



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 14, Issue No. 05 | Date: February 01, 2019

A Company Set up Under Section 42 of the Companies Act, 2017

PAKISTAN OVERVIEW

BANKING SPECTRUM

Deposits File

According to the weekly statement of position of all scheduled banks for the week ended January 18, 2019, deposits of all scheduled banks stood at Rs. 13,089.193 bn, higher by 0.27pc, over the preceding week's figure of Rs. 13,053.574 bn.

Credit folio

Gross advances of all scheduled banks stood at Rs. 7,881.565 bn, higher by 0.16pc over the preceding week's figure of Rs. 7,869.075 bn.

Investments Conspectus

Investments of all scheduled banks stood at Rs. 5,202.413 bn against preceding week's figure of Rs. 5,458.275 bn, lower by 4.68pc.

Assets Diary

Total Assets of all scheduled banks amounted to Rs. 16,982.647 bn against previous week's figure of Rs. 16,961.012 bn, rise by 0.12pc.

Policy Rate Raised

State Bank of Pakistan (SBP) Governor Tariq Bajwa announced a 25 basis point increase in the policy rate, bringing it to 10.25 per cent effective from Feb 1. He explained that the Monetary Policy Committee had noted that the impact of the government's stabilisation measures were "gradually unfolding", and that consumer confidence had improved amidst reduced economic uncertainty.

Diaspora Bond to be Launched Soon

The government is set to launch a dollar-denominated diaspora bond – Pakistan Banao Certificate (PBC) – on Jan 31 to tap into the international savings of overseas Pakistanis for building foreign exchange reserves. Finance Minister said that the certificates would be of two maturities – one of three years at about 6.25pc return and another with five-year maturity carrying 6.75pc return. Four banks had been selected to complete the transactions, he added.

Real Estate Sector Needs Regulator

Lack of policy and regulatory framework has led to the mushroom growth of real estate projects across the country, the Competition Commission of Pakistan (CCP) observed in its report. "The existing legal framework has failed to maintain a vigilant system of proper check and balance in this sector, which has resulted in the general public as well as commercial investors losing their hard earned money at the hands of felons and other factors, causing instability and disrupting the ease of doing business," the CCP opinion titled 'Issues of Real Estate Sector of Pakistan'

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)		
	Bid%	offer%
STARTING	10.50	10.75
ENDING	10.62	10.87
CHANGE	+0.12	+0.12

FOREIGN EXCHANGE RATES			
	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 181.20	PKR 158.00	PKR 138.90
ENDING	PKR 180.90	PKR 158.00	PKR 138.00
CHANGE	-0.3	0	-0.9

PAKISTAN STOCK EXCHANGE	
100 Index	
STARTING	40,264
ENDING	41,112
CHANGE	+848

GOLD RATE	
(10 gm)	
STARTING	PKR 57,442
ENDING	PKR 58,000
CHANGE	+558

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said. The CCP opinion has said that in order to enhance the productivity of this sector, realize its full potential and protect the rights of all stakeholders, it is imperative that immediate attention is given to this sector by the government and necessary measures are undertaken to organize, formalize and regularize it.

Bin Qasim SEZ Investors Demand Provision of Amenities

Investors at the Bin Qasim Industrial Park (BQIP), a Specialized Economic Zone (SEZ), have complained to the federal government that attracting new investments would remain fruitless unless commitments made to existing investors are fulfilled. In a letter addressed to the Board of Investment (BoI) and the Ministry of Industries and Production (MoIP), they said that none of the state functionaries were responding to redress the issues faced by them in setting up units in the industrial park. "Five companies that have invested Rs.35 bn in BQIP are facing delays in starting their completed plants because all utility services have not been provided to the SEZ," the letter said.

Reforms Planned to Ease Business Regulations

With the aim to get Pakistan included among top 50 countries on the global ranking of ease of doing business within the next five years, the government has planned measures to ensure simpler and friendlier regulations for business, said chairman of the Board of Investment (BOI) Haroon Sharif recently. While addressing a press conference Mr. Sharif said that automation of construction permits in Karachi and Lahore and property registration in Karachi were part of the reforms being introduced within the next three months.

Pakistan Certifies First Organic Cotton Bale

Balochistan recently marked the certification of Pakistan's first organic cotton bale at a ceremony held at Kot Sabzal. Balochistan's Minister for Agriculture said the provincial government was committed to promoting organic agriculture throughout the province. He further said that Balochistan would be developing an organic agriculture policy soon. In 2015, WWF-Pakistan secured financial support from the C&A Foundation, and in collaboration with Balochistan's Directorate of Agriculture Extension started work on a

project titled 'Organic Cotton Cultivation Promotion with Small and Marginal Tribal Farmers in Pakistan'. The project is helping improve livelihoods of small holder cotton farmers by promoting organic cotton cultivation and development of its supply chain.

