



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

Volume 13, Issue No. 13 | Date: March 30, 2018

PAKISTAN COMPENDIUM

BANKING SCENARIO

Deposits Folder

According to the weekly statement of position of all scheduled banks for the week ended March 9, 2018, deposits and other accounts of all scheduled banks stood at Rs. 11,990.427 bn after a 0.51 pc decrease over the preceding week's figure of Rs. 12,052.497 bn.

Credit Portfolio

Gross Advances of all scheduled banks stood at Rs. 6653.839 bn, higher by 0.17 pc over the preceding week's figure of Rs. 6642.710 bn.

Investments Brief

Investments of all scheduled banks stood at Rs. 7,793.824 bn against preceding week's figure of Rs. 7,800.758 bn, lower by 0.09 pc.

Pakistan to Seek Zero-Rated Duty on Exports to China

Federal Secretary Commerce said recently that Pakistan is going to seek zero-rated duty on exports to China for which second round on Free Trade Agreement (FTA) will be held next month. He was speaking at the inaugural session of the 19th International Textile Asia Exhibition. Over 450 companies from around the world showcased their products at 800 stalls, held from March 27-29 at Karachi Expo Center. Around 1,200 foreign delegates representing countries such as China, Korea, France, Germany, Italy, Vietnam, Turkmenistan are presenting their products including hi-tech textile machinery.

However, the biggest delegation had come from China and many have shown interest in relocating their textile units to Pakistan or are interested in entering into joint ventures.

Subsidy, Price Recovery Boost Wheat Exports

After a gap of five months, the country exported 65,649 tonnes of wheat alone in February, fetching \$12.5 mn compared to nil foreign sales of the commodity since September 2017. Recovery in world prices and increased subsidy have contributed largely to resumption of wheat exports. Total wheat exports in the first eight months (July-February) of this fiscal year stood at 65,822 tonnes earning \$12.6 mn.

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm*

KIBOR (6 months)

| | Bid% | offer% |
|----------|-------|--------|
| STARTING | 6.28 | 6.53 |
| ENDING | 6.36 | 6.61 |
| CHANGE | +0.08 | +0.08 |

Foreign Exchange Rates

| | GBP(£) | EURO(€) | USD(\$) |
|----------|------------|------------|------------|
| STARTING | PKR 159.00 | PKR 139.00 | PKR 114.00 |
| ENDING | PKR 161.50 | PKR 141.50 | PKR 116.00 |
| CHANGE | +2.5 | +2.5 | +2 |

Pakistan Stock Exchange

| | 100 Index |
|----------|-----------|
| STARTING | 45,030 |
| ENDING | 45,560 |
| CHANGE | +530 |

Gold Rate

| | (10 gm) |
|----------|------------|
| STARTING | PKR 49,157 |
| ENDING | PKR 50,400 |
| CHANGE | +1243 |



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Page No. 02

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IBP Seminar on SME Products & Policies at Sialkot

The Institute of Bankers Pakistan (IBP), in collaboration with Sialkot Chamber of Commerce and Industry, had organized a Seminar at Sialkot. The Chief guest at the well-attended event was State Bank of Pakistan (SBP) Governor Mr. Tariq Bajwa, who, in his address pledged to make access to financing easier for the promotion of agriculture, small and medium enterprises (SMEs) and housing sectors. Addressing exporters and bankers at the Sialkot Chamber of Commerce and Industry on Thursday March 22, 2018, he said the SBP was committed to removing all the obstacles from the smooth functioning of these sectors. He said the SBP was working to facilitate efficient credit allocations for SMEs, calling them critical for sustainable and inclusive economic growth. The central bank has also simplified the procedure of loans applications, he added. The governor said the SBP would soon give a "special barrier" to all the commercial banks for controlling the interbank rates and minimizing the difference of foreign currencies rates to help SMEs as well. The governor also mentioned the State Bank's efforts to operationalize the Exim Bank which has faced a setback due to capitalization issue, adding that it would help the country's importers and exporters.

