



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 13, Issue No. 35 | Date: August 31, 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 August 17, 2018, deposits of all scheduled banks stood at Rs.12, 582.641 bn after a 1.42 pc increase over the preceding week's figure of Rs.12,405.378 bn.

Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 7,415.649 bn, higher by 0.67pc over the preceding week's figure of Rs. 7,366.135 bn.

Investments Brief

Investments of all scheduled banks stood at Rs 8,224.279 bn against preceding week's figure of Rs. 8,201.398 bn, higher by 0.28pc.

Animal Hide Prices Fall Due to High Production

The price of hides has dropped by an average 10pc, but the slaughtering of animals (cows, buffaloes, sheep, goats, camels etc) increased by 5-10pc this Eidul Azha, compared to 7.5 mn animals sacrificed last year. The price of cow hide, which was Rs. 1,700-1,900 last year, now hovers around Rs. 1,400-1,600 while buffalo hide costs between Rs. 500-700 as against Rs. 700-900 last year. Goat skin price ranges between Rs. 200-225 versus Rs. 225-250 the year before while sheep skin rate has dropped from Rs. 125-150 to Rs. 75-100. "The total value of hides and skins this year is estimated at Rs. 5.5 bn — more or less unchanged from 2017, depending on the volume of sacrificial animals, their weight and skin prices," Pakistan Tanners Association (PTA) Central Chairman said recently.

Reserves Up \$82 mn

Foreign exchange reserves held by the State Bank of Pakistan (SBP) rose by \$82 mn to \$10.235 bn during the week ended on August 17. The SBP press release reported the total foreign liquid reserves of the country at \$16.72 bn while holdings of the commercial banks decreased from \$6.56 bn to \$6.49 bn.

PPL Discovers Oil, Gas in Gambat Block

Pakistan Petroleum Ltd (PPL), operator of exploratory well in Gambat South Block together with its joint venture partners Government Holdings Private Ltd and Asia

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	7.80	8.05
ENDING	7.80	8.05
CHANGE	0	0

FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 154.50	PKR 137.50	PKR 122.00
ENDING	PKR 159.50	PKR 143.00	PKR 123.30
CHANGE	+5	+5.5	+1.3

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	42,588
ENDING	41,742
CHANGE	-846

GOLD RATE

	(10 gm)
STARTING	PKR 46,596
ENDING	PKR 49,125
CHANGE	+2529



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Resources Oil Ltd, has discovered hydrocarbons from exploratory well Badeel X-1, located in Sanghar, Sindh. Initial testing flowed 23.4 mn cubic feet per day of gas and 91 barrels per day condensate at a flowing well head pressure of 3,250 pounds per square inch (psi) on 40/64-inch choke. The well is being flowed at different choke sizes to measure the gas flow rates. The actual flow potential will be determined after completion of the tests.

Beijing-Based Bank Likely To Approve \$100 mn for Karachi Bus Project

The Beijing-based Asian Infrastructure Investment Bank (AIIB) is in the process of approving a \$100 mn loan for the Karachi Bus Rapid Transit (KBRT) project by the end of this year, it's learnt. This would be the second loan to be approved by the bank for projects in Sindh. The AIIB is already processing a request for a loan of \$160 mn for the Karachi Water and Sewerage Services Improvement Project (KWSSIP). Besides, the Asian Development Bank (ADB) has agreed to provide \$390 mn for the KBRT project. With this, the total financing by multilateral development banks will cost over \$582 mn. The Sindh government will contribute \$92.5 mn towards the project.

Punjab Exceeds Cotton Sowing Target

Punjab exceeded the cotton sowing target for 2018-19 with 2.31 mn hectares against 2.29 mn hectares. The target in Punjab witnessed a positive trend with an increase of 11.5pc while Sindh was down 31pc.

