



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

Volume 13, Issue No. 22 | Date: June 01, 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 18, 2018, deposits and other accounts of all scheduled banks stood at Rs. 12,083.590 bn after a 0.84pc decrease over the preceding week's figure of Rs. 12,186.867 bn.

#### Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 6,980.959 bn, higher by 0.73pc over the preceding week's figure of Rs. 6,930.020 bn.

#### Investments Brief

Investments of all scheduled banks stood at Rs. 7,064.319 bn against preceding week's figure of Rs. 7,088.174 bn, lower by 0.33pc.

### Policy Rate Raised to 6.5pc for 2 months

The State Bank of Pakistan (SBP) has raised its key policy rate by 50 basis points to a three-year high of 6.5pc effective May 28 for the next two months. According to the MPS, the balance of risks to the sustainability of the healthy-growth-low-inflation nexus had shifted since the last meeting of the MPC.

### Economy Set to Achieve 6pc GDP Growth: SBP Report

The State Bank of Pakistan (SBP) said recently that prospects for economic growth remain strong, noting that the economy is poised to achieve the growth target of 6pc for 2017-18. In its first quarterly report on the state of the economy, the SBP said rising income levels of consumers are fueling retail sales and commercial activities. However, there was an urgent need for finding more avenues for foreign exchange earnings and realigning policies favoring exports growth by addressing long-term structural impediments.

### Endangered Giant Sawfish Traded

A 15-foot long giant female large-tooth dead sawfish was trapped somewhere around Turchan and Khajar Creek last weekend and subsequently traded, the WWF-Pakistan said recently. Sawfish species is one of the rarest groups of marine animals, whose population is globally endangered with a looming extinction because of its overfishing. Pakistan abounded in sawfish in its waters prior to the 1980s but its large rostra (saw) in front of its head made it vulnerable and that brought down its population. "Since 1985, there are no commercial fisheries in existence," the WWF-Pakistan said.

## MARKETS AT A GLANCE

Rates are taken till Friday 1:00 pm\*

### KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	6.31	6.56
ENDING	6.31	6.56
CHANGE	0	0

### FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 158.30	PKR 138.80	PKR 118.50
ENDING	PKR 158.30	PKR 138.60	PKR 118.80
CHANGE	0	-0.2	+0.3

### PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	42,074
ENDING	42,912
CHANGE	+838

### GOLD RATE

	(10 gm)
STARTING	PKR 49,425
ENDING	PKR 49,725
CHANGE	+300

\* Due to Ramadan



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 02

Volume 13, Issue No. 22 | Date: June 01, 2018

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

## Business Treading Water, Borrowing Data Shows

State Bank of Pakistan's Monetary Policy Information Compendium for May 2018 showed that borrowing for working capital accounted for the bulk of the overall figures – indicating the short term nature of private sector borrowing. Out of total loans of Rs. 482 bn for private sector businesses during July-April FY18, about Rs. 291 bn were taken for short term working capital. The sector borrowed over 60pc for working capital during the period.

## WB to Give \$400 mn for Projects in Punjab

Pakistan on recently signed two financial agreements worth \$400 mn with the World Bank for accelerating climate resilience development in Punjab. The two projects are aiming to improve the environment and quality of life in cities of Punjab. These include Punjab Cities Programme (\$200 mn) and Punjab Green Development Programme (\$200 mn).

## SBP Relaunches SMS Service for New Currency

State Bank of Pakistan, through its subsidiary SBP Banking Services Corporation (SBP BSC) has relaunched the SMS service for issuance of fresh currency notes to the general public. The fresh currency notes will be available from designated commercial bank branches called "ebranches" and the sixteen field offices of SBP BSC. It may be noted that the branch ID for e-branch is different from the existing branch/SWIFT code of banks. The issuance of fresh currency through mobile SMS service will commence from 1<sup>st</sup> June and continue till 14<sup>th</sup> June, 2018. The service will be provided through 1535 e-branches in 132 cities across Pakistan to ensure maximum geographical coverage. The charges for the service are Rs. 1.50/- plus tax, per SMS.

