



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 13, Issue No. 31 | Date: August 03, 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 July 20, 2018, deposits of all scheduled banks stood at Rs.12,566.667 bn after a 0.31 pc decrease over the preceding week's figure of Rs.12,606.769 bn.

#### Credit Portfolio

Gross advances of all scheduled banks stood at Rs.7,318.094 bn, increased by 0.25 pc over the preceding week's figure of Rs.7,300.008 bn.

#### Investments Brief

Investments of all scheduled banks stood at Rs.7,833.857 bn against preceding week's figure of Rs.6,575.314 bn, higher by 19.14 pc.

### Chinese Firm Keen on Acquiring Fauji Foods

The Chinese state-owned Inner Mongolia Yili Industrial Group Ltd — the dairy manufacturing industry — has shown interest to acquire up to 51 pc of voting shares and control of Fauji Foods Ltd (FFL). In separate announcements to the stock exchange, Citibank NA Pakistan and the associated company of FFL said its total paid-up shares stand at Rs.528.4 mn. Fauji Fertiliser Bin Qasim Ltd (FFBL) holds 267.3 mn shares, representing 50.6pc of the issued capital of FFL, while Fauji Foundation has 67.4 mn shares representing 12.8 pc of the equity.

### High Demand Raises Import of Vehicles

The import of used and new cars and bikes coupled with arrival of parts and accessories for locally assembled vehicles remained brisk during FY18, strongly suggesting that demand for both imported and locally-made vehicles remains buoyant despite rising fuel prices and multiple price increases by local assemblers in just one year. As per the figures of Pakistan Bureau of Statistics (PBS), import of cars mostly three years old rose by 6 pc to \$456 mn in FY18 from \$431 mn in FY17. Some new entrants, who would start assembly in the next one to two years, are also bringing in brand new imported vehicles to test the Pakistani market.

### 1,320MW Power Plant Connected to National Grid

The 1,320MW coal-fired Hubco Power Plant has been connected with the national grid after the National Transmission and Despatch Company completed a new 500KV transmission line. The line will also enable the company to evacuate power

### MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

#### KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	7.77	8.02
ENDING	7.78	8.03
CHANGE	+0.01	+0.01

#### FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 166.50	PKR 148.00	PKR 128.40
ENDING	PKR 158.50	PKR 140.50	PKR 123.00
CHANGE	-8	-7.5	-5.4

#### PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	42,786
ENDING	42,505
CHANGE	-281

#### GOLD RATE

	(10 gm)
STARTING	PKR 51,054
ENDING	PKR 47,668
CHANGE	-3386



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from its existing plant to the national grid, according to an official source. The new coal-fired plant is being constructed under China-Pakistan Economic Corridor. Since the work on the project was launched last year, its first unit of over 400MW is set to start generation in December.

## Making Afforestation a Priority

The Food and Agriculture Organisation (FAO) defines forest as land with tree crown cover (or equivalent stocking level) of more than 10 pc and an area of more than 0.5 hectare. As a rule, 25 pc of a country's area should consist of forest cover. But in Pakistan, it is about 5 pc or 4.34 mn hectares of the country's land area. Bringing more area under trees will not only help mitigate the environmental challenges, water scarcity issue and weather extremes, but will also contribute to the economic development of the country. We should not only gear our efforts to bring more area under forests, but also take care of the existing forests so that we can leave a green, healthy and prosperous Pakistan for our coming generations.

## Tax Amnesty Yields Rs. 21 bn in Additional Revenues

With the curtain set to drop on the amnesty scheme, nearly 15,000 people have filed returns declaring their domestic as well as foreign assets and deposited Rs. 21 bn in taxes till July 31. On the other hand, the Federal Bureau of Revenue (FBR) has claimed to have collected provisionally Rs. 225 bn in July as against Rs. 211 bn in the corresponding month of last year, reflecting an increase of 6.6 pc.

