



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan\*

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Volume 14, Issue No. 10 | Date: March 08, 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 22, 2019, deposits of all scheduled banks stood at Rs. 12,805.163 bn, less by 0.71pc, over the preceding week's figure of Rs. 12,896.844 bn.

#### Credit folio

Gross advances of all scheduled banks stood at Rs. 7,884.070 bn, lower by 0.05pc over the preceding week's figure of Rs. 7,888.286 bn.

#### Investments Conspectus

Investments of all scheduled banks stood at Rs. 7,497.871 bn against preceding week's figure of Rs. 7,279.428 bn, more by 3.0pc.

#### Assets Diary

Total Assets of all scheduled banks amounted to Rs. 18,069.230 bn against previous week's figure of Rs. 17,961.458 bn, rise by 0.60pc.

### Govt Revives Renewable Energy Projects

The government recently decided to allow partial revival of renewable energy projects blocked in March last year by the previous government subject to a revised tariff mechanism and greater decisive role to National Transmission and Despatch Company (NTDC) to provide interconnection facility. It also provided an opportunity to the Sindh government to provide interconnection grid facility for renewable projects (RE) projects that it had issued letters of interest (LoI) but were affected by the government's decision of March 2018.

### Total Strength of Federal Govt Employees Stands at 581,240

The total strength of federal government employees is 581,240 including 32,334 female employees and 16,711 non-Muslim employees, says the Establishment Division Report 2017-18. The report revealed that sanctioned posts are 660,657 against the filled seats of 581,240. The number of vacant posts is 79,417. The number of employees belonging to Occupational Groups is 6,298. The actual strength of federal government female employees for the year 2017-18 is 32,334 against 31,281 in preceding year, showing a significant increase of 3.37pc as compared to 2016-17. Out of total 581,240 federal government employees, the percentage share of female employees in government sector stands at 5.56pc during 2017-18.

## MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

### KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	10.59	10.84
ENDING	10.60	10.85
CHANGE	+0.01	+0.01

### FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 183.50	PKR 157.30	PKR 138.50
ENDING	PKR 182.00	PKR 156.10	PKR 137.95
CHANGE	-1.5	-1.2	-0.55

### PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	39,539
ENDING	38,950
CHANGE	-589

### GOLD RATE

	(10 gm)
STARTING	PKR 60,014
ENDING	PKR 58,813
CHANGE	-1201

\* An ISO 9001 : 2015 Certified Company



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## Power Sector Saves Itself From the Brink as Govt Clears Rs. 200 bn Receivables

The government has cleared Rs. 200 bn of the circular debt that had swelled to well over Rs. 1.64 tr to slightly improve cash flows of the entire energy sector including oil, gas and electricity companies. The largest chunk, of Rs. 60 bn, flowed to Pakistan State Oil (PSO) followed by Rs.54 bn to all the independent power producers (IPPs) put together and Rs. 25 bn to Pakistan LNG Ltd (PLL) for onward payments to fuel suppliers, confirmed Power Division Joint Secretary Zargham Eshaq Khan. The amount of Rs. 200 bn was raised by a consortium of Islamic banks through a sukuk issue last week.

## Potato Surplus Shows How Small-Crop Farmers Are Suffering

Larger production of vegetables has, meanwhile, resulted in 41pc increase in export volumes and 9.8pc growth in foreign exchange earnings in the first seven months of this fiscal year, according to the Pakistan Bureau of Statistics. In July-January, Pakistan exported more than 507,000 tonnes of vegetables, up from 359,000 tonnes in the year-ago period. Export earnings, however, rose to just \$115.5 mn from \$105.2 mn. But within this group, exports of potatoes have not increased, thus deepening its glut. But potato exports are yet to pick up pace as the country has exported only about 250,000 tonnes of them in the last seven months. According to recent media reports, this year's crop size is huge — 4.5 mn tonnes against the maximum projected domestic consumption of 3.75 mn tonnes.