## HIGHLIGHTS

- The SBP has decided that all foreign transactions, whether buying or selling, of \$500 or above through exchange companies will now require CNIC, in the wake of mounting pressure of being placed on the grey list of FATF.
- The overall Business confidence in Pakistan stands at 14pc positive, according to the Business Confidence Index Survey Wave 16.
- Moody's Investors Service continues to expect solid economic activity driven by investments related to the CPEC, while it reaffirmed Pakistan's credit profile as B3 stable.
- Pakistan and China agree to increase the currency swap amount while the agreement period has been extended for three years.
- Mobile broadband subscribers rise by around 2 mn to 55 mn compared to 53 mn in March 2018, according to data released by the PTA.

## TIDBITS

### Few Black Women are Running Companies

Black women represent 12.7pc of the US population, but just 1.3pc of senior management and C-level executive positions at S&P 500 firms.



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 03

Volume 13, Issue No. 22 | Date: June 01, 2018

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

## INTERNATIONAL ARENA

### UK Economy Caught in Brexit Crossfire

Britain's economy has grown at the slowest pace in more than five years, official data showed recently, as Bank of England governor Mark Carney warned about a "disorderly" Brexit transition. Gross domestic product expanded 0.1pc in the first quarter of the year, the Office for National Statistics (ONS) said in a statement, confirming an initial estimate. In a recent speech, Carney warned that the UK central bank's Monetary Policy Committee (MPC) could take action similar to that following the Brexit referendum vote, when it cut its main interest rate under an emergency package of measures aimed at stimulating the British economy. "A sharper Brexit could put monetary policy on a different path" to market expectation of rate hikes, Carney told a group of economists in London.

### Turkey Overhauls Interest Rates, Boosting Lira

Turkey's central bank recently announced a long-awaited simplification of monetary policy to create one headline interest rate, boosting the lira following weeks of losses over uncertainty on the economy. The lira has lost almost 13pc in value over the last month alone as controversial comments by the PM about monetary policy added to anxiety over the broader health of the Turkish economy. The central bank sought to come to the lira's rescue with an emergency 300 basis point rate hike and its latest announcement was welcomed as an overdue streamlining of monetary policy.

### IMF Endorses Islamic Rules for Financial Assessment

The International Monetary Fund (IMF) has approved a plan to incorporate Islamic finance into its financial sector assessments of select countries starting from January 1, 2019. The Core Principles for Islamic Finance Regulation (CPIFR), endorsed this week by the IMF executive board, provides a set of principles for "the regulation and supervision of the Islamic banking industry and are designed to take into consideration the specificities of Islamic banks," the IMF announced. The IMF noted that the Islamic finance has over \$2 trillion of assets globally and is offered in over 60 countries, including Pakistan and the industry has become systemically important in 13

jurisdictions across the globe, it added. The latest Pricewaterhouse Coopers (PwC) study indicates that global Islamic finance assets increased from \$2tr in 2016 to \$2.6tr in 2017. The sector registered a strong 13-15pc growth last year and is expected to cross the \$3 tr mark by 2020.

### BRICS Bank to Issue \$780 mn Bonds in Yuan

The New Development Bank (NDB), set up by the BRICS group of major emerging economies, said recently it plans to raise 5 bn yuan (\$782 mn) through a yuan-denominated bond issue this year. Leslie Maasdorp, the NDB's chief financial officer, told reporters on the sidelines of the bank's annual meeting in Shanghai that the issue would be part of a 10bn yuan bond programme approved by the NDB's board. (BRICS is the acronym for an association of five major emerging national economies: Brazil, Russia, India, China and South Africa.)

