



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

Page No. 01

Volume 14, Issue No. 09 | Date: March 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 February 15, 2019, deposits of all scheduled banks stood at Rs. 12,896.844 bn, less by 0.35pc, over the preceding week's figure of Rs. 12,942.311 bn.

Credit folio

Gross advances of all scheduled banks stood at Rs. 7,888.286 bn, rise by 0.12pc over the preceding week's figure of Rs. 7,878.411 bn.

Investments Conspectus

Investments of all scheduled banks stood at Rs. 7,279.428 bn against preceding week's figure of Rs. 5,169.857 bn, higher by 41pc.

Assets Diary

Total Assets of all scheduled banks amounted to Rs. 17,961.458 bn against previous week's figure of Rs. 16,848.365 bn, rise by 6.6pc.

Singapore Offers Help in Building 5mn Low-cost Houses

Singapore has showed interest and offered Pakistan its expertise for building 5 million low cost houses in the next five years. The offer was placed by Mr. Shamsheer Zaman — Singapore's ambassador to Jordan, vice chairman of South Asia Business Group, and chairman of Middle East Business Group – who was leading a 22-member trade and investment delegation. Addressing business leaders at the Federation House, he noted that business atmosphere in Pakistan has improved a lot. He stressed the delegates would like to focus on infrastructure sector, information technology and also provide services in port management.

OUP MD Says Publishing Industry Growth to Rs.32 bn

Oxford University Press Managing Director has said that size of publishing industry in Pakistan has potential to grow up to Rs. 32 bn in the next five years if piracy of books is checked. "Presently, it is a Rs.16 bn publishing industry but that too has been facing chronic issue of piracy," he said recently. He said low literacy rate in the country is also a big problem in the growth of the publishing industry. He said he was heartened to know that the incumbent government was focusing a lot on education. He stressed the need for improvement in the publishing business.

Poor Fuel Quality Major Barrier for Eco-friendly Cars

The poor quality of petrol available in Pakistan is a major barrier to introduction of cars equipped with engines that meet the Euro 4 standards or above in this market, according to a senior executive of a South Korean auto manufacturer.

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	10.61	10.86
ENDING	10.59	10.84
CHANGE	-0.02	-0.02

FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 179.50	PKR 156.30	PKR 138.00
ENDING	PKR 183.50	PKR 157.30	PKR 138.50
CHANGE	+4	+1	+0.5

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	40,016
ENDING	39,539
CHANGE	-477

GOLD RATE

	(10 gm)
STARTING	PKR 59,242
ENDING	PKR 60,014
CHANGE	+772

* An ISO 9001 : 2015 Certified Company



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 02

Volume 14, Issue No. 09 | Date: March 01, 2019

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

“We would like to bring more eco-friendly cars in this market. But such plans depend on the quality of the fuel available here ... the low quality of petrol is a problem because it is not compatible with eco-friendly engines,” Mr. Hideo Takenaka, the Executive Vice President Sales and Marketing Hyundai Nishat Motor, said recently.

Banks & SME Financing

- Banks in Pakistan lend to small and medium enterprises (SMEs) selectively and, at times, reluctantly.
- They have a reason to do so: about 95pc of SMEs work in the informal sector i.e. they are not documented; lending to them is far riskier than lending to a tax-paying individual.
- That explains why banks offer personal loans generously, but keep SME lending under tight controls. This helps grey banking or informal lending-borrowing thrive. Since grey banking largely remains unchecked, tax-evading SMEs do not mind being ignored by banks.
- It is in the interest of banks to boost SME financing because that is where they can earn fatter profits and that is where interest-earning streams run longer.
- Unlike corporate entities that believe in frequent credit shopping, SMEs do business with banks of their choice for a long time.
- SMEs, too, should realize that getting registered and coming under the tax net is key to their survival and growth. The more they try to delay this, the higher the cost of regularization.
- Keeping this official line in mind is important before analyzing the latest rise in SME financing. According to the State Bank of Pakistan (SBP), banks' stock of lending to the SME sector swelled to Rs. 513 bn in 2018 from Rs. 450 bn in 2017.
- This means banks made fresh lending of Rs. 63 bn to SMEs last year.