SPOTLIGHT

- SBP has introduced a regulatory framework for authorized banks dealing in foreign exchange to mitigate the misuse of cross-border trade transactions for money laundering, terrorist financing and proliferation financing
- The Ministry of Food Security & Research has proposed procurement of 100,000 tonnes of potatoes through PASSCO
- IMF Resident Representative to Pakistan Teresa Sanchez said that raising revenues is the heart of the adjustment effort that the government needs to undertake
- The textile sector in Pakistan has suffered considerable liquidity constraints in recent years due to delay in processing of pending refunds. Failure to clear refunds in a timely manner resulted in the amount pending rising up to at least Rs.100 bn by conservative estimates
- But the sector's woes finally look to be resolved. In his speech regarding the Finance Supplementary (2nd Amendment) Bill, 2019 more popularly known as the mini-budget, the Finance Minister announced the issuance of promissory notes to clear the huge quantum of pending sales tax refunds
- The promissory notes will be issued in a multiple of Rs. 100,000 and shall have a maturity of three years from the date of issuance. They will also carry a simple profit rate of 10pc per annum



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INTERNATIONAL VISTA

China, US Launch Trade Talks Amid Deep Differences

The US and China opened a pivotal round of high-level talks recently aimed at digging out from their months-long trade war amid deep differences over Chinese practices on intellectual property and technology transfer. Cabinet-level officials, led by Chinese Vice Premier Liu He and US Trade Representative Robert Lighthizer, gathered in the Eisenhower Executive Office Building next to the White House, with about a month to reach a deal before a March 2 US deadline to increase tariffs on Chinese goods.

France is World Champion in Social Spending

France's social spending is the highest in the developed world relative to the size of its economy, an OECD study found, as the government weighs how to respond to "yellow vest" protests. Expenditure on healthcare, pensions and other social services was the equivalent of 31.2pc of GDP last year, said the Organization for Economic Cooperation and Development, a Paris-based inter-governmental research institution. That trend is broadly in line with other developed countries, reflecting the development of more comprehensive welfare states and higher pension spending as more people live longer. But France's outlays are well above the average of 20.1pc of GDP for the 36 OECD member countries, with pensions making up a large chunk of the cash benefits paid out every month. In neighboring Germany, social spending was just 25pc of GDP last year, while in the US it made up just 19pc.

Shutdown Robbed US Economy of \$11bn

The five-week government shutdown subtracted \$11 bn from the US economy, about twice the amount President Trump sought to fund a border wall, an independent congressional body said recently. However, all but \$3 bn, or 0.02pc of GDP, will eventually be recovered as the government resumes operations, the non-partisan Congressional Budget Office said in a report. The estimate suggested the damages from the political brawl in Washington were

significant but stopped short of the far worse harm that could have occurred had it been allowed to continue.

What is Shutdown in USA

In United States politics, a government shutdown occurs when Congress fails to pass, or the President refuses to sign, appropriations legislation funding federal government operations and agencies. Government shutdowns in United States politics also refer to a funding gap period that causes a full or partial shutdown of federal government operations and agencies.

76 WTO Members Rushing for New E-commerce Rules

Impatient with a lack of World Trade Organization (WTO) rules on the explosive growth of e-commerce, 76 members – including the US, China, the European Union and Japan – agreed recently to start negotiating a new framework. China, which is locked in a trade war with the US, signalled conditional support for the initiative but said it should also take into account the needs of developing countries, in comments likely to rile Washington. E-commerce, or online trade in goods and services, has become a huge component of the global economy. A WTO report put the total value of e-commerce in 2016 at \$27.7 tr, of which nearly \$24 tr was business-to-business transactions. On the sidelines of the World Economic Forum in Davos, negotiators from the 76 countries agreed to hammer out an agenda for negotiations they hope to kick off this year on setting new e-commerce rules.

Germany Hopes to Quit Using Coal

A short guide to the stakes at play and some proposed solutions: Why is Germany quitting coal? Germany is committed to the 2015 Paris climate accord, an international agreement that set a goal of keeping global warming well below two degrees Celsius (3.6F), ideally 1.5C (2.7F). Achieving the goal will require steep cuts in greenhouse gas emissions. Germany's coal plants produce the most carbon dioxide of any country in Europe, and forecasts indicate the country will miss its 2020 target for reducing emissions.



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Finland Breaks European Record for Lowest Temperature

Winters in Finland are often frigid but meteorologists say the Nordic nation's Lapland region has produced Europe's coldest temperature this winter at minus 38.7 degrees Celsius (minus 37.7 degrees Fahrenheit). Meteorologist Ari-Juhani Punkka from the Finnish Meteorological Institute told Finnish public broadcaster YLE recently that Finland and northeastern Europe were now hosting the continent's coldest air masses, ones that "are Arctic in nature." This winter's coldest temperature in Europe outside of Russia was measured early on Sunday in the Sodankyla municipality, 250 km (155 miles) north of the Arctic Circle. Frigid temperatures are common in Lapland, the northernmost part of Finland, which covers one-third of the nation's land mass and is a popular tourist destination.