## Fruit & Vegetable Worth US \$641.663 mn Exported in FY 2017-18

Fruit and vegetables exports from the country during 12 months of last financial year grew by 5.8 pc and 30.56 pc respectively as compared the corresponding period of last year. During the period from July-June, 2017-18, 710,221 metric tons of fruits worth US\$ 400.237 mn were exported as compared the 645,661 metric tons valuing US\$ 380.904 mn of same period of last year, according to the data of Pakistan Bureau of Statistics. Meanwhile, 875,269 metric tons of vegetables worth US\$ 241.426 mn exported as against the 632,246 metric tons valuing US\$ 184.916 mn of same period of last year, showing an increase of 30.56 pc, it added.

## INTERNATIONAL ARENA

### BRICS Nations Pledge Unity Against Trade War

Five of the biggest emerging economies recently stood by the multilateral system and vowed to strengthen economic cooperation in the face of US tariff threats and unilateralism. The heads of the BRICs group – Brazil, Russia, India, China and South Africa – met in Johannesburg for an annual summit dominated by the risk of a US-led trade war, although leaders did not publicly mention President by name. "We express concern at the spill-over effects of macro-economic policy measures in some major advanced economies," they said in a joint statement. The BRICS group, comprising more than 40 pc of the global population, represents some of the biggest emerging economies, but it has struggled to find a unified voice. Analysts say US trade policy could give the group renewed purpose.

### IMF Depicts Positive Picture of China's Economy

The International Monetary Fund (IMF) recently offered a generally positive picture of China's economic performance along with optimistic predictions of continuing development. The IMF report came a day after Chinese President warned at a BRICS summit meeting in South Africa that there would be "no winners" in a trade war among the world's major economies. "The Chinese economy continues to perform strongly. GDP growth accelerated to 6.9 pc in 2017, driven by a cyclical rebound in global trade," the IMF's annual "Article IV" consultative report noted.

### Germany Thwarts China by Taking Stake in 50Hertz Power Firm

The German government said recently it took a minority stake in electricity transmission firm 50Hertz for "national security" reasons, thwarting Chinese investors from buying into the strategic company. "On national security grounds, the federal government has a major interest in protecting critical energy infrastructure," the finance and economy ministries said in a joint statement. Berlin has therefore tasked a public bank to purchase a 20 pc stake put up for sale by Australian infrastructure fund IFM and which has been sought by China's State Grid.



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## China Striving to Hit Growth Target Despite Trade Tensions With US

China will keep its economic growth within a reasonable range and achieve this year's target despite challenges, the state-run Xinhua news agency said recently as a trade war with the United States intensifies. The world's second-largest economy has already felt the pinch from Beijing's multi-year deleveraging drive that has driven up corporate borrowing costs and delayed government projects. Beijing is also aware that friction with the United States over trade is creating uncertainty for its job market, and has pledged not to let the row trigger large-scale unemployment.

## Annual US Worker Pay Gains Rose Since 2008

US workers saw their annual wages and benefits rise in the second quarter at the fastest pace in nearly a decade, a sign that the low unemployment rate is forcing employers to raise pay to attract and keep workers. Pay and benefits for all US workers increased 2.8 pc in the April-June quarter from a year earlier, the most since the third quarter of 2008. Total compensation for private industry workers which excludes state and local employees rose 2.9 pc, the best since the second quarter of 2008. The unemployment rate is near an 18-year low of 4 pc, leaving employers scrambling to find the workers they need.

## Islamic Banking, Finance Outlook Bright in Asia

The Asian Development Bank (ADB) says the outlook for Islamic banking and finance in Asia is bright, given that the region is home to more than 60 pc of the world's Muslim population, as well as Asia's growing middle class, and has strong economic and financial fundamentals. In addition, a combination of strong political support, a large investor base, and generous tax incentives are enticements to further Islamic finance in Asia, the ADB says in a new report on 'Islamic Banking and Finance in Asia'. The Muslim populations in different Asian countries, especially in South East Asia, are increasing. Rapid Muslim population growth and improving living standards may enhance the popularity of Islamic finance as a keen alternative to conventional financing mechanisms. In addition, investors from the Middle East and Asia are increasingly seeking to invest in products that are in line with their religious beliefs, report says. Today, the global Islamic capital market is a multi-sector segment that includes holistic financial instruments, including sukuk Islamic equities, Islamic funds, and other Islamic structured products.

