



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 13, Issue No. 39 | Date: September 28, 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 September 14, 2018, deposits of all scheduled banks stood at Rs. 12,553.647 bn, increase of 0.42 pc, over the preceding week's figure of Rs. 12,501.539 bn.

#### Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 7,400.752 bn, higher by 0.21 pc over the preceding week's figure of Rs. 7,385.152 bn.

#### Investments Brief

Investments of all scheduled banks stood at Rs. 6,868.444 bn against preceding week's figure of Rs. 6910.205 bn, lower by 0.60 pc.

### Saudi Arabia to Finance Three CPEC Projects

The government of Saudi Arabia has signed three grant agreements with Pakistan to finance three road infrastructure and energy projects under the China Pakistan Economic Corridor (CPEC). These agreements have been inked in line with the understanding reached during Prime Minister Imran Khan's recent visit to Saudi Arabia," Information Minister Fawad Chaudhry told a press conference recently. The minister said agreements on Reko Diq gold, copper mines and Gwadar oil refinery likely to be signed next week.

### Chinese Company to Develop Balochistan's Mineral Sector

A research and investment Chinese company — MCC Tongsin Resources Ltd — has expressed its keen interest in developing the mineral sector of Balochistan. In a meeting with Chief Minister recently, the MCC Tongsin President Wang Jincheng offered to explore natural resources of the province. He informed the Chief Minister that his company has merged with the Chinese firm working on the Saindak project. He asked the provincial government to allow the company, so it could expand Saindak project that would increase jobs opportunities for local people and will be beneficial for the province.

### IRSA Calls for Building Two Mega Dams

The Indus River System Authority (IRSA) recently anticipated 35-40 pc shortfall of irrigation water in Rabi season beginning Oct 1, and advised the government to start working on building at least two storage reservoirs to address the increasing future challenges. This was concluded at a meeting of IRSA's technical committee presided

### MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

#### KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	7.99	8.24
ENDING	8.34	8.59
CHANGE	+0.35	+0.35

#### FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 164.00	PKR 145.50	PKR 125.30
ENDING	PKR 164.00	PKR 147.00	PKR 125.30
CHANGE	0	+1.5	0

#### PAKISTAN STOCK EXCHANGE

##### 100 Index

STARTING	41,320
ENDING	40,998
CHANGE	-322

#### GOLD RATE

##### (10 gm)

STARTING	PKR 50,711
ENDING	PKR 50,583
CHANGE	-128



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over by its Director Operations and attended by representatives of the provinces, WAPDA and Meteorological Department.

All the stakeholders submitted their estimates for the overall water availability for the upcoming cropping season that ranged between 35-40pc. The Director said that IRSA would now work out average water availability on the basis of stakeholders' estimates.

## Indo-Pak Trade Potential Stands at \$37 bn

India and Pakistan have merely scratched the surface of their bilateral trade potential, as a World Bank report released recently estimates that trade between the two countries today is a mere \$2 bn whereas without trade barriers, this could reach \$37 bn. The report, "A Glass Half Full: The Promise of Regional Trade in South Asia" says the lack of normal bilateral trade relations between the two countries affects the formation or deepening of regional value-chains in various high-value trading sectors. The report has highlighted among key factors, the long list of product restrictions in bilateral trade. India and Pakistan continue to maintain long, sensitive lists of items on which no tariff concessions are granted. Pakistan has a list of 936 items and almost 17.9pc of tariff lines that apply to imports from all SAFTA countries. India maintains a list of 25 items (0.5pc of tariff lines).

## Rise in Big Industry Output

The large-scale manufacturing (LSM) posted a growth of 0.5pc year-on-year in July, data shared by the Pakistan Bureau of Statistics revealed recently. LSM constitutes 80pc of manufacturing and 10.7pc of overall GDP. In comparison, small-scale manufacturing accounts for just 1.8pc in GDP and 13.7pc in manufacturing.