Telecom Imports Fall by 8.4pc

Pakistan's telecom imports scaled back to \$104.187 mn in July 2018, down by 8.44pc, official figures showed. Fall in telecom imports now stands at \$9.602 in the first month of fiscal year 2018-19 from \$113.789 mn in July last fiscal year 2017-18, Pakistan Bureau of Statistics mentioned. The country's import of mobile phones fell by 1.43pc or \$0.977 mn to \$69.246 mn in July 2018, which remained \$68.269 mn in July 2017. Imports of other apparatuses slumped by 23.24pc or \$10.579 mn to \$34.941 mn in July 2018 from \$45.520 mn in July 2017.

HIGHLIGHTS

- Supreme Court of Pakistan 's Diامر Bhasha & Mohmand Dam Fund Account : Status of Total Receipts collected Upto August 29, 2018 Rs. 1.661 bn.
- There is currently a shortage of 8.5 mn housing units in Pakistan, with urban demand said to stand at 350,000 units per year.
- Agri-lending in July-March Fiscal Year 2018, shows an amount of Rs. 666.29 bn disbursed to 2,725,934 borrowers.
- Out of this amount, Punjab received Rs. 585.21 bn of agri-lending (88pc of credit) and 2,280,638 borrowers were served (83.66pc of borrowers).
- Sindh received Rs. 67.95 bn (10pc) and the borrowers served numbered 3,70,743 (13.60pc).
- KPK received Rs. 10.67 bn (1.60pc) and 49,271 borrowers benefited (1.81pc).
- Baluchistan got Rs, 0.54 bn (0.08pc) and the borrowers numbered 2,893 (0.11pc).
- Azad Kashmir – Rs. 1.49 bn (0.22 pc): Borrowers – 19,559 (0.72pc).
- Gilgit – Baltistan – Rs. 0.43bn (0.06pc: Borrowers – 2,830 (0.10pc).



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INTERNATIONAL ARENA

US Economy Grew 4.2pc in Second Quarter, Faster Than First Reported

The roaring growth of the US economy in the second quarter was even faster than first reported, with new numbers showing a bigger boost in corporate spending, the government reported recently. The uptick in estimates of second quarter spending by companies was sure to comfort the US President and supporters of December's sweeping corporate tax cuts who argue that lowering corporations' tax burdens will spur investment and growth. Gross Domestic Product advanced at an annual rate of 4.2pc in the April-to-June period, a tenth of a point faster than initial estimates showed last month and — at nearly twice the first quarter's pace — the fastest growth in almost four years, according to the Commerce Department.

China Defends 'New Silk Road' Against Debt Complaints

Chinese officials recently defended Beijing's initiative to build a "New Silk Road" of railways and other infrastructure across Asia against complaints it leaves host countries with too much debt after Malaysia canceled two high-profile projects. The officials said President Xi Jinping's signature foreign policy initiative is creating assets that are needed by developing countries but might take time to pay off. The deputy chairman of the Cabinet planning agency, Ning Jizhe, rejected what he said were foreign news reports that blamed the initiative for debt problems. "People's livelihoods and economic development have been boosted," Ning said at a news conference. "No 'debt trap' has been created." Other governments welcomed Xi's initiative in 2013 in a region the Asian Development Bank says needs more than \$26 tr of infrastructure investment by 2030 to keep economies growing. The initiative, called "One Belt, One Road" in Chinese and the "Belt and Road Initiative" in English, is a business venture, not aid. Chinese officials say financing is on commercial terms. Beijing wants to attract non-Chinese investors but that has happened only on a few of the hundreds of railway, power plant, highway and other projects.

