



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 13, Issue No. 16 | Date: April 20, 2018

PAKISTAN COMPENDIUM

BANKING SCENARIO

Deposits Folder

According to the weekly statement of position of all scheduled banks for the week ended March 30, 2018, deposits and other accounts of all scheduled banks stood at Rs. 12,571.277 bn after a 3.65 pc increase over the preceding week's figure of Rs. 12,127.971 bn.

Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 6,812.078 bn, higher by 1.78 pc over preceding week's figure of Rs. 6,692.960.

Investments Brief

Investments of all scheduled banks stood at Rs. 6,853.021 bn against preceding week's figure of Rs. 7,793.230 bn, lower by 12.06 pc.

SBP Prohibits Dealing in Virtual Currencies

Virtual Currencies (VCs) like Bitcoin, Litecoin, Pakcoin, OneCoin, DasCoin, Pay Diamond etc. or Initial Coin Offerings (ICO) tokens are not legal tender, issued or guaranteed by the Government of Pakistan. State Bank of Pakistan has not authorized or licensed any individual or entity for the issuance, sale, purchase, exchange or investment in any such Virtual Currencies/Coins/Tokens in Pakistan. In view of the foregoing, Exchange Companies and Exchange Companies of 'B' Category are advised to refrain from processing, using, trading, holding, transferring value, promoting and investing in Virtual Currencies/Tokens. Further, Exchange Companies and Exchange Companies of 'B' Category shall not facilitate their customers to transact in VCs/ICO tokens. Any transaction in this regard shall immediately be reported to Financial Monitoring Unit (FMU) as a suspicious transaction.

Rs. 474 bn Approved for Bhasha Dam

The Executive Committee of the National Economic Council (ECNEC) recently approved Rs. 474 bn for the construction of Diamer-Bhasha Dam to help the country tackle two major issues—water shortage and power generation. The ECNEC meeting, chaired by Prime Minister Shahid Khaqan Abbasi, approved the much-awaited funding for the project. The project is expected to complete in five years.

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm*

KIBOR (6 months)

	Bid%	offer%
STARTING	6.24	6.49
ENDING	6.27	6.52
CHANGE	+0.03	+0.03

Foreign Exchange Rates

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 163.80	PKR 143.30	PKR 116.40
ENDING	PKR 166.00	PKR 144.60	PKR 117.40
CHANGE	+2.2	+1.3	+1

Pakistan Stock Exchange

	100 Index
STARTING	46,071
ENDING	45,259
CHANGE	-812

Gold Rate

	(10 gm)
STARTING	PKR 50,614
ENDING	PKR 51,042
CHANGE	+428



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SECP Registers 1,125 Companies in March 2018

The Securities and Exchange Commission of Pakistan (SECP) in March, registered 1,125 new companies, raising the number of registered companies to 84,783. As compared to the corresponding month of last year, it represents a growth of 36 pc. The massive increase in number of new companies is the result of various reform measures introduced by the SECP, i.e. introduction of simplified combined process for name reservation and incorporation, reduction of fee, assistance of incorporation by facilitation wings of CROs etc. Around 79 pc companies were registered as private limited companies, while around 19 pc companies were registered as single-member companies.

\$ 2.094 bn FDI in 9 Months

Pakistan has fetched \$2.094 bn Foreign Direct Investment (FDI) during the first nine months of this fiscal year (FY 18) driven by significant Chinese Investment under CPEC. China remained the top contributor with some 64 pc share in the overall foreign direct investment during this fiscal year. According to State Bank of Pakistan (SBP), when compared in the corresponding period of last fiscal year (FY 17), the position was \$2.005 bn.

Agriculture Package on the Cards

The government is expected to announce an ambitious agriculture package in the budget 2018-19 with relief in taxes, and a hefty subsidy to support the farmers. The government has tasked Federal Board of Revenue (FBR) and Ministry of Food Security to work out a comprehensive package by including demands of Kissan Ithihad as well. As per the tax proposals of the agriculture package, government is considering to exempt sales tax on import of agriculture machinery which currently stands at 7 pc. It is also under consideration to introduce a uniform rate of sales tax on all types of fertilizers, where currently differing rates are applicable at 5 pc, 7 pc and 8 pc. One of the major components of the package is the power tariff subsidy on tube wells used for irrigating crops. An announcement of a concessional tariff for agriculture tube wells from July 1, 2018 seems to be on the cards which will allow a uniform rate of Rs. 5.35 per unit for 24 hours.

Cotton Production Records 7.9 pc Growth

The country recorded 7.94 pc growth in cotton production up to April 15, producing 851,999 more bales at 11.579 mn bales, over the corresponding period last year. This is the third consecutive season when cotton production remained much below the government's initial target of 14.1 mn bales which was later revised downwards to 12.6 mn bales. According to official figures of Pakistan Cotton Ginners Association (PCGA), up to April 15, cotton production stood at 11.579 mn bales compared to 10.727 mn bales produced in the same period last year. However, reports suggest that the government plans to allocate Rs. 2.5 bn towards endowment fund for cotton research for improving quality as well as production of the cash crop.

