



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 13, Issue No. 40 | Date: October 05, 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 19, 2018, deposits of all scheduled banks stood at Rs. 12,591.789 bn, increase of 0.30pc, over the preceding week's figure of Rs. 12,553.647 bn.

Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 7,423.574 bn, higher by 0.30pc over the preceding week's figure of Rs. 7,400.752 bn.

Investments Brief

Investments of all scheduled banks stood at Rs. 6,889.201 bn against preceding week's figure of Rs. 6,868.444 bn, higher by 0.30pc.

Interest Rate Hiked Amid Warnings of Inflation, Deficits

Pointing to continuous rises in inflation and the "twin deficits", the State Bank on Saturday (September 29, 2018) hiked the key target policy rate by 100 basis points, or one percentage point. This is the second consecutive hike of a full percentage point in interest rates. The target policy rate affects all other interest rates in the economy, eventually making it more expensive to borrow, and serving as a brake on the pace of economic activity. The State Bank pointed to "rising inflation and large twin deficits", both fiscal and external, as the main reason behind the continuing tightening of interest rates, saying these "are likely to compromise the sustainability of the high real economic growth path." The SBP pointed to surging oil prices, rising inflation and global developments that are sending an oil price shock as well as fueling protectionist trade policies as the biggest challenges facing the economic managers.

S. Arabia Not to be Made Part of CPEC

Pakistan said recently that Saudi Arabia would not be made part of the \$50 bn China-Pakistan Economic Corridor (CPEC) framework and the kingdom's proposed investments would fall under a separate bilateral arrangement.

Rabi Crops Face 38pc Water Shortage, IRSA Warns

Anticipating 38pc water shortage for Rabi season, the Indus River System Authority (IRSA) recently asked provincial agricultural authorities for better water management to minimize loss to crop output and rejected a call to subject Balochistan and Khyber Pakhtunkhwa provinces to water cuts. The projected

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)		
	Bid%	offer%
STARTING	8.34	8.59
ENDING	8.76	9.01
CHANGE	+0.42	+0.42

FOREIGN EXCHANGE RATES			
	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 164.00	PKR 147.00	PKR 125.30
ENDING	PKR 164.50	PKR 145.50	PKR 126.70
CHANGE	+0.5	-1.5	+1.4

PAKISTAN STOCK EXCHANGE	
100 Index	
STARTING	40,998
ENDING	39,226
CHANGE	-1772

GOLD RATE	
(10 gm)	
STARTING	PKR 50,583
ENDING	PKR 51,012
CHANGE	+429



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water shortage may hit the agriculture sector, which may lead to food security challenges. Wheat is the largest crop of the season. Gram, lentil, tobacco, rapeseed, barley and mustard are some of the other Rabi crops.

Inflation Eases to 5.12pc

The country's annual inflation eased to 5.12pc in September from 5.84pc a month earlier, the Pakistan Bureau of Statistics (PBS) said recently. On a month-on-month basis, prices fell 0.06pc in September. The fall in inflation was mostly driven by a dip in the cost of vegetables.

IMF for More Action on Revenues, State-Owned Firms

The International Monetary Fund (IMF) has asked the government to raise more revenues and pay greater attention to outstanding structural reforms, especially regarding the state-owned enterprises, to put the economy on a sound footing. A visiting delegation of the fund led by Harald Finger, IMF's mission chief for Pakistan, held detailed meetings with senior officials of the Ministry of Finance and Federal Board of Revenue recently as they entered the last leg of their weeklong engagements. The finance secretary and the FBR chairman led the official side. The talks will now enter the policy area where Finance Minister Asad Umar is expected to lead the government's side.

CMEC Plans \$3.93 mn Investment in Thar Energy

Hub Power Company Ltd (Hubco) said that China Machinery Engineering Corporation (CMEC) proposes to plough capital investment of \$3.93 million in its subsidiary Thar Energy Ltd (TEL). Hubco established TEL subsidiary to set up a 330MW mine-mouth lignite-fired power plant at estimated cost of \$525 mn. The company has signed a shareholders' agreement with Fauji Fertiliser Company Ltd (FFCL) and CMEC TEL Power Investments Ltd (CMEC Dubai) for equity investment of 30pc and 10pc respectively. Hubco holds 60pc stake in the project.

INTERNATIONAL ARENA

Amazon Raises Minimum Wage to \$15

Online retail giant Amazon announced it would raise its starting wage for US workers to \$15 an hour, amid long-standing criticism of low pay, and advocate for a higher minimum wage nationwide. The pay raise will apply to 250,000 employees, starting November 1, and to the more than 100,000 seasonal workers, the company expects to hire for the holiday shopping season. Amazon founder and CEO Jeff Bezos said the company, with a market valuation of nearly \$1 tr, heard the complaints about the pay structure.

US Factory Activity Slows; Construction Spending Edges Up

A measure of US factory activity retreated from a more than 14-year high in September as growth in new orders slowed, but supply bottlenecks appeared to be easing, suggesting a steady pace of expansion in manufacturing. Other data showed a small increase in construction spending in August amid weakness in investment in private residential and nonresidential projects. The report did little to change views of strong economic growth in the third quarter. The Institute for Supply Management (ISM) said its index of national factory activity dropped 1.5 points to a reading of 59.8 last month from 61.3 in August, which was the highest since May 2004.

UK to Bring Forward its Own Irish Border Brexit Proposals

Britain will bring forward new proposals to break an impasse in Brexit negotiations over the Irish border very soon, senior British minister David Lidington said recently. "We obviously will be bringing forward more detailed proposals, alternative proposals to those of Michel Barnier, on the so-called backstop very soon," Lidington, UK PM Theresa May's de facto deputy, told BBC radio. "We're not going to countenance the splitting off of Northern Ireland from the rest of the United Kingdom."



