



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 13, Issue No. 21 | Date: May 25, 2018

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

PAKISTAN COMPENDIUM

BANKING SCENARIO

Deposits Folder

According to the weekly statement of position of all scheduled banks for the week ended May 11, 2018, deposits and other accounts of all scheduled banks stood at Rs. 12,186.867 bn after a 0.43 pc decrease over the preceding week's figure of Rs. 12,239.657 bn.

Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 6,930.020 bn, higher by 0.21 pc over the preceding week's figure of Rs. 6,915.690 bn.

Investments Brief

Investments of all scheduled banks stood at Rs. 7,088.174 bn against preceding week's figure of Rs. 7,764.268 bn, lower by 8.70 pc.

Monetary Policy on May 25, 2018

The State Bank of Pakistan will announce its Monetary Policy Statement on Friday for next two months. In the previous review, the central bank maintained its policy rate at 6pc in the wake of low inflation. Since the government has been following the policy for higher participation of private sector in the economy, it is believed that the interest rate is likely to remain unchanged.

Madrid Trademark System for Pakistan

Pakistan's accession to the Madrid system — a global system for facilitating the registration of trademarks — has been on the table for almost a decade now. If anything, the accession would be good news for the economy. The Madrid system, controlled by the World Intellectual Property Organization (WIPO), has proven to be an effective instrument in stimulating global trade for one simple reason: the incentive structure. The Madrid system has expanded the incentive structure of trademarks on a global level by establishing an international bureau for the international registration of trademarks, increasing the stakes of businesses operating transnationally. *(Madrid now permits the filing, registration and maintenance of trade mark rights in more than one jurisdiction, provided that the target jurisdiction is a party to the system. The Madrid system is administered by the International Bureau of the World Intellectual Property Organization (WIPO) in Geneva, Switzerland).*

Textile Exports Jump 8pc

Exports of textile and clothing products recorded an 8pc growth year-on-year to \$11.2 bn in the 10 months of 2017-18, the Pakistan Bureau of Statistics (PBS)

MARKETS AT A GLANCE

Rates are taken till Friday 1:00 pm*

		KIBOR (6 MONTHS)	
		Bid%	offer%
STARTING	ENDING	6.26	6.51
6.31	6.56		
CHANGE		+0.05	+0.05

		FOREIGN EXCHANGE RATES		
		GBP(£)	EURO(€)	USD(\$)
STARTING	ENDING	PKR 158.00	PKR 139.30	PKR 117.40
PKR 158.30	PKR 138.80	PKR 118.50		
CHANGE		+0.3	-0.5	+1.1

		PAKISTAN STOCK EXCHANGE	
		100 Index	
STARTING	ENDING	41,623	42,074
CHANGE		+451	

		GOLD RATE	
		(10 gm)	
STARTING	ENDING	PKR 48,557	PKR 49,425
CHANGE		+868	

* Due to Ramadan



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reported recently. The partial revival in the export proceeds is the outcome of the cash subsidy offered under prime minister's exports enhancement package. The growth is recorded despite non-clearance of refunds/rebate of exporters. A hefty amount of refund/rebate has already been released in 9MFY18. Data show the main driver of growth was the value-added textile sector as exports of ready-made garments went up 11.96pc in value and 13.44 pc in quantity.

Moody's Reaffirms Pakistan's Rating

Moody's Investors Service continues to expect solid economic activity, driven by investments related to the China-Pakistan Economic Corridor (CPEC) while it reaffirmed Pakistan's credit profile as B3 stable. Moody's said that Pakistan's (B3 stable) credit profile is supported by the country's robust growth performance and potential, a large economy, and an improved track record of reforms that started under its 2013-16 International Monetary Fund (IMF) program.

Rs. 2.6 bn Project to Boost Pulses Production

To increase indigenous production of pulses, a Rs. 2.6 bn project has been finalized to be launched during the 2018-19 fiscal year to strengthen the national agricultural research system. This project aims at coordinated research to develop high-yielding disease-resistant varieties of pulses crops amenable to mechanical harvesting. The project's main objective is to feed the increasing population and to arrest the drainage of national exchequer for import of pulses. Pakistan produces only about 500,000 tonnes of major pulses like chickpea, lentil, mung and mash beans. The rest of these pulses have to be imported to meet the demand in the country.