## Govt to Finance Provision of Gas, Electricity to All SEZs

The government has decided to finance the cost of provision of gas and electricity to all the Special Economic Zones (SEZs) out of the Public Sector Development Programme (PSDP) and withdraw provincial mark-up support and federal freight subsidy to SEZs under the China-Pakistan Economic Corridor (CPEC). The Economic Coordination Committee (ECC) of the Cabinet "directed the Board of Investment (BoI) to submit the case to the cabinet for withdrawal of the two additional incentive packages for SEZs under the CPEC program — mark-up

support by the provincial governments and freight subsidy by the federal government", according to minutes of a recent meeting of the ECC.

## Oil Sales Decline

The country's oil sales plunged by 27pc to 12.166 mn tonnes in 8MFY19 on account of 60pc fall in sales of furnace oil (FO) to 1.986m tonnes. High speed diesel (HSD) sales declined 20pc to 4.830 mn tonnes during this period while petrol sales remained almost unchanged at 4.878 mn tonnes.

## US Businesses Hopeful of Pakistan's Economic Future

The American Business Council (ABC) of Pakistan in its perception survey conducted in 2018-19 has termed the country's economic, regulatory and political factors as satisfactory and sense growth in business activities. According to survey result, 50pc of the respondents rated the "business climate" as same as before and 80pc of the respondents felt that there was no change in the "ease of doing business." The survey considered a number of factors including growth influencers, impact of undocumented economy, implementation and consistency of trade policies, budgetary measures, internal and external political environment, and law & order. However, the top areas of concern highlighted by the members included the impact of undocumented economy followed by implementation and consistency of policies – rated as unsatisfactory by over half of survey participants.

## Reviving PIA

Pakistan International Airlines (PIA), once the pride of the nation, has now become a liability. Its downfall has many reasons like inefficiency, unprofessionalism and nepotism. As a result, the airline is over Rs. 300 bn in debt. Its 2017 loss was about Rs. 45 bn. The current aircraft-to-employee ratio is 780, way above the industry average of 150-200. It is 81 for Turkish Air and just 29 for Ryanair. The seat factor at PIA is 74 for domestic flights and 70 for international flights whereas the industry average is 90-plus. The average fleet age of PIA is 17 years while that of many other airlines is less than 10 years.



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## INTERNATIONAL VISTA

### European Currency-Swap Deal to Help UK Banks Manage BREXIT

The central banks of the Eurozone and Britain have agreed to activate a currency swap mechanism that would ensure British banks continue to have the access they need to Euros, even during any market turmoil related to BREXIT. The move seems to be an attempt to shore up the stability of British banks in the case of a "no-deal" Brexit, a scenario in which Britain could fall out of the European Union without a deal on trade relations. That could stress the financial system, and providing liquidity would be one way for the central banks to keep the financial sector going.

### Germany May Face Economic Jam as Tariffs and BREXIT Loom

Germany faces the risk of steep US tariffs on cars and a no-deal BREXIT, a double bad luck which could bring a golden decade of growth in Europe's powerhouse economy to an end. Chancellor Angela Merkel and her ministers are working behind the scenes to mitigate the impact should the worst-case scenario come to pass. A stagnating German economy or even a recession would hold back the Euro zone as a whole and cast uncertainty over the European Central Bank's planned exit from its loose monetary policy. The Berlin government is already facing a budget shortfall of up to 25 bn Euros by 2023 as the economic slowdown means tax revenues will come in below previous estimates, according to a finance ministry document. Nonetheless, faced with the threat of a recession, Finance Minister Olaf Scholz is prepared to bend Germany's strict debt rules, a senior government official told on condition of anonymity.

### Trump Moves to End Special Trade Treatment for India: Reports

US President Trump has announced plans to end special trade treatment for India, while accusing the country of unfairly shutting out US businesses. Trump wrote a letter to the US Congress recently signalling his intent to remove India from the Generalised System of Preferences (GSP) — a program that provides developing countries an easy access to the US market. The GSP lowers duties on exports to the United States for 121 developing countries. According

to CNN, India was the biggest beneficiary of the program in 2017. Indian government "has not assured the United States that it will provide equitable and reasonable access to the markets of India". According to Times of India, the commerce secretary said: "India exports goods worth \$5.6 bn under the GSP and the duty benefit is only \$190 mn annually." Accordingly, at least 1,900 Indian products from various sectors, including chemicals and engineering, get duty free access to the US market under the GSP.