Trade Deal Reached with Mexico

US President said recently the United States had reached a "really good deal" with Mexico and talks with Canada would begin shortly on a new regional free trade pact. But Trump hinted that all might not be smooth sailing from here, suggesting he could cut Ottawa out of the deal reached with Mexico and adding that he wanted to change the agreement's name. "With Canada, we will start negotiations shortly", Trump said. US and Mexican negotiators have been working for weeks to iron out differences in order to revise the nearly 25-year old North American Free Trade Agreement (NAFTA), while Canada was waiting to rejoin the negotiations. While Mexico's top negotiator, Economy Minister Ildefonso Guajardo reiterated that the next step was for Canada to rejoin the discussions. Trump indicated he would take a tough line with Ottawa on autos and dairy tariffs, long a source of tension between the neighboring countries. Mexico's President spoke to Canada's Prime Minister and urged Ottawa to rapidly rejoin the talks with the goal of getting a final NAFTA rewrite this week.

Europe's Livestock Sector Stricken by Drought

"Our cows have been living off hay cut in June, there isn't any grass," says Jean-Guillaume Hannequin, a farmer in eastern France, who like his counterparts across much of northern Europe, is wondering how he will feed his animals this winter. Mediterranean countries long ago adapted their farming practices to little rain, but this year it is the north of Europe confronting a widespread drought that could see farmers having to send much of their herds to slaughter due to a lack of feed. In Sweden, where swathes of territory were burned by wildfires this summer as the country baked under century-high temperatures, the grain harvest is expected to be down around 30pc and it is unclear whether recent cooler temperatures will allow farmers to take in more hay. The situation is similar in Germany, where officials say one in 25 farms is at risk of going out of business. In Lower Saxony, a key region for growing fodder crops, the harvest is expected to be more than 40pc down from normal years. In the Netherlands, the deficit for fodder is estimated to be 40-60pc, according to the agricultural association, with the deficit for grain at 20pc.



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Kazakh Port in Decline Bids for Slice of China Trade

With the outlines of its six idle cranes obscured by thick fog and pouring rain, Kazakhstan's Caspian seaport Aktau seems an unlikely stop on China's much-hyped new silk road. But the sleepy port, which has been badly hit in recent years by new oil routes, is vying for a slice of the pie as competition for Chinese trade warms up on the shores of the world's largest inland sea. China's trillion-dollar Belt and Road initiative has been a buzz-phrase in Kazakhstan ever since Chinese leader Xi Jinping unveiled the overland trade and infrastructure vision during a 2013 visit to the capital Astana. For the moment, evidence of Beijing's economic might is light on the ground at Aktau, more than 2,300 km (1,400 miles) from the China-Kazakhstan border crossing that is a key entry point for goods bound for Europe overland.

Rain Brings Relief to Drought-Stricken Australia Farmers

Widespread rain fell across drought-affected parts of eastern Australia over the weekend, bringing relief to farmers struggling to cope with the driest conditions in more than half a century. Graziers have had to hand-feed sheep and cattle, sell down stock — and in some cases even shoot them to end their suffering — as they run out of hay and grain in the severe conditions affecting Queensland and New South Wales states. The wet weather was the first farmers in some areas had seen for more than a year, and even included hail.

US, China Raise Tariffs in New Round of Trade Dispute

The United States and China imposed more tariff hikes on billions of dollars of each other's automobiles, factory machinery and other goods recently in an escalation of a battle over Beijing's technology policy that companies worry will chill global economic growth. The increases came as envoys met in Washington for their first high-level talks in two months. They gave no sign of progress toward a settlement over US complaints that Beijing steals technology and its industry development plans violate Chinese free-trade commitments. The 25pc duties, previously announced, apply to \$16 bn of goods from each side including automobiles and metal scrap from the United States and Chinese-made factory machinery and electronic components.

Germany Books Record Budget Surplus in First Half

European powerhouse economy Germany notched up a record government budget surplus in the first half of 2018 as well as rebounding to stronger growth in the second quarter, official data showed recently. Federal, state and municipal coffers added together were 48.1 bn euros (\$55.7 bn) in the black between January and June, federal statistics authority Destatis said, up 18.3 bn euros year-on-year. "Favourable employment and business developments, as well as a moderate spending policy" contributed to the surplus, which amounted to 2.9pc of gross domestic product, Destatis said. The statisticians cautioned that the figure for the first half-year did not necessarily point to a similar overshoot over all of 2018. And swollen government accounts are unlikely to be welcomed beyond Germany's borders.