Big Industry Output Expands 1.8pc

The large-scale manufacturing (LSM) posted a growth of 1.81pc year-on-year in March, Pakistan Bureau of Statistics data revealed recently. In July-March, LSM posted a growth of 5.89pc year-on-year — so far below the FY18 target of 6.3pc. In 2016-17, it grew 5.6pc. LSM constitutes 80pc of manufacturing and 10.7pc of the overall GDP. Contrary to this, small-scale manufacturing accounts for just 1.8pc in

GDP and 13.7pc within manufacturing. The contribution of 65 items reported by the provincial bureaus of statistics, on the other hand, rose by 2.12pc. Figures of 11 items received from the Oil Companies Advisory Committee negatively contributed 1.31pc to LSM growth. Industry-specific data show that petroleum products recorded the highest increase of 30.1pc, followed by automobiles 15.32pc, non-metallic mineral products 14.02pc, rubber products 6.58pc, iron and steel products 5.5pc, electronics 5.2pc, food, beverages and tobacco products 3.3pc, engineering products 2.5pc, paper and board 1.98pc, and textile 0.02pc. In the automobile sector, the production of tractors went up 8.3pc year-on-year in March, jeeps and cars 14.2pc, light commercial vehicles 34.3pc, trucks 37.4pc and motorcycles 17.8pc. However, the manufacturing of buses dropped 24.4 pc during the month under review.

HIGHLIGHTS

- The SECP notifies the limited liability partnership regulations 2018, which specify the form and manner of registration of LLP, fitness and propriety of designated partners accounts and audit requirement and conversion of existing firms and private limited companies.
- Nisab for Zakat is fixed at Rs. 39,198 according to a notification of the Ministry of Religious Affairs.
- The SBP sets up Rs. 225 mn paid up capital benchmark for the formation of a credit bureau company.
- Microsoft Pakistan signs a partnership with P@SHA (Pakistan Software Houses Association) that will introduce cloud computing with specialized courses and certificates.
- The Trade Development Authority of Pakistan (TDAP) data shows that the country exported meat and its products worth \$113.963 mn during the first seven months of the ongoing financial year (July- January).



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INTERNATIONAL ARENA

China Denies It Offered Package To Slash US Trade Gap By \$200bn

China denied recently that it had offered a package to slash the US trade deficit by up to \$200 bn, hours after it dropped an anti-dumping probe into US sorghum imports in a conciliatory gesture as top officials meet in Washington. US officials had said in Washington that China was proposing trade concessions and increased purchases of American goods aimed at cutting the US trade deficit with China by up to \$200 bn a year. "This rumor is not true. This I can confirm to you," Chinese foreign ministry spokesman Lu Kang told a regular news briefing. "As I understand, the relevant consultations are ongoing and they are constructive," he said, adding that he could not elaborate on the specifics of the negotiations.

US Lawmakers Repel Challenge to Much - Criticized Sugar Program

The US sugar industry recently won an easier-than expected victory over food processors, soft drink manufacturers and candy makers trying to rewrite the government's much - criticized sugar program, a web of price supports, loans and tariffs that props up prices for the commodity.

The sugar program was one of the key battles in this year's farm bill, a five-year renewal of federal farm and nutrition policy that is again proving to be a headache for the Congress.

Markets Rise: Beijing and Washington Avert Trade War

Asian and European markets mostly rose recently after the US and China said they had agreed to hold off imposing tariffs, averting a damaging trade war, at least for now. In late morning deals, London stocks rose 0.8pc and Paris stocks were up 0.6pc, while Frankfurt was shut for a public holiday. The Milan stock market, however, dropped 0.3pc, hit by concerns over Italy's new populist government after recent inconclusive elections. In foreign exchange activity, the dollar extended gains against major rival currencies.