### US Renews GSP Scheme for Pakistan

The US House of Representatives has passed a bill to renew the Generalised System of Preferences (GSP) scheme allowing duty free access for goods from 120 countries including Pakistan for the next three years. The scheme expired on December 31, 2017. The Bill now provides an extension up to December 2020. A senior official in the commerce ministry told that this was the first hurdle in the renewal of the package. Now, the bill will be presented in the US Senate for a passage. After the passage of the bill, US president Donald Trump will sign it into a law. According to the official, Pakistan is one of the beneficiaries of the scheme. He was optimistic that the bill will sail smoothly through the US senate. He said impact on trade volume is limited due to small participation.

## SNIPS

### A Time For Change

A survey from PricewaterhouseCoopers found that 80pc of American chief executives see the need to respond to AI and shifts in technology as a top business priority.

### Rare Company

Last year, Donna Strickland became the first woman in 55 years to be awarded the Nobel Prize in physics, sharing the prize with Gérard Mourou.

### Data Collection Agency

In a report from Accenture, 90pc of respondents expressed that they would not oppose their employers collecting data on them, as long as it benefited the employees in some fashion.



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## MANAGEMENT OUTLOOK

### TIPS

#### To Start Your Week Refreshed, Treat the Weekend Like a Vacation

When Monday morning arrives, do you feel relaxed? Or are you still stressed out from the previous week? Research shows that one way to make your weekends more refreshing is to think of them as a short vacation. Part of this is simply enjoying yourself: Sleep in, do less housework, eat a bit more than you normally would. And find ways to make common tasks more fun, whether that is turning on upbeat music in the car while running errands or making yourself a margarita for folding laundry. Another part is slowing down: Pay attention to your surroundings, the activity at hand and the people who are involved. Keeping your mind on whatever's happening will help you savour it, which in turn will help you feel like you're breaking out of the day-to-day grind. But save these "vacation weekends" for when you really need them — research shows they lose their effects if they happen too often. (Adapted from *Treat Your Weekend Like a Vacation*, by Cassie Mogilner Holme-HBR.)

#### If You Are Underperforming, Be Honest With Your Boss

It is normal to underperform from time to time. After all, everyone has bad weeks — or even months. But do not just sit back and wait for a painful performance review; be proactive and talk with your manager about what is going on (before they have a chance to discover it on their own). Explain your view of things in straightforward, direct terms. Talk about whether your underperformance is a one-off situation or an ongoing trend, as well as whether external factors are involved. But do not make excuses — take responsibility. It may be appropriate to express contrition, in which case a sincere "I'm sorry" goes a long way. And then segue into how you can make things right going

forward. Focus on this last part — what you can do to correct the situation — to show that you have thought carefully about a solution. You can also ask your boss for their advice on next steps, which will show that you respect their opinion. (Adapted from *How to Talk to Your Boss When You're Underperforming* by Rebecca Knight-HBR.)

#### Leaders, Make it Safe for Employees to Give You Honest Feedback

Just like everyone else, leaders need honest feedback to grow. But what leaders hear is often vague, or is not tied to specific behaviours, which means it is not very useful. One way to get feedback that will help you improve is to build a culture where it is safe for employees to be honest. Show colleagues that you want to know what they think, even when — especially when — they might hesitate to tell you. You can do this by asking open-ended questions and listening carefully to the answers: "What did you hear when I shared my strategy?" or "How did it feel to you when I sent that email?" Tell your team that you want both positive and negative comments, and then resist the urge to respond to what they say — even if you disagree, simply listen and reflect. Lastly, thank your team for their honesty, and use their feedback to make necessary changes. (Adapted from *How Leaders Can Get Honest, Productive Feedback* by Jennifer Porter-HBR.)

#### Bernard Arnault Overtakes Buffett to Become World's Third-Richest Person

Luxury-goods titan Bernard Arnault has eclipsed Berkshire Hathaway Inc. Chairman Warren Buffett to become the world's third-richest person on the Bloomberg Billionaires Index. The Frenchman, who added \$14.5 bn to his fortune so far this year and is now worth \$83.1 bn, edged past Buffett by about \$100 mn to join the top three for the first time since Bloomberg's wealth ranking debuted in 2012. Arnault, the chairman of Louis Vuitton parent LVMH, is also the only European other than Zara owner Amancio Ortega of Spain to reach third on the list.

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