## MANAGEMENT & INFOTECH CORNER

### Before Hiring a Friend, Set Some Boundaries

Hiring a friend into your company is risky: Can the personal relationship coexist alongside a professional one? But if you approach the situation carefully, it's possible to work with each other while preserving the friendship. First, make sure you're comfortable saying no to the person. If you do become your friend's boss, you'll need to have confidence that their emotional maturity can make the dynamic work. Next, set their expectations about whether they're likely to get the job. Say something like, "I want to explore the possibility of our working together — but I want to be clear that it might not be a good idea." Last, think together about how you'd deal with difficult situations that may arise on the job.

(Adapted from "What to Consider Before Hiring a Friend," by Joseph Grenny-HBR.)

**MY BANK HAS A NEW SERVICE WHERE THEY WILL TEXT YOU YOUR BALANCE. IT'S COOL, I JUST DON'T THINK THEY SHOULD ADD "LOL" AT THE END.**

### Can You Explain Your Start-up's Great Idea?

Start-up and technical business leaders often don't tell their innovation stories well. They rely too much on industry jargon and complex detail to get their points across. This is a huge missed opportunity. When you're doing good work, you want people to know about it. So whether you're drafting website copy, or a marketing brochure, follow a few rules. First, use simple language to communicate your message. Clear, straightforward writing will draw in a broader audience. Second, keep it simple, and build your narrative one idea at a time. Third, consider hiring professional storytellers. Seek out writers who have crafted op-eds or articles for a variety of publications.

(Adapted from "Technical Experts Need to Get Better at Telling Stories," by Karen Mazurkewich-HBR.)



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## To Use Your Time Better, Track it

It's hard to know whether you're using your time efficiently. Even if you're always working hard — and stressed out — are you sure you're spending your time on the right things? To find out, try a time-tracking exercise. For 30 days, use a spreadsheet to log how you spend your time, measuring it in half-hour increments. It might sound arduous, but this exercise can yield some surprising insights. For example, maybe one of your goals is to read more, in order to explore new ideas, but you're struggling to find the time. The exercise might reveal that you could combine exercising, cooking or commuting to work with listening to audio books or podcasts. Time tracking might also show you that you're especially likely to waste certain hours of the day and that certain tasks carry disproportionate psychological weight.

(Adapted from "Track Your Time for 30 Days. What You Learn Might Surprise You," by Dorie Clark-HBR.)

## Japan's Labour Crunch

As Japan's population dwindles, its companies are being forced to change how they attract job seekers from an ever-shrinking labour pool. Nationwide, there are 1.62 jobs available for every job seeker, the strongest demand for labour in more than 44 years. The jobless rate is 2.4 percent, near a 25-year low, and real wages adjusted for inflation have fallen in five of the past six years. Flexible working hours, personal benefits like day care and even rent assistance are now on the table alongside salary. Such perks, common in the United States and Europe, are only just catching on Japan, which until recently relied on a culture of complete devotion to an employer in exchange for job security and steady pay increases. Toyota, for instance, opened a 24-hour day care facility in April for shift workers at its plants near its headquarters in Toyota City.

Some companies, like Jtekt Corp, the world's biggest supplier of vehicle steering systems, are simply moving some of their operations away from competition.

## TIDBITS

### Why employees move on

In a survey spanning 10 years and over 200,000 employees, 79 pc of respondents who quit their jobs say that being underappreciated was the primary reason for leaving.

### The "office housework" bias

A study published in the American Economic Review found that in mixed-sex groups, women received 44 pc more requests from managers to volunteer than men.

### Citizen of the world

According to research from US firm Edelman, 64 pc of the global population sees public policy and social issues as topics that business leaders should speak openly about.

### Billion Dollar Baby-

This year Netflix is set to spend around \$12 bn on content creation.

### Tips For Effective Listening Skills

- Step 1: Face the speaker and maintain eye contact. ...
- Step 2: Be attentive, but relaxed. ...
- Step 3: Keep an open mind. ...
- Step 4: Listen to the words and try to picture what the speaker is saying. ...
- Step 5: Don't interrupt and don't impose your "solutions."

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