India Flays Credit Rating Agencies

India's Chief economic adviser flayed global rating agencies, saying they have not upgraded India "despite clear improvements in our economic fundamentals" which include inflation, growth, and current account performance. Despite its rapid growth, India still has a BBB rating. China's rating has been upgraded to AA, despite its slowing growth and rising debts as claimed by India.

Top Executives at India's PNB Misled Central Bank

Senior executives at India's Punjab National Bank misled the central bank in late 2016 over the lender's handling of the financial messaging system and credit guarantees that were at the centre of a more than \$2 bn fraud, Indian police alleged in a charge sheet filed in court. PNB, India's second-largest state-run bank, said earlier this year that two jewellery groups headed by Nirav Modi and his uncle Mehul Choksi had defrauded it of about \$2.2bn by raising credit from overseas branches of other Indian banks using illegal guarantees issued by rogue PNB staff at a Mumbai branch over several years.

Turkish Lira Hits Historic Lows After Fitch Warning

Turkey's embattled currency, the Lira recently hit new historic lows against the US Dollar after Fitch ratings agency expressed concerns over the central bank's independence. Fitch said that comments by Erdogan that he plans to have a greater say in monetary policy if he wins June elections, raised the possibility of economic policy becoming more unpredictable after the polls.

US, China Ease Trade Tensions

US Treasury Secretary confirmed on recently that Washington and Beijing have agreed to back off from imposing tariffs on each other, a day after reaching an accord on slashing the American trade deficit with China. A very meaningful progress has been made and both have agreed on a framework. So right now they have agreed to put the tariffs on hold while they try to execute the framework. China's Vice Premier, who led a high-level delegation to the United States this week, meantime confirmed that "the two sides reached a consensus, will not fight a trade war, and will stop increasing tariffs on each other," Xinhua reported. The apparent detente between the two



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economic giants follows months of increasing tensions that have set markets on edge over fears of a damaging trade war.

UK Retailer M&S to Shut More Than 100 Stores

British food-to-clothing retailer Marks and Spencer will shut more than 100 “underperforming” UK stores in an ongoing restructuring, it said recently. The high-street chain has expanded its closure plans as it aims to shift at least a third of sales online, the group announced in a statement. The London-listed giant did not specify the number of job losses — but thousands of positions are believed to be at risk, according to the media. “M&S will now close over 100 stores in total by 2022, including 21 that have already closed and the 14 stores that are announced today as proposed for closure or set to close,” the company said.

Australia’s Banks Face Year of Reckoning as Inquiry Shreds Trust

Australia was one of the few large economies to avoid recession after the 2008 global financial crisis (GFC) and its banks were spared the kind of regulatory intervention that followed in countries such as the United States and Britain. Wayne Swan, the Australian treasurer, from 2007 to 2013, told Reuters there was a sense of unfinished business after the banks had benefited from government stimulus measures and deposit guarantees during the crisis years. Law versus ethics: Three months into its inquiry, the Royal Commission has already prompted the resignation of the CEO, chairman and several directors of the country’s largest wealth manager, AMP, and a recommendation of criminal charges against the company. Daily accounts of misconduct among fee-hungry financial planners, including an admission by Commonwealth Bank of Australia (CBA) that it charged fees for providing advice to people who had been dead for years, have shredded banks’ reputations and hammered their shares.

Land Acquisition Main Hurdle in India’s Refinery Plan With Aramco

At the International Energy Forum in Delhi in April, the world’s top oil producer Saudi Aramco inked a preliminary deal to partner with a consortium of Indian players to build a \$44 bn refinery and petrochemical project on India’s west coast. The huge project was touted as a game changer for both parties — offering India steady fuel supplies and meeting Saudi Arabia’s need to secure regular buyers for its oil. Despite the obvious benefits, though, the prospects for the plan — in the works

since 2015 — are growing dimmer by the day. Thousands of farmers oppose the refinery and are refusing to surrender land, fearing it could damage a region famed for its Alphonso mangoes, vast cashew plantations and fishing hamlets that boast bountiful catches of seafood.

