



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 Jan 19, deposits and other accounts of all scheduled banks stood at Rs. 11,923.348 bn after a 0.23 pc decrease over the preceding week's figure of Rs. 11,950.892 bn.

Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 6,498.758 bn, higher by 0.086 pc over the preceding week's figure of Rs. 6493.155 bn

Investments Brief

Investments of all scheduled banks stood at Rs. 7,670.889 bn against preceding week's figure of Rs. 7,993.596 bn, lower by 4.04 pc.

Projects Worth Rs. 155 bn Approved

The Executive Committee of the National Economic Council (ECNEC) recently approved eight development projects, mostly in the social sector, at an estimated cost of Rs. 155.26 bn. In a meeting presided over by the Prime Minister, ECNEC also approved a few projects which will be mostly executed in Punjab and Sindh. A sum of Rs. 23.478 bn was approved for enhancing Public-Private Partnership (PPP) in Punjab. Under the program, direct financial support will be provided towards Viability Gap Fund and Project Development Fund. The funds will also be used to build capacity besides providing adequate financial resources to government departments for project identification, transaction execution and development of sustainable PPP projects. For Prime Minister's Health Programme phase-II Rs 33.629 bn was approved. Under this umbrella project, the government committed to expanding and extending provision of health services across the country especially to the women and children and to reduce out of pocket expenditures on health by vulnerable segments of society.

SECP Launches Online Company Registration

The Securities and Exchange Commission of Pakistan (SECP) has launched a single online procedure under which a company can now be registered within four hours in one go. In 'Doing Business Report 2018' of the World Bank, the time-period for starting a business in Pakistan required 17.5 days. The SECP and Board of Investment (BoI) worked in close collaboration to introduce reforms in making business incorporation earlier in the context of 'Starting a Business' indicator of the 'Doing Business' report. Considering the world's best practices for company

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 months)

| | Bid% | offer% |
|----------|------|--------|
| STARTING | 6.18 | 6.43 |
| ENDING | 6.18 | 6.43 |
| CHANGE | 0 | 0 |

Foreign Exchange Rates

| | GBP(£) | EURO(€) | USD(\$) |
|----------|------------|------------|------------|
| STARTING | PKR 159.50 | PKR 139.50 | PKR 112.40 |
| ENDING | PKR 156.00 | PKR 137.80 | PKR 111.90 |
| CHANGE | -3.5 | -1.7 | -0.5 |

Pakistan Stock Exchange

| | 100 Index |
|----------|-----------|
| STARTING | 44,301 |
| ENDING | 43,808 |
| CHANGE | -493 |

Gold Rate

| | (10 gm) |
|----------|------------|
| STARTING | PKR 48,600 |
| ENDING | PKR 48,514 |
| CHANGE | -86 |



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registration, the single online procedure has been a sought-after reform area. The SECP has combined the procedures for company's name reservation and its incorporation. This has helped the new start-ups to register companies in a single step through e-services. The BoI said the total time to register a company is now four hours, whereas the requirements are: submission of name availability with three options, incorporation of application with model memorandum of association and articles of association.

22nd Zahid Husain Memorial Lecture:

The Role of a Central Bank in National Economic Development by Professor Sir Paul Collier

Creating a shared narrative induces mutual obligations on part of the public to contribute towards economic development while introducing constraints on rulers at the same time. "Central banks as a constitutionally independent institution, can do a lot to create this shared narrative." This was stated by Sir Paul Collier, Professor of Economics, Oxford University, UK at the 22nd Zahid Husain Memorial Lecture organized by the SBP at a local hotel in Karachi on February 1, 2018. Professor Collier, while discussing the capacity of state institutions to tax and to install checks and balances on the abuse of power, emphasized on the belief of a sense of shared belonging, a sense of fairness and a sense of purposive action. Without these complementary beliefs sustained economic development would be hard to achieve, he said. Adding further, he said that it is imperative to create a shared narrative and inculcate these beliefs among all the main stakeholders, if a country wants to walk the path of sustained economic development. Referring to SBP, he mentioned that the recent emphasis of SBP on provision of financing to underserved segments of the society such as to SMEs, low cost housing finance and agriculture, are purposeful actions in this regard. He also praised the national consensus on CPEC as a powerful symbol of national unity.