LIMELIGHT

- That State Bank of Pakistan issued fresh banknotes worth Rs. 168 bn on the occasion of Eid-Ul- Azha in 2017, out of which up to Rs. 100 denomination notes amounted to Rs. 8 bn and Rs. 160 bn were of the denomination of Rs. 500 and above.
- That the Pakistanis spent Rs. 26.5 bn on purchase of sacrificial animals on the occasion of Eid-Ul-Azha 2017 according to Pakistan Tanners Association.
- That National Prize Bonds of the denomination of Rs. 40,000 worth Rs. 216.029 bn and Rs. 25,000 denomination worth Rs. 118.233 bn are circulating in the market as per data of 2017.
- That the total Tax Filers in the country for the year 2017 numbered 1.26 mn.



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Pakistan Outperforms South Asia in Infrastructure Investments

Pakistan led South Asia in private infrastructure investment in the region, receiving \$5.9 bn in investments in 2017, thus becoming one of the world's top five private participation in infrastructure (PPI) investment destinations, reveals a new World Bank report. For the first time ever, investment in Pakistan surpassed that of India, which has traditionally been the heavyweight in the region. Investments in Pakistan across four projects were far above the 2016 level of \$1.7 bn, according to the annual update of the PPI database just released by the World Bank. The investment in South Asia stood at \$11.7 bn in 2017, up 90 pc from the 2016 level with India seeing a slight rise from \$4.3 bn in 2016 to \$4.8 bn in 2017. Notably, for the first time since 2012, Sri Lanka and Afghanistan each received one investment project. At a country level, the five countries with the highest levels of investment in 2017 were: China with \$17.5 bn across 73 projects, Indonesia \$15.4 bn across 11 projects, Mexico \$8.6 bn across 20 projects, Brazil \$7.3 bn across 24 projects and Pakistan \$5.9 bn across four projects. In 2017, in total, these five countries attracted \$54.5 bn, capturing 58 pc of the global investment.

Shariah Rules Credit Positive: Moody's

Moody's Investors Service said Pakistan's new Shariah regulations for Islamic banks are credit positive because they promote standardization across Islamic financial institutions and will help address persistent liquidity management challenges. Moody's, in its latest report on Pakistan, stated that on April 10, the Securities & Exchange Commission of Pakistan (SECP) notified for public consultation that it would adopt seven Shariah standards covering a variety of Islamic finance transactions relating to indexes, liquidity tools, capital protection and agency agreements. This development is credit positive for Islamic banks in Pakistan and the global Islamic finance industry because it promotes standardization across Islamic financial institutions, an issue constraining the growth of the Islamic finance industry. The SECP is implementing standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), an Islamic international non-profit body that prepares accounting, auditing, governance, ethics and Shariah standards for Islamic financial institutions.

CPEC to Fuel Industrial Growth

The government expects growth in industrial sector in the next fiscal year due to better supply of energy and planned investment under China-Pakistan Economic Corridor (CPEC). According to working paper presented in the Annual Plan Coordination Committee (APCC) meeting, in view of steady growth rate during the current fiscal year, the industrial sector is expected to grow by 7.6 pc during 2018-19 on the back of better energy supply and planned investment under CPEC. The mining & quarrying sector is projected to grow by 3.6 pc, manufacturing sector by 7.8 pc, LSM by 8.1 pc, construction by 10 pc and electricity generation & distribution and gas distribution by 7.5 pc. Moreover, the increase in consumer demand is expected to further spur private sector activities and help maintain aggregate demand.

HIGHLIGHTS

- The government's tax amnesty could relieve fiscal and external pressures on the economy if successful, according to Moody's Rating Agency.
- Pakistan's GDP growth is expected to accelerate to 5.6 pc on strong prospects for large-scale manufacturing and crop harvests for a second year in a row.
- Oil Companies Advisory Council forecasts Pakistan's petrol consumption to surge by 80 pc to 14 mn tonnes by 2021-22.
- The Federal Committee on Agriculture sets production targets of Cotton at 14.37 mn bales, Sugar Cane at 68.157 mn tonnes, Rice at 6.931 mn tonnes and Maize at 5.3 mn tonnes.



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INTERNATIONAL ARENA

EU Says US Tariffs Distorting Global Trade

US steel and aluminium tariffs are already distorting global trade and could undermine the world economic recovery, the EU's top trade official Cecilia Malmstroem warned recently. She said the European Union expected nothing less than to be permanently excluded from the US tariffs when the bloc's temporary exemption expires next month. "We are seeing a recovery and a potential growth in trade and global growth but it is threatened by these tariffs," Malmstroem told a press conference. "We can see already tendencies of distortion of trade that affects the EU as well," the Swedish commissioner said. US President Donald Trump sparked fears of a trade war in March when he decided to impose 25 pc tariffs on steel and 10 pc on aluminium imports, primarily to target China, but also EU countries. But Trump granted Europe a last-minute exemption, giving EU negotiators until May 1 to come up with a solution to unfair trade policies alleged by the US leader.