- In 2018, banks' fresh lending to the private sector stood at Rs. 923 bn. In that credit pie, the share of fresh lending to SMEs was Rs. 63 bn, or just 6.8pc of the total.
- According to the SBP, the SME sector is contributing 30pc towards Pakistan's GDP, employs more than 80pc of non-agriculture workforce and generates 25pc of export earnings.
- Till the end of 2017, the total number of SME borrowers stood around 164,000, according to SBP data. Bankers say they did not reach out to a large number of new SMEs in 2018 whose figures are yet to come out.
- The disbursement of Rs. 63 bn loans to 164,000 SMEs in 2018 means the average per-party lending was less than Rs. 385,000 even if we suppose the number of SME borrowers remained at the 2017 level beyond corporate and personal finance.

Indian Exporters to Suffer More from Cessation of Trade With Pakistan

The volume of Pak-India bilateral trade posted a growth of nearly 5pc in the first seven months of the current fiscal year from a year ago despite border tension for the past few months between the two countries, a report revealed. Following the attack, New Delhi withdrew the MFN status to Islamabad, which it granted in 1995. The grant of this status means that a country will treat all WTO member states equally in matters of tariffs on imports. A day later, it slapped 200pc import duty on Pakistani goods. However, the Indian government's decision to impose 200pc additional duty will bring them no tangible results as Pakistan's annual exports to the country are worth a few million dollars. However, trade statistics show a complete picture that New Delhi will feel the pinch of the current stand-off. The total aggregate volume of bilateral trade between July-January 2018-19 has reached to \$1.122 bn, up by 4.96pc from \$1.069 bn over the corresponding period of last year. The first seven-month data of this fiscal year shows that Indian exports to Pakistan constitute 79.33pc of the total bilateral trade volume.



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 03

Volume 14, Issue No. 09 | Date: March 01, 2019

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

INTERNATIONAL VISTA

May Opens Way to 3-Month BREXIT Delay

Prime Minister Theresa May promised recently to allow parliament to delay BREXIT by up to three months to avoid Britain crashing out of the European Union without a deal on March 29. The dramatic reversal in May's steadfast strategy came after threats of mass resignations from her own ministers and calls for a second referendum on Britain's EU membership from the main opposition Labour Party. It saw the Pound rally to its highest level since May 2017 against the Euro and since October 2018 against the Dollar as investor fears of imminent trade gridlock and financial market mayhem eased. But the change in course angered BREXIT hardliners in May's own Conservative Party. Influential MP Jacob Rees-Mogg warned that "any delay to BREXIT is a plot to stop BREXIT". The announcement also did little to draw London and Brussels closer to an agreement over how to end a 46-year partnership that Britons narrowly voted to end in a June 2016 referendum.

Corporate Debt Risks Weighing on World Growth: OECD

Record levels of corporate borrowing could become a risk for the world economy if slowing growth prevents companies from redeeming their maturing bonds over the next few years, the OECD warned recently. The value of outstanding bonds issued by the world's non-financial companies has doubled since the 2008 global financial crisis, the Paris-based body said in a report. Taking advantage of ultra-low interest rates, companies have borrowed like never before, boosting the corporate bond market to \$13 tr by the end of 2018. While small companies typically finance themselves with bank loans, larger corporations almost always issue bonds. After splurging for a decade, the companies will now have to pay back or refinance around \$4 tr in the next three years, a figure equivalent to the total balance sheet of the US Federal Reserve, the report said.

US-China Battle Over Huawei Comes to Head at Tech Show

A global battle between the US government and Chinese tech company Huawei over allegations that it is a cyberse-

curity risk overshadowed the opening recently of the world's biggest mobile industry trade fair. Huawei has an outsize presence at MWC Barcelona, from its displays in three separate show halls down to its red sponsorship logo adorning visitor pass lanyards. The focus at this year's meeting is new 5G networks due to roll out in the coming years. But the dispute over Huawei, the world's biggest maker of networking gear, is casting a pall. The United States government dispatched a big delegation to press its case with telecom executives and government officials that they should not use Huawei as a supplier over national security concerns.