Earlier in his inaugural address, the Governor State Bank of Pakistan, Mr. Tariq Bajwa, introduced the guest speaker and recounted his achievements in the field of economic research and policy making. Governor Bajwa also highlight-

ed the role of the SBP in the development of Pakistan's economy through strengthening financial institutions, developing human resources, providing credit to SMEs and other priority sectors and spearheading efforts for financial access to underserved segments of the society.

HIGHLIGHTS

≈ Revenue collection surges 19 pc year - on - year to Rs. 272 bn in January despite the non-clearance of imported vehicles and growth in sales tax refunds.

≈ SBP Governor Tariq Bajwa expresses hope to achieve the agriculture loan target of Rs. 1,001 bn set for 2017-18 as banks disbursed Rs. 432 bn during July-December 2017.

≈ The SBP Governor also took stock of the four key points identified during the last Agricultural Credit Advisory Committee (ACAC) meeting held on 25th August 2017. These included achievement of Rs. 1001 bn disbursement targets, increasing financial inclusion of small farmers to address their credit needs, particularly for production loans, rationalizing the markup rates on agricultural financing to pass on the benefit of historically low discount rate and increasing banks' footprint in underserved regions and provinces for reducing regional disparities.

≈ The country's total liquid foreign exchange reserves amounted to \$ 19.354 bn on January 26, 2018.



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INTERNATIONAL ARENA

Banks Asked to be Ready for Hard Brexit

A top European financial supervisor warned that banks both in Britain and the European Union need to be ready for a so-called hard Brexit, in which the UK leaves the bloc without a transitional period to ease the changeover. Under a hard Brexit, Britain would exit the 28-country EU and its free-trade zone completely when the deadline arrives in March 2019. That means banks headquartered in London would lose their automatic right to do business throughout the rest of the bloc. A transition period could provide time for banks to adjust to new rules of trade. "We cannot be sure whether the transitional period will really happen", said Sabine Lautenschlaeger, the Vice Chair of the European Central Bank's banking supervisory board. "Banks must continue to prepare for any outcome, including a hard Brexit."

Extraordinary Secretive Wealth Creators

Europe is home to some extraordinary wealth creators, who often try to hide their success. Ingvar Kamrad, a Swedish farmer's son, constructed IKEA, a seller for flat-pack furniture that became a global giant with annual revenues of \$ 47 bn. He died at the age of 91 on January 27, 2018 after a famously frugal life. Amancio Ortega, the Spanish son of a railway worker, founded Inditex, a fast-fashion giant, and shuns any media attention. Then there is the reclusive Reimann family of Germany, members of which reportedly take a vow at the age of 18 not to talk publicly about their business, JAB Holding, a Luxembourg-based investment group.

Germany: An Economic Brief

Germany has a highly developed social market economy, the world's fourth-largest in terms of nominal GDP and the largest manufacturing economy in Europe, which accounted for 28 pc of the euro area economy in 2017, according to the IMF. By exporting \$1.27 trillion worth of goods and services, it became the world's third largest exporter and recorded a trade surplus of \$310 bn in 2016, making it the biggest capital exporter globally. The service sector contributes around 70 pc to GDP, industry 29.1 pc, and agriculture under one pc. Exports share in GDP is 41 pc. In 2017, the economy hit a six-year high at 2.2 pc. Consumer spending, boosted by ultra-low borrowing

costs, record high employment and rising wages, provided the biggest impetus to the record growth in 2017. Company investments and exports, the traditional driver of Europe's largest economy, also contributed as demand for 'made in Germany' goods picked up globally and in eurozone, experiencing its broadest recovery in a decade. The economy has now grown for the eighth successive year. The high export growth will continue to outpace the expansion of German export markets. Exports are expected to grow strongly in the first quarter of markets. Exports are expected to grow strongly in the first quarter of 2018. That sets the euro area's largest economy up well for 2018.