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S. Arabia Makes \$200 mn Grant to Yemen Central Bank

Saudi Arabia's King Salman announced a donation of \$200 mn to Yemen's central bank recently, state news agency SPA reported, in an effort to help shore up the weak Yemeni currency. Yemen has been divided by more than three years of civil war between the internationally recognized government, backed by Riyadh and based in the south, and the Houthi movement that controls the north, including the capital Sanaa. Its currency, the riyal, has lost more than half its value against the U.S. dollar and soaring prices have put some basic commodities out of reach for many Yemenis. "This grant will contribute, in addition to previous deposits to the Yemeni Central Bank totalling \$3 bn, to easing the economic burden on the brotherly Yemeni people," the SPA report said. Based in the southern port city of Aden, Yemen's central bank has struggled to pay the public sector salaries on which many Yemenis depend, amid dwindling foreign exchange reserve.

Turkey Inflation Highest In 15 Years

Turkish inflation surged nearly 25pc in September from a year earlier, official data showed recently, hitting its highest in a decade and a half and underscoring the deepening impact of a currency crisis on the wider economy and consumers. Turkey's lira has fallen some 40pc this year, hit by concerns about President Tayyip Erdogan's control over monetary policy and a diplomatic rift with the United States. That sell-off has pushed up prices of everything from food to fuel and eroded investor confidence in what was once seen as a high-flying emerging market.

India Is Cutting Iranian Oil Imports To Zero

India is not planning to buy any Iranian oil in November, raising the prospect that Tehran will lose another major customer as US sanctions hit and spurring speculation over whether China will follow suit. India is joining other Asian buyers such as South Korea and Japan that have already halted imports from the Persian Gulf state before American restrictions take effect in early November. It is unclear if China, the world's biggest oil importer as well as Iran's top customer, will persist with purchases.

New Trade Deal

US recently celebrated a revised North American trade deal with Canada and Mexico as a return of the United States to a "manufacturing powerhouse," vowing to sign the agreement by late November. But the president noted that the deal would need to be ratified by Congress, a step that could be complicated by the outcome of the fall congressional elections. When told he seemed confident of congressional approval, he said he was "not at all confident" but felt ratification would be granted if lawmakers took the correct action. "Anything you submit to Congress is trouble no matter what," Trump said, predicting that Democrats would say, "Trump likes it so we're not going to approve it." Trump embraced the US-Mexico-Canada Agreement during a Rose Garden ceremony, branding the pact the "USMCA." The president said the name has a "good ring to it," repeating U-S-M-C-A several times. The agreement was forged just before a midnight deadline imposed by the US to include Canada in a deal reached with Mexico late in the summer. It replaces the 24-year-old North American Free Trade Agreement (NAFTA), which Trump has lambasted as a job-wrecking disaster that has hollowed out the nation's industrialized base.

SNIPPETS

Competitive Edge

In a report published by McKinsey and Company, companies with ethnically diverse executive teams were 33pc more likely to outperform industry competitors on profitability.

Fresh to Market

Last year ALDI, a German discount supermarket chain, announced plans to open 900 stores across the United States.

Closing Time

In 2016, European banks shut down more than 9,000 branches.



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MANAGEMENT & INFOTECH CORNER

Your Team Should Get Along Well – But Not Too Well

It is good if the people on your team like one another, but too much harmony can dampen creativity and innovation. Of course, you do not want team members to be at each other's throats, but when everyone always gets along, complacency can set in. To keep this from happening, encourage productive conflict — the kind where people express disagreements, negotiate different viewpoints and work under a certain amount of pressure. Encourage people to speak honestly, even when it feels uncomfortable. If the team needs a little push, assign one or two people the role of devil's advocate to get opposing views on the table. You can also disrupt complacency by setting bold but achievable goals for your team. People tend to perform at their best when tasks are moderately difficult, so create some tension between the skills your team has and those required to accomplish a certain task. Projects should be feasible — but it's OK if the team struggles with them a little, too.

(Adapted from *Too Much Team Harmony Can Kill Creativity*, by Darko Lovric and Tomas Chamorro-Premuzic-HBR)

The Invite List for Your Next Meeting Is Probably Too Big

Most meetings have too many people in them. Deciding who to include can be tricky, but do not default to inviting everyone on the team. To have the right people — and only the right people — in the room, you have to know specifically what you are going to address. Create a clear agenda and

then ask yourself: Who must be present for this discussion to yield results? Who would you cancel the meeting for if they could not attend? Start with this core group. Add more people only if you think they will add value to the conversation or gain value by being there. To avoid irking those who were not invited, share the criteria you used to decide. For example, perhaps you focused on who has the most knowledge about the topic or who will be involved with the implementation. If you still get complaints, let people ask to be included next time, and then err on the side of granting their request if they present a solid reason for attending.

(Adapted from *The Most Productive Meetings Have Fewer Than 8 People*, by Paul Axtell-HBR)

Adam Mosseri to Head Instagram

Facebook Inc's Instagram announced recently that Adam Mosseri, the current vice president of product, will take over as the new head of the photo-sharing app. In a blog post, Instagram's co-founders Kevin Systrom and Mike Krieger, who have announced their departure from the company, said Mosseri will oversee all functions of the business and will recruit a new executive team. Systrom and Krieger resigned as chief executive officer and chief technical officer of the photo-sharing app last week giving scant explanation for the move.

“I saw a bank that said ‘24 Hour Banking,’ but I don't have that much time.”

- Steven Wright

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