CPEC Offers Great Economic Potential

The World Bank, Asian Development Bank (ADB) and several other international development agencies have observed that the \$60 bn China-Pakistan Economic Corridor (CPEC) offers enormous economic potential for Pakistan. The participant agencies — Britain's Department for International Development and the Japan International Cooperation Agency — have discussed several economic corridors in various parts of the world in a joint report titled 'The Web of Transport Corridors in South Asia'. However, appraisal simulations for CPEC and the Kolkata-Dhaka corridor suggest that complementary measures are needed to improve local conditions that, in turn, will create formal jobs and generate tax revenues that could pay for such corridor investments. Commenting on the report, World Bank Country Director for Pakistan said that the upcoming Khyber Pass Economic Corridor project is an example where trade facilitation and the development of local economic activities are explicitly integrated in the project's design.

Women Entrepreneurs in Livestock Project

USAID launched its 'Women Investment in Network of Dairy Investment' (WINDS) project recently. The launching ceremony was held at the Sialkot Chamber of Commerce and Industry where US Consul General Elizabeth Kennedy Trudeau was the chief guest. The consul general said that WINDS is the first, five-year long initiative by the USAID under its Punjab Enabling Environment Project (PEEP) in Sialkot to provide opportunities of investment to rural women in dairy development sector. Under PEEP, USAID will give funds worth Rs. 3 mn to 30 selected local women. Under WINDS project, the USAID experts will provide training to women in dairy development, milk testing and milk preservation.

Govt. Plans Tariff Cut on Raw Materials

The Commerce Division has proposed rationalization of 515 tariff lines, mostly raw materials in the upcoming budget. The revenue impact of the duty reduction on these items are estimated at Rs. 15 bn per annum. The government will announce budget on April 27. The spokesperson for the division said the budget proposal was made public to get a wider feedback from all stakeholders.

HIGHLIGHTS

- The Commerce Division has announced that a revised free trade agreement will be signed with China next month.
- The Central Development Working Party (CDWP) has cleared 34 development projects worth Rs. 365.5 bn.
- The Canadian Government has withdrawn a preliminary anti-dumping duty of 5.5 pc imposed on the import of Polyethylene terephthalate (PET) from Pakistan.
- As per SBP's Payment Systems Review (Q2 FY 18), there were 905 e-commerce merchants in the country by the end of 2017.



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Page No. 03

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INTERNATIONAL ARENA

Britain Unveils New Fintech Plans, Including Cryptocurrencies

Britain announced a task force to exploit the technology underpinning cryptoassets, such as bitcoin and other cryptocurrencies, as part of new plans to help fintech companies find more customers. British finance minister Philip Hammond said he was committed to helping fintech grow and flourish by taking a series of domestic steps and forging links overseas. Regulators have warned that investors could lose all their money, but see promise in the blockchain technology that underpins cryptoassets. Britain's announcement comes after finance ministers from the Group of 20 Economies (G20) were unable this week to reach enough consensus for global regulation of cryptocurrencies.

Barriers Will Jeopardize Global Economy: WTO

The World Trade Organisation (WTO) chief warned states that creating barriers to international trade would "jeopardize the global economy," after Washington imposed steep tariffs on Chinese imports, heightening fears of a trade war. "Disrupting trade flows will jeopardize the global economy at a time when economic recovery, though fragile, has been increasingly evident around the world," WTO Director-General Roberto Azevedo said in a statement, calling for "restraint and urgent dialogue". The WTO, which strives to foster a level-playing field in global trade, can through its DSB act as a court to resolve trade disputes (DSB - Dispute Settlement Body).