Buffett's Firm Reports \$25 bn 4Q Loss

Warren Buffett's company recorded a \$25 bn loss in the fourth quarter because of a big drop in the paper value of several of its stock investments. Buffett said recently that Berkshire Hathaway's businesses are performing well overall, but it has to record the market value of its stock holdings at the end of each quarter and Buffett has struggled to find attractive acquisitions recently. Berkshire lost \$25.4 bn, or \$10.31 per Class B share, in the quarter. That's down from last year's profit of \$32.6 bn, or \$13.19 per B share.

Macron Vows to Protect French Farmers

French President Emmanuel Macron pledged recently to protect European farming standards and culinary traditions threatened by aggressive foreign trade practices that see food as a 'product like any other'. Macron's speech at his country's premier agriculture fair was aimed at assuaging French farmers anger at government policies seen as favoring urban elites and neglecting the heartland cherished for producing famed cheeses and wines. Macron proposed using blockchain technology to trace the source of food and putting Europe in the 'avant-garde of agricultural technology'. He spoke amid European Union talks on its next agricultural aid plan, a major source of funding for French farmers. He appealed for unity at those talks and argued against calls to re-nationalize French farming policy.



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 04

Volume 14, Issue No. 09 | Date: March 01, 2019

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

MANAGEMENT OUTLOOK

TIPS

Coaching an Employee Whose Behavior Seems Incurable

How do you coach an employee who seems beyond help? Maybe he or she is arrogant, is tactlessly blunt or lacks empathy. Sometimes you actually cannot help him — but it may be that his behavior is misunderstood or misdiagnosed. To make sure you have an accurate view of the person, check your assumptions and judgments. Look beyond the obvious symptoms and think about what might underlie his destructive behavior. Observe patterns and notice when there are breaks in those patterns; these deviations can provide important clues. Consider, for example: Are there certain people this person works with especially well or poorly? Specific circumstances in which they shine or falter? Why is that the case? And then come up with a broad range of ways to help the employee. Until you identify what is really causing the problem, it is hard to be sure about how to fix it. Avoid one-size-fits-all approaches, and think through what the employee truly needs in order to improve.

(Adapted from *When a Leader Is Causing Conflict, Start by Asking Why*, by Ron Carucci-HBR.)

To Improve Your Work-life Balance, Change Your Mindset

It is tempting to think the only way to get to the top is to work all the time. But you can be an effective leader and maintain a healthy work-life balance. It all starts with your mindset. Stop thinking of yourself as someone who is willing to do whatever the job asks, and start thinking of yourself as someone who does great work and also has a

life outside of it. Plan how you'll set aside and prioritize time for family, friends, and hobbies; consider where you have flexibility and where you need more of it. To do this, take a hard look at your company's culture. Does your team measure success by how long people spend at the office, or by whether they get their tasks done on time? If it is the former, something needs to change — and you may need to lead that change. If it is the latter, think about what is stopping you from changing how you spend your time.

(Adapted from *You Can Be a Great Leader and Also Have a Life*, by Brigid Schulte.)

SNIPS

Welcome to the Boardroom

Women accounted for 248, or 31pc, of new board directors at some of the largest publicly traded US companies in 2018.

Bad Business

According to research from Kronos and Future Workplace, 95pc of human resources leaders say that burnout is a main source of employee turnover.

Twitter's Big Bet

Twitter invested 76pc of its revenue on research and development in 2013.

Digital Shortage

McKinsey & Company and the McKinsey Global Institute found in a survey that a mere 26pc of worldwide sales were completed online.

Editor: Rafi Ahmed | Deputy Editor: Shahla Naqvi | Designed by: Haris Jamshaid | 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.