Manufacturing Struggles to Adapt

No company wants to repeat what happened to Hachette in 2014, when the publisher balked at Amazon's terms. Suddenly its book shipments seemed to be delayed and Amazon was recommending titles from other publishers. The dispute ended with Hachette getting more control over pricing. But the deal showed the risks for producers of all kinds as online platforms gain strength. The old system suited many businesses. Clothing manufacturers followed a predictable calendar for when goods would be produced and distributed. Giant makers of household products and food had to deal with retailers such as Walmart, but they could also swat away smaller competitors with spending on television ads. E-commerce is changing all this. Companies that sell dresses and shoes to conventional retailers are threatened both by online sellers and by bricks-and-mortar ones such as Zara. E-commerce helps small firms distribute their products. Shoppers no longer have to rely on big brands. Yet for those brands, all is not lost. Evidence from Sanford Bernstein, a research firm, suggests that the strongest ones will be fine, it is the medium brands that will fade away as both smaller competitors and giant ones flourish. And e-commerce brings its own opportunities. Alibaba and JD make it easier for big firms to reach China, which are expected to provide more than 70 pc of new online shoppers by 2020. E-commerce is also changing how manufacturers advertise their goods. Companies have long used cookies to follow consumers around the web. Chinese e-commerce firms, given the scope of their activities, have even more useful data about consumers' habits and purchases, both online and in stores.



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It is Amazon, not the companies that sell on it, that knows what customers buy, and when. It makes some of these data available to others, for a fee. Amazon now looks set to wield even more power over manufacturers. Alexa* can suggest that consumers buy certain items, for instance, and might eventually be programmed to shop automatically. Amazon is also steadily introducing its own private-label goods to compete. In future, many makers the world over are likely to pursue a three-part strategy, distributing on sites such as Amazon, in stores and through their own channels. Avoiding the first option is getting increasingly hard. Nike, which had withheld its products for years, recently agreed to sell on Amazon after all. (**Alexa is Amazon's digital assistant - courtesy: The Economist*)

Scientists Successfully Recreated the Face of a Girl Reportedly Died Over 9,000 Years Ago

The face of Dawn, named Avgi in Greek, was reconstructed with the help of advanced 3D scanning and modeling technology. The girl who died some time near 7,000 BC was found in a cave back in 1993. Through CT scans of the skull, a precise clone was made via a 3D printer. The face created was of a faint masculine female with an angry look on her face. An archeologist and sculptor, Oscar Nilsson, told National Geographic that people at that time usually looked less feminine. "Having reconstructed a lot of Stone Age women and men, I think some facial features seem to have disappeared or 'smoothed out' with time. In general, we look less masculine, both men and women, today."

KALEIDOSCOPE

Dubai International Airport has released its passenger statistics for 2017, which confirm it has held onto its position as the world's busiest airport for international travel. Some 88.2 million passengers passed through the airport last year, up from 83.6 million in 2016. Dubai Airports CEO Paul Griffiths said he forecasts traveller numbers to swell to 90.3 million in 2018. It first surpassed London Heathrow, previously the world's busiest airport for international traffic, back in 2014 – and has kept the title ever since.

Space Tourism

Space tourism is now actually becoming a thing with many people investing in it. Recently, Russia announced that it will send tourists to International Space Station (ISS) for a spacewalk. Russia is giving a chance to float around in ISS, the habitable artificial satellite in Earth's orbit, accompanied with a space walk out on the station's hull. However, not everyone can afford the trip to space; according to the head of the Russian space company Energia, Vladimir Solntsev, a 10-day trip to space would cost around \$100 mn. "Market analysts have confirmed this: wealthy people are ready to pay money for this."