China is Closing the Gap on US in Technology IP Race

China's rising investment in research and expansion of its higher education system mean that it is fast closing the gap with the United States in intellectual property (IP) and the struggle to be the No. 1 global technology power, according to patent expert. Forecasts for how long it will take for Beijing to close the technological gap vary — though specialists say it could happen in the next decade. And China is already ahead in a couple of areas. China now spends 2.1 pc of its gross domestic product on research and development, not yet matching US levels of 2.75 pc. World Bank data shows China now produces 1,177 R&D researchers per mn of its population. The US produces 4,321 researchers per mn but that is more than offset by China's population being about four times the size.

May Seeks Commonwealth Trade Boost as Final Brexit Talks Begin

British Prime Minister Theresa May recently extolled the benefits of free trade among Commonwealth countries, seeking new sources of commerce as Britain looks to finalize

divorce terms with its current biggest trading partner, the European Union. She is looking to win the support of the Commonwealth, a network of mostly former British colonies, for future trade deals at a meeting of its leaders in London, and bolster her argument that the future is bright after Brexit. The Commonwealth, headed by Queen Elizabeth, is not a formal trading bloc with a free-trade agreement. In 2015 it accounted for only 9 pc of British exports while by contrast the EU, which Britain voted to leave in 2016, accounted for around 44 pc.

Global Economy to Grow 3.5 pc: IIF

The global economy is set to grow at a faster clip than anticipated in 2018, due mostly to lower tax rates in the United States, but tensions over trade threaten to derail months of synchronized global expansion, the Institute of International Finance (IIF) said recently. The Institute, a global financial industry association, lifted its forecast for global growth in 2018 by 0.2 percentage points to 3.5 pc as it boosted its growth view on the US economy for the current year to 2.9 pc. The US economy grew 2.3 pc in 2017 according to IIF. Its previous 2018 forecast, before tax cuts were enacted late last year, was for the US economy to grow 2.4 pc in 2018.

Staff Shortages Cost Germany 0.9 pc of Output Each Year

German companies are struggling to find skilled workers to increase production and the shortage of manpower is costing the economy up to 0.9 percentage points of output a year, the IW German Economic Institute said recently. Germany's labor market is booming, with employment reaching record highs. But an unusually long economic growth cycle, now in its ninth year, coupled with a shortage of working-age people, mean firms are running out of suitable staff. Even if German managers were to hire all suitably qualified unemployed people, there would still be some 400,000 vacancies, the IW institute estimated. This means the overall output of Europe's biggest economy would be 0.6 percentage points higher if companies could hire all the workers they needed, the IW study found. Since companies expanding their workforce also tend to increase investment in machinery and equipment, overall output would be 0.9 percentage points higher in the medium term, it said.



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MANAGEMENT & INFOTECH CORNER

TED 2018: Technology Reveals Fear and Other Emotions

In course of a demonstration which was part of a talk given by Dolby Labs chief scientist Poppy Crum at the TED (Technology, Entertainment, Design) conference in Vancouver. The ability to hide emotions is becoming "a thing of the past", she said. The professor believes this could usher in an era of empathetic technology. "We like to believe we have cognitive control over what someone else knows, sees, understands about our own internal states — our emotions, insecurities, bluffs or trials and tribulations," she explained. "But technologies can already distinguish a real smile from a fake one." Poppy Crum sees a fast coming technology that will reveal hidden feelings or even lies.

Show How a New Skill will Benefit Company

If you want time off from work to develop a new skill — by attending a class, going on a retreat, or participating in a fellowship — you need to make a strong case to your boss.

- Start by considering the connection between what you want to learn and the needs of the business. How will your company benefit from your new skill? Can you share the learning with your team? Are there issues at work that you could solve as a result of the training?
- Once you've answered these questions, prepare for the conversation with your boss. Plot out the best-and-worst-case scenarios, and anticipate the questions your boss will ask you.
- Your manager may not be the person who approves the request, so do your homework to understand who else is involved in the decision-making process, and what they care about.

(Adapted from *How to Ask Your Boss for Time to Learn New Things*, by Rachael O'Meara, HBR.)

Keep Communications Brief and Clear

We sometimes try to be efficient by using as few words as possible to communicate a message. But a one or two-line email can waste everyone's time if colleagues have to decipher the meaning or write back to clarify next steps. Do not assume that others understand your shorthand. Take the time to communicate in a way that is ultra-clear, no matter what medium you are using (or how much of a hurry you are in). But don't go too far in the other direction, bombarding your team with messages in an effort to avoid any ambiguity. If you are clear in your original message, you should not have to follow up. And definitely avoid abusing multiple channels. No one likes a colleague who texts or calls to ask if you have read their message.

(Adapted from *How to Collaborate Effectively If Your Team Is Remote* by Erica Dhawan and Tomas Chamorro-Premuzic, HBR.)

TIDBITS

Phantom Vibrations

According to a study published in the journal *Computers in Human Behaviour*, 90 pc of college students said that at times they felt "phantom vibrations" — thinking that their phones were vibrating with a message when they were not.

A Big Year for Digital Health

Almost 800 digital health start-ups were funded last year around the world, according to data from Start-up Health Insights.

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