Saudi Arabia, Russia considering 10-20 Year Oil Alliance

Saudi Arabia and Russia are working on a historic long-term pact that could extend controls over world crude supplies by major exporters for many years to come. Saudi Crown Prince told Reuters that Riyadh and Moscow were considering a longer deal to extend a short-term alliance on oil curbs that began in January 2017 after a crash in crude prices. We are working to shift from a year-to-year agreement to a 10-20 year agreement, the crown prince said in an interview. Russia, never a member of the

Organization of Petroleum Exporting Countries, has worked alongside the 14-member cartel during previous oil gluts, but a 10-20 year deal between the two would be unprecedented. Top Opec producer Saudi Arabia recruited Russia and other non-Opec countries to help drain a glut when oil prices collapsed from over \$100 a barrel in 2014 to below \$30 in 2016.

Global Gold Investment Rising for 5th Year

Bullion investors, miners and makers of coins will help drive the fifth straight annual increase in total global gold investment in 2018, CPM Group said in its Gold Yearbook 2018 recently citing geopolitical tensions and fears that the bubbling US economic expansion will end in a 2019 recession. The changing global monetary policy landscape coupled with long in the tooth growth cycle in the United States, and little fresh ammunition to bolster the US markets further, means that the US economy looks most at risk of recession. CPM forecast net gold investment at 20.3 mn ounces during 2018, a 6.6 pc rise from its 19.1 mn ounces in 2017, and the highest increase since 2016 when it rose 23.9 pc to 26.1 mn ounces.

Economy of China : A cursory Glance

The socialist market economy of China was transformed into a market-based economy as a result of reforms initiated in 1978. It is now the world's largest manufacturing economy and exporter of goods and also the world's fastest-growing consumer market and second-largest importer of goods. The country has an estimated \$23 tn worth of natural resources, 90 pc of which are coal and rare earth metals. China has become a hub of global supply chains and a magnet for commodity exports. It is a key trading partner for over 100 countries which represent more than 80 pc of global GDP. According to the IMF, it is the world's second largest economy by nominal GDP and the world's largest economy by purchasing power parity. Its massive labor force has enabled it to become the globe's manufacturing hub, creating massive domestic economic growth. China's economy performed well in 2017 as the pace of growth picked up for the first time in seven years, registering 7 pc growth and surpassing 6.5 pc target set by the government.



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MANAGEMENT & INFOTECH CORNER

State Bank Launches its Facebook Page on 23rd March

The State Bank of Pakistan (SBP) formally launched its official Facebook page on March 23, 2018 on the auspicious occasion of the Pakistan Day. The SBP Facebook page can be found at <https://www.facebook.com/StateBankPakistan/>. The dry run of the Facebook page was being conducted for quite some time. The launch is expected to attract students, academia, business circles, journalists and financial analysts alike who will now be able to access official announcements, event details, policy statements and data and have a better understanding of the Bank and its functions in general.

Put the Workday Behind You

It can be tough to leave work behind when you go home for the day, but having a routine can help. Before you leave the office, make a short phone call, sign a document, or respond to an email. This way you'll end your day on a positive note of completion, and you will have one less thing to do the following morning. Then do a specific action that symbolizes the end of your workday. It might be locking your office door, turning off your computer, or calling home to say you are leaving work. Each night, treat this action as the equivalent of clocking out with a timesheet, and remind yourself that it is time to shift your mental state away from work.

(From *How to Let Go at the End of the Workday*, by Deborah Bright- HBR.)

Help Employees Discover Passions

Employees who are enthusiastic about their work are more diligent and productive. But not everyone knows which aspects of their job they are most excited about. As a manager, it is your responsibility to push them to find out. Help employees reflect on their work by asking them thoughtful questions. For example, before the person tackles a new project, you might ask, "What are ways you hope to develop, learn, or grow with this experience?" After key milestones you can inquire, "What was especially rewarding, meaningful, or inspiring about that initiative?" And during performance reviews or career development conversations, you can ask, "What have you really enjoyed working on this year? What would you like to do more of?" Then help the person make connections between their answers so that they can better understand what exactly they love about their work.

(Adapted from *How to Help Someone Discover Work That Excites Them*, by Amy Jen Su-HBR.)

“Management is doing things right; Leadership is doing the right things”

Peter Drucker

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