Emerging Nations Will Take Longer to Outpace Developed Economies: CEBR

In the race to outpace developed economies, emerging countries such as China, India, and Brazil suffered a setback this year and will outgrow them later than previously expected, the Centre for Economics and Business Research (CEBR) said. The CEBR consultancy's 2019 World Economic League Table was more downbeat on the global economy than last year's outlook. China is likely to overtake the United States as the world's No. 1 economy in 2032, two years later than previously expected, due to a more lax monetary policy and lower exchange rate, the CEBR said. It expects Brazil to overtake Italy in 2020, not 2018. India would overtake Britain and France, probably in 2019, but possibly 2020, rather than in 2018 as it predicted a year ago. Britain would likely lose its place as then the sixth biggest economy to France next year due to BREXIT-related disruption, but should regain that position by 2023. The CEBR also projected Ireland to be among the fastest growing economies in the Eurozone next year, but said BREXIT posed a big downside risk to that forecast.

MANAGEMENT OUTLOOK

TIPS

Make Sure Everyone Feels Welcome at Casual Networking Events

It is not uncommon for people on a team to get together outside of work hours. These unplanned, informal events can be useful ways to connect, share information and even make decisions. But they can also exclude some team members, even if it is unintentional. As a manager, you can make sure everyone feels welcome at these kinds of events. Start by learning your employees' preferences around social gatherings, including dietary restrictions and activities that make them feel comfortable. For example, make sure that not all events center around certain beverages, so people who do not drink are not excluded. When you are thinking about future events, then pay attention to how often the team meets informally and who is showing up. These details will help you figure out who is not coming, and reach out to invite them when necessary. (Adapted from "How Managers Can Make Casual Networking Events More Inclusive, by Ruchika Tulshyan-HBR.)

SNIPS

WeWork, Rising

WeWork grew its "enterprise" (companies with over 1,000 employees) customer segment by 370pc in the past year.

Virtual Reality

A 2017 Gallup report on the state of the American workplace revealed that 43pc of employees work remotely.

Media frenzy

In the last 15 years, 1 in 5 American newspapers has shuttered.

In the dark

In sub-Saharan Africa, about 600 mn people live without electrical power.



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Think of Delegating as a Chance to Teach Your Employees

For many managers, the hardest part of delegating is trusting that a task will be done well. But it becomes easier when you think of it as a chance to train your staff — not just get rid of some work. The next time you need to delegate something, start by determining who on your team is ready to handle more responsibility. Then create simple tasks to help them learn the skills they will need. If you did like someone to take over running a weekly meeting, for instance, have them practice each part of the process: One week, they can create an agenda, which you will review. The next, they can watch you run the meeting, with plenty of chances to ask questions. Eventually they will be ready to try running the meeting themselves, after which you can offer feedback. This kind of teaching can be time-consuming, but it will go a long way toward preparing your team for more complex work. (Adapted from *“How to Stop Delegating and Start Teaching,”* by Art Markman-HBR.)

Are You Doing Enough to Retain Your Best Employees?

Every manager knows it is important to keep their best people. But when retention issues crop up, it is easy to want to blame anyone but yourself. Instead of pointing the finger, think long and hard about why your employees may be thinking of leaving and what is needed to increase their engagement. Consider the possibility that you, or other leaders, are contributing to the problem. Do not rely on your gut, though — collect some data. For instance, quick “pulse surveys” can be useful for keeping tabs on how employees feel about their jobs, and the job that management is doing. You might hear some uncomfortable truths when you ask for their opinions, but do not get defensive. Be open to listening and to changing how you manage based on what people say. The good news is that, if you signal to employees that you are willing to make meaningful changes, some of them will feel supported and inclined to stay. (Adapted from *“Don’t Let Lazy Managers Drive Away Your Top Performers,”* by Mark C. Bolino and Anthony C. Klotz-HBR.)

Dementia in US Workforce

Faced with an aging workforce, American companies are increasingly navigating delicate conversations with employees grappling with cognitive declines, experts say. Workers experiencing early stages of dementia may struggle with tasks they had completed without difficulty. The Bureau of Labor Statistics estimates the number of US workers between the ages of 65 and 74 will balloon 55pc between 2014 and 2024, with 86pc growth for the working population over 75. That 65-and-up age group that is most likely to face dementia diagnoses, though early-onset symptoms can afflict younger people. And even though studies show the rate of dementia diagnoses has actually fallen in recent years, the sheer number of older US workers expected to remain in the workforce has increasingly left employees and employers wrestling with the prospect of dementia in the office.

Facebook Sees Higher Profits, More Friends

Facebook said recently that quarterly profit climbed to an all-time record \$6.9 billion as it boosted its global user base despite scandals that have dented the leading social network's image. Revenue soared 30 per cent from a year ago to \$16.9 billion while the number of people using Facebook monthly rose nine per cent to 2.32 billion, the company said in its fourth quarter update. Net profit for Facebook, which makes most of its money from online advertising, was up a strong 61 per cent from the same period last year. Facebook shares jumped 11.5 per cent to \$167.67 in after-market trades that followed release of the earnings. The latest update showed Facebook increased its user base both in the United States and Europe, where the social network has faced challenges over data protection scandals. Facebook has pledged to hire thousands of employees and invest in new technologies to respond to concerns about manipulation and abuse, and to take data protection more seriously. The number of employees as of December 31 was 35,587, an increase of 42 per cent year-over-year.

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