### China Industrial Profit Growth Rebounds

Profits earned by Chinese industrial firms in April rose at their fastest pace in six months, data from the National Bureau of Statistics (NBS) showed recently, as factories benefited from higher prices and strong demand. Profits in April rose 21.9pc year-on-year to 576 bn yuan (\$90.14 bn), the quickest since October, bringing gains for the first four months of 2018 to 15pc. The data suggests China's industrial sector is still seeing solid growth momentum despite curbs on pollution and rocky trade relations with the United States. Last month's rebound was helped by lower comparison figures for April 2017, higher factory prices and stronger demand, He Ping, head of NBS' industrial division, said in a statement. It was a significant improvement over March's 3.1pc growth that was the slowest in over a year and which government officials had blamed on the timing of the Lunar New Year holiday.

### US Imposing Tariffs On Chinese Goods

The White House announced on Tuesday that it will impose 25pc tariffs on \$50 bn worth of Chinese goods, as US President Donald Trump pledged to end China's unfair trade practices. The final list of these products will be announced by June 15 and the tariffs will go into effect shortly after. China has already pledged to retaliate against the 25pc tariffs.



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 04

Volume 13, Issue No. 22 | Date: June 01, 2018

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

## MANAGEMENT & INFOTECH CORNER

### First Digital Policy

For members of Pakistan Software Houses Association (P@SHA) and the sector it represents, the Cabinet's May 23 approval of Pakistan's first digital policy acknowledges the sector's potential and contribution to the economy:

Salient Features:

- > Extension of the tax holiday on IT exports from 2019-2025
- > 5pc cash rewards on IT exports, similar to rewards for other industries such as textile
- > Sales tax of 5pc on IT-eS (IT enabled services) within the Federal areas
- > Special Economic zones for the tech sector to be defined by BOI and MOITT.
- > Commercial loans for tech companies at preferential rates.

### Opt Out of That Networking Event

We are all familiar with networking events. They start out as promising, career-boosting meet-ups, but tend to end with you in the corner talking to someone you already know. This scenario of being stuck in your comfort zone is challenging for introverts and extroverts alike. So how can you overcome it? The answer may be to stop trying to make new contacts at events. Here is why: Mixers are limited to low-stakes conversations with people, and we're more likely to forge relationships by participating in shared activities. In other words, we need to look beyond social events to grow our networks. Opt for higher-stakes activities such as organizing charity events or playing in an amateur sports league. Look for hobbies that attract diverse people. You may find you are better off sharing activities than schmoozing. (Adapted from *Go Ahead, Skip that Networking Event*, by David Burkus - HBR.)

### Consider Online Memos for Board Meetings

A common issue in board governance is lacking the information to make strategic decisions. Netflix overcomes this with an online memo system that makes board communication between directors and employees more transparent, and meetings more efficient. The quarterly memos take a narrative format — they emphasize discussion within the document and enable the reader to access business performance, industry trends, among other company insights. By focusing on shared discussion over presentation, Netflix has allowed information to flow more freely between its board and the company's day to day — ultimately allowing managers to face challenges with confidence. (Adapted from *How Netflix Redesigned Board Meetings*, by David Larcker and Brian Tayan - HBR.)

### Working with Perfectionists

If you have a perfectionist on your team, you may find that his rigid standards hinder productivity and cause unwanted conflict. His inability to put the larger goal before the details can even result in missed deadlines. So how can you collaborate with perfectionist colleagues to be more productive as a team? Setting clear boundaries is one place to start. Perfectionists tend to send numerous emails detailing questions or helpful suggestions, especially when they are feeling overwhelmed. Do not ignore the emails. Instead, try limiting your responses to one per day. Or you can decide not to respond to emails that a perfectionist colleague sends over the weekend. These boundaries will help both of you be more productive. (Adapted from *How to Collaborate with a Perfectionist*, Alice Boyes - HBR.)

## TIDBITS

### Our Personality Roots

Based on studies of twins, researchers have posited that about 40-50pc of our personalities can be attributed to our genes.

Editor: Rafi Ahmed | Deputy Editor: Shahla Naqvi | Designed by: M. Jahangir Ishaq | 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.