MANAGEMENT & INFOTECH CORNER

Invest in Positive Relationships at Work

Research shows that we find our jobs more fulfilling when we have positive relationships with the people we work with. This is not something that will happen on its own, so be purposeful and systematic about it. For example, you could organize a social event with your colleagues to get to know one another better. Or, you could offer to help a new or younger employee navigate the company as they settle in. Or, you could consider what you do not know about the co-workers you see every day — What motivates them? Why did they join the company? What do they hope to accomplish in the future? — And set aside time to find out. Even a mundane job can be meaningful if you do it alongside people you care about and connect with.

(Adapted from *To Find Meaning in Your Work, Change How You Think About It*, by John Coleman-HBR.)

Stay Relevant by Asking a Younger Colleague

It will happen to all of us someday: A younger generation enters the workforce and becomes the most sought-after consumers, and the rest of us feel left behind. One way to keep up is to ask a younger colleague to mentor you. This is especially important when it comes to technology, since the best tools for the job may be ones you have not heard about. Ask your younger mentor what trends they are noticing and what new technologies they are experimenting with. Your junior co-worker can also help you avoid dating yourself. It is easy for older workers to start saying things like, “Back in my day...,” but that will make you seem less relevant. Ask your mentor to point out when you are referring to the past too often. It is better for someone you trust to mention it than for customers or colleagues to secretly think it.

(Adapted from *Why a Gen-X CEO Hired a Millennial to Help Him Keep a Learning Mindset*, by John Barrows-HBR.)



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Reduce Distractions

Stress and distraction can form a dangerous cycle. When we cannot focus at work, we often feel stressed about not being productive — which causes us to focus even less. You can break this cycle by using self-awareness. Pay attention to what is going on the next time you get distracted: Are you bored by what you are doing? Pulled away by a ringing phone? Also, notice how you feel: Are you anxious because you cannot remember an important detail during a high-stakes presentation? Do you feel tense because you are trying to find just the right words for an important email? Your answers to these questions will help you pinpoint the source of your distractions. Before you can take steps to reduce your stress, you have to understand the underlying cause of the problems.

(Adapted from *Break the Cycle of Stress and Distraction by Using Your Emotional Intelligence*, by Kandi Wiens-HBR.)

Trudeau Projects Canada's AI Credentials at MIT

Canadian computer scientists helped pioneer the field of artificial intelligence before it was a buzzword, and now Prime Minister Justin Trudeau is hoping to capitalize on their intellectual lead. "We've been investing massively in AI," Trudeau told a conference of tech entrepreneurs recently at the Massachusetts Institute of Technology, before name-dropping several of the Canadian academics he said provided the "modern underpinnings" of the technology during an 'AI winter' when most were not paying it much notice. Trudeau has become a kind of marketer-in-chief for Canada's tech economy ambitions, explaining the basics of machine learning as he promotes a national plan and government investments to 'secure Canada's foothold' in AI research and education. Trudeau is not the only head of state talking up AI, France's Emmanuel Macron and China's Xi Jinping are among the others but his deep-in-the-weeds approach to promoting Canada's knowledge-based economy has caught US tech companies' attention.

For the First Time in 226 years, Woman to Lead NYSE

The New York Stock Exchange for the first time in its 226-year history will be led by a woman. Stacey Cunningham, who started her career as a floor clerk on the NYSE trading floor, will become the 67th president of the Big Board. That means that two of the world's most well-known exchanges will be led by women. Adena Friedman became CEO of Nasdaq in early 2017.

TIDBITS

Mergers, Acquisitions Hit \$2 tr in Year to Date

Global mergers and acquisitions have already reached \$2 tn in 2018, a record for the value of deals in the period, Thomson Reuters data showed on recently. A flurry of deals at the start of the week, particularly in the United States with the \$11.1 bn merger of GE's transportation business and rail equipment maker Wabtec, helped reach the milestone. This is just one example.

A 40-hour Work Week

In the early days of Ford, Henry Ford's workers would work 48-hour weeks. Eventually, Ford realized that working more than 40 hours per week was causing workers to make many mistakes, so he limited them to 40, according to his autobiography, "My Life and Work."

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