future.
- Make clear that there is a wide range of possibilities for how work gets done and that you want your employees to try new things.
- At the same time, keep them focused on meeting goals and making progress.
- Remain ambitious in the face of both failure and success, and push your people to continually accomplish more.

(Adapted from *How to Make Work More Meaningful for Your Team*, by Lewis Garrad and Tomas Chamorro-Premuzic-HBR.)

#### Don't Shy Away from Making Friends at Work

Friendships in the office can be tricky. When the boundaries are blurred between the professional and the personal, there is a chance for feelings and team performance to be hurt. But just because there is potential for messy entanglements does not mean you should avoid chatting with your colleagues. In fact, research shows that people who have friends at work have higher levels of productivity, retention, and job satisfaction. So take time to get to know people and forge bonds. (Adapted from *Having Work Friends Can Be Tricky, but It's Worth It*, by Emma Seppala and Marissa King-HBR.)

#### Set Up Ground Rules for Your Next Conversation

Difficult conversations are challenging in part because you do not know if or when the discussion will go off the rails. To

make sure things go smoothly, agree on a code of conduct with your counterpart beforehand. At a minimum, suggest no interrupting, no yelling and no personal attacks. (Those are basics, yes, but it is helpful for everyone to be reminded.) Then ask what other rules are important to your counterpart. If you are concerned your colleague will not abide by the rules, write them down on a piece of paper or a whiteboard. Then you can gently refer to them if, for example, your counterpart begins to raise his voice: "We said we weren't going to yell. Can you lower your voice?" (Adapted from the *HBR Guide to Dealing with Conflict*, by Amy Gallo-HBR.)

Laughter is the tonic,  
the relief, the surcease for  
pain. — Charlie Chaplin



#### Exude Calm as A New Manager

When you take on your first manager role, people will be watching. What you think, what you say and how you show up can have a direct impact on those you are leading. It is important to project calmness, confidence and competence, even if you feel stressed out. Recognize that a fleeting moment of anger or impatience may end up hurting your team's morale. Think about the kind of manager you want to be, and remind yourself of that ideal in every interaction. Use your self-awareness to sense when you are getting wound up. (Adapted from *How New Managers Can Send the Right Leadership Signals*, by Amy Jen Su-HBR.)

#### Twitter Makes First Profit in 12-Year History

Twitter has recorded its first profit more than a decade after it was founded, leading shares to jump by a quarter. The social network's fourth-quarter results appeared to cap a long-awaited revival after years of losses, fears over growth and an unsuccessful attempt to sell itself. Twitter posted a profit of \$ 91.1 mn (£65 mn) in the final three months of the year as revenue returned to growth and the company managed to cut costs.

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