MANAGEMENT & INFOTECH CORNER

Offer Praise to Your Stressed-Out Colleague

You know the stress case — the one who is always overwhelmed, overstretched and overextended. They are not easy to work with, but you probably do not have a choice. Whether you regard your colleague with annoyance or sympathy, you can help them by offering praise and assistance. Your co-worker likely feels out of control, so complimenting their performance can help them form an alternative self-image as a competent, positive professional. Cite something specific. For instance, you could say, "The way you handled that presentation last week was admirable. You were so calm and collected, and the clients were impressed." You can also provide support by asking if there is anything you can do to help, which might make your stressed-out colleague feel less alone. (Adapted from *How to Work with Someone Who's Always Stressed Out* by Rebecca Knight-HBR.)

New Focus for Facebook

After Facebook CEO Mark Zuckerberg said that the platform would focus more on personal moments and less on content from media outlets, the company's market capitalization dropped 5 pc, or \$27 bn.

Focus On Future When Leading a Turnaround

When you are brought in to turn around a team or business unit, the deck might feel as if it is stacked against you. If your



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predecessor failed, how will you succeed? First off, to effectively lead a turnaround, resist the temptation to emotionally distance yourself from the situation — you are part of this team, so embrace it. And minimize references to your past successes; while you should draw on what has worked for you before, no one in a struggling organization likes to hear, “This is how we did it at my old company.” To help keep your employees’ anxiety down, be transparent about how you will make changes and on what kind of timeline. When you are returning to a former employer, reset expectations. Returning to a company you used to work for can be a smart career move. But do not assume you will pick up right where you left off. Reset expectations — both yours and others’. Demonstrate that you have grown, and establish yourself as a more senior person in the organization by humbly highlighting what you achieved and learned while you were away. You might need to project maturity by being a bit formal and reserved in your initial reactions; colleagues will want to see that you have evolved. And do not assume the company has stayed the same since you left. Power has shifted, people have come and gone, and your colleagues have grown too. (Adapted from *“What to Do When You’re Returning to a Company You Used to Work For,”* by Rebecca Knight- HBR.)

Talk About Skills When Talking About Promotions

Conversations about promotions can be tense — both for the person asking and for you, the manager. Your first instinct might be to consider whether the employee is a “good fit” for the new role, but it’s better to focus on their skills. Ask yourself, “What will the person need to do the job well?” Then communicate the answer to your employee. For example, you might say: “You would need to develop expertise with Tableau,” or Excel, or giving presentations. That is a far simpler message to deliver than “I don’t know if you’re equipped to be a manager yet.” By breaking down the role into the required skills, you’ll demystify the promotion and make it more attainable for the employee. (Adapted from *How to Support Employees Learning Goals While Getting Day-to-Day Stuff Done,* Nick Gidwani-HBR.)

“An economist is an expert who will know tomorrow why the things he predicted yesterday didn't happen today.” — Laurence J. Peter

AI Will Send Humans to Longer Vacations

The advancement of artificial intelligence (AI) even led the billionaire Bill Gates talking about it. He regarded AI as something that will send humans to longer ‘vacations’ and that is a positive thing. Gates had earlier pointed out the threat AI poses to human jobs since the field has spreading to almost everything now. This time Gates added a bit of lightness and said that “though AI will replace jobs and we won’t be able to do anything about it, but the end might be satisfactory.”

Recessionary Periods Over a Lifetime

According to data from the National Bureau of Economic research, most American workers will experience between five and 10 periods of economic recession during their professional lives.

Raises at Wal-Mart

Earlier this year, the retailer Wal-Mart announced that it would increase starting wages for workers in the US to \$11 per hour, up from \$9 per hour.

Investment in AI

According to a survey conducted last year by Deloitte, about 20 pc of established companies in the US are making substantial investments in artificial intelligence projects.

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