Argentina Economic Activity Shrinks

Argentina's economy contracted 6.7pc in June compared with the same month last year, government statistics agency Indec said recently, the latest indication the South American country is headed toward a recession. That marked the third straight month of year-on-year declines, and the largest year-on-year decrease the country has seen since July 2009. The economy also contracted 1.3pc in June compared with May, and was down a cumulative 0.6pc in the first six months of the year compared to the same period in 2017, Indec said.

SNIPPETS

Internet Users Surge to 802 mn in China

As at June 2018, the internet users in China now number 802 mn.

The Price of Burnout

On-the-job stress costs businesses in the US up to \$300 bn a year, according to estimates from the American Institute of Stress.



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MANAGEMENT & INFOTECH CORNER

Facebook Flags Users Who Try to 'Game' Fact-Checking Effort

Facebook acknowledged recently it has developed tools to identify users "indiscriminately" flagging fake news as it refines its effort to combat misinformation. Facebook said it has developed "a process to protect against people indiscriminately flagging news as fake and attempting to game the system" which relies in part on how often a user reports something as fake despite verification by fact-checkers. The reason it does this is to make sure that our fight against misinformation is as effective as possible. Users who report what appears to be bogus news are given a standard probability score of from zero to one depending on how reliable they are when it comes to reporting posts that are untrue, according to the social network. The rating is one of many "signals" used to prioritize flagged posts sent to be reviewed by fact-checking teams. Over the past 18 months, Facebook and other online platforms have stepped up efforts to combat the spread of false news with the intent to manipulate the platforms.

Incorporate Mindfulness into Daily Tasks

We all know that mindfulness can ease stress, but when you are a working parent, it feels hard to find the time to fit in anything — even 10 minutes of meditation. Luckily, you can build mindfulness into your busy routine. Spend a few minutes writing down the activities you do each day: Drop the kids at school, stop for coffee and so on. Next, consider where mindfulness can fit. For example, with your morning cup of coffee, create a quick routine where you pause before the first sip, smell the aroma and take three intentional breaths. Finding these small but essential moments will benefit both you and your family.

(Adapted from *How Busy Working Parents Can Make Time for Mindfulness*, by Michelle Gale-HBR.)

Learning the Company's Culture

When evaluating a job offer, it is important to know whether you will fit in at the new company. But it can be hard to get an unvarnished view of an organization's culture during the interview process. Before you take the job, find people with objective, unbiased opinions of the organization and its culture. They may be former employees or others who work with the company, such as consultants, contractors, or suppliers. Invite them out for coffee and say something like, "I'm trying to get a fuller picture of the company culture." Then ask questions such as: What is this organization like to work with? Where is it succeeding? What kinds of people do well in this organization? What kinds of people leave? If you can, find out why the person you are replacing is no longer there. Did they move on? Or get promoted?

(Adapted from *How to Tell If a Company's Culture Is Right for You*, by Rebecca Knight-HBR.)

For Creativity, Get Advice From Outside

When it comes to solving tough problems, tried-and-true methods can help — but they might hold you back from discovering a creative solution. If you are in a rut with a particular problem, one way to break out is to solicit advice from unlikely sources — those who will see the issue in a completely different way. You do not want experts in your discipline: If you are working on a technology challenge, and you have talked to 10 technologists, the opinion of an 11th is not going to make a difference. Get ideas from someone outside your field. If you're a consultant, for example, ask a musician or an improv comedian how they would solve the problem. And do not discount their ideas just because they 'don't understand how things are done' at your company. The goal is for their outside perspective to help you see past your assumptions.

(Adapted from *Simple Ways to Spot Unknown Unknowns*, by Dorie Clark-HBR.)

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Published by: The Institute of Bankers Pakistan, M.T. Khan Road, Karachi 74200, Pakistan

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