## Textile and Clothing Exports Rise 7.33 pc

Pakistan's textile and clothing products exports revived in August from a year ago, according to the data released by the Pakistan Bureau of Statistics (PBS) recently. However, total exports proceeds from the textile and clothing sector jumped 7.33pc to \$ 1.25 bn in August from \$ 1.17 bn in the same month last year. However, the country's total exports posted a growth of 3.72pc to \$ 2.26 bn during the first two

months (July-August) of 2018-19 from \$ 2.17 bn over the corresponding months last year. The revival in exports was partially attributable to cash subsidy offered under Prime Minister's exports enhancement package. Furthermore, in the mini-budget, government has reduced duties on raw materials to boost exports.

## HIGHLIGHTS

- All Pakistan Ceramic Tiles Manufacturers Association (APCTMA) has urged the government to withdraw increase in gas prices as it would make locally produced tiles uncompetitive in local and global markets. The industry has already been hit by a huge influx of smuggled tiles and imports at lower valuation, capturing over 40pc of the country's tile market of worth nearly Rs. 80 bn.
- The country's oil import bill year-on-year amounted to \$ 2.64 bn in the first two months of FY18, showed data released by Pakistan Bureau of Statistics.
- The Central Depository Company (CDC) is planning to launch its "Digital Account Opening" solution in October, the company said in a statement recently. The facility will let investors to fill the account opening form online and download it once validated by CDC personnel.
- Housing finance by banks increased by 16.2pc during FY17 but the number of borrowers declined indicating the rising finance costs in the country. The State Bank's latest report on housing finance by banks and development finance institutions (DFIs) showed that the total outstanding amount of housing finance has increased to Rs. 88.18 bn by June compared to Rs. 75.89 bn in June last year.



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## INTERNATIONAL ARENA

### Oil Hits Four-Year High

Oil prices jumped more than 2pc to a four-year high on Monday, September 24, 2018 after Saudi Arabia and Russia ruled out any immediate increase in production despite calls by US President for action to raise global supply. Benchmark Brent crude hit its highest since November 2014 at \$ 80.94 per barrel, up \$ 2.14 or 2.7pc, before easing to around \$ 80.75. US light crude was \$ 1.25 higher at \$ 72.03. "This is the oil market's response to the OPEC+ Group's refusal to step up its oil production," said Carsten Fritsch, commodities analyst at Commerzbank in Frankfurt.

### India Struggles to Soothe Markets

Indian authorities sought to calm markets recently but investors paid little heed as fears that the non-banking financial sector is facing a credit crunch hit domestic bonds, stocks and the rupee, adding to selloff. Finance Minister tweeted that "the Government will take all measures to ensure that adequate liquidity is maintained/provided to the NBFs," referring to the non-banking financial companies. His intervention came on the heels of assurances recently from both the central bank, the Reserve Bank of India, and market regulator, the Securities and Exchange Board of India, that they were closely monitoring developments in financial markets and ready to act if needed.

### Alibaba's Ma says 1 mn US Jobs Pledge Thwarted by Trade Row

Alibaba founder Jack Ma said his ambitious pledge to create one million jobs in the US had been scuppered by the trade row between Beijing and Washington, Chinese state news said recently. The billionaire owner of China's largest online shopping portal made the headline-grabbing promise to US President last year, as Beijing courted the then-newly elected President. But Ma told official news agency Xinhua his vow had been made on the basis of continued cooperation and trade growth between the US and China, and would now be difficult to fulfill.

### US President Tells OPEC to Lower Oil Prices

US President issued a fresh call on the OPEC oil cartel to lower crude prices, saying the United States was providing Middle Eastern energy giants with security. "We protect the

countries of the Middle East, they would not be safe for very long without us, and yet they continue to push for higher and higher oil prices!" he tweeted. "We will remember. The OPEC monopoly must get prices down now!" Trump has earlier called for members of the OPEC, primarily cartel kingpin and US ally Saudi Arabia — to raise their production, and warned importers to stop buying oil from Iran or face US sanctions. Two of OPEC's founding members, Iran and Venezuela, are under sanctions from Washington.

### EU pushes October Brexit Agreement, Threatens No Deal

European Union leaders will push for a Brexit deal next month but warned Prime Minister Theresa May recently that if she will not give ground on trade and the Irish border by November they are ready to cope with Britain crashing out. "Don't worry, be happy," joked EU Chief Executive Jean-Claude Juncker telling reporters after a summit in Austria that the Europeans had full plans in place in the event there was no deal before Britain leaves next March.

### Asian Firms' Confidence

Confidence among Asian companies slumped to the weakest in almost three years in the third quarter as businesses feared blowback from a worsening global trade war, a Reuters/INSEAD survey showed. Representing the six-month outlook of 104 firms, the Thomson Reuters/INSEAD Asian Business Sentiment Index fell to 58 for the July-September quarter, its lowest since the fourth quarter of 2015, from 74, three months before. It was a second straight quarter-on-quarter decline for the index and the pace of the fall was the steepest recorded since the survey began in 2009. A reading above 50 indicates a positive outlook.

## SNIPPETS

### Time on the Table

Around 52pc of American employees fail to use up their vacation time, according to Project: Time Off.



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## MANAGEMENT & INFOTECH CORNER

### 4 Pakistani Americans win Hultz Prize in USA

Four Pakistani American students from Rutgers University in New Jersey won the prestigious Hult Prize award recently, securing \$1 mn in startup capital for their business, Roshni Rides. Gia Farooqi, Hanaa Lakhani, Hasan Usmani, and Moneeb Mian were presented the award by former US president Bill Clinton after winning the world's largest such competition between students. The Hult Prize Foundation focuses on innovative ideas to tackle social challenges in the world, and students from around the world compete for the prestigious award. Roshni Rides is an e-rickshaw service that seeks to provide a transportation solution for refugees living in informal settlements around the world. The startup uses solar energy to remain cost efficient and promises to be more affordable and safe than other transport options.

## SNIPPETS

### Change of Scenery

An NBC News survey reports that 75pc of workers under the age of 34 view job-switching as advantageous to their careers.

### Social Forecast

US companies are anticipated to invest about \$ 37 bn on social media marketing per year by 2020.

### To Connect with Your Audience, Share Personal Stories

Leaders often shy away from sharing personal stories in their talks and presentations, because they are afraid of revealing their struggles or appearing unprofessional. But this is a missed opportunity to connect with your audience: Stories that expose our human flaws and vulnerabilities are often what inspire people. To unearth your inspiring stories, think through the nouns that are important to you — the people, places, and things that have shaped your life. Some of your experiences may be too personal to share, but you may uncover anecdotes that will become the basis of a great story. Write one-line summaries of your best anecdotes, and catalogue them; you could sort them by situation, theme, mood, or moral. When you're planning your next talk, look through your catalogue of stories and consider who is in your audience and what they care about. Choose a story that fits their values, goals, and interests, and that will send the message you want to convey. (Adapted from *How to Identify and Tell Your Most Powerful Stories*, by Nancy Duarte-HBR)

### Managers, Protect Your High Performers from Burnout

When a high performer on your team burns out, you might think it is their problem to solve. But as a manager, it is your job to help employees keep their stress under control. You can protect your stars from burnout by giving them some autonomy in choosing their projects. Do not just put them on your toughest tasks; letting them choose ensures they are working on assignments that excite them. You can also pair the person with another high performer on a hard project, which will help the two employees challenge and push each other. (You may be tempted to group high performers with low performers, but that is likely to increase the high performers' workloads and sap their morale.) These pairs should consist of employees at similar levels. Placing a talented entry-level employee with a high-performing leader would not have the same effect. (Adapted from *How Are You Protecting Your High Performers From Burnout?* by Matt Plummer-HBR)

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