



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 13, Issue No. 41 | Date: October 12, 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 28, 2018, deposits of all scheduled banks stood at Rs. 13,031.815 bn, an increase of 3.49pc, over the preceding week's figure of Rs. 12,591.789 bn.

Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 7,491.989 bn, higher by 0.92pc over the preceding week's figure of Rs. 7,423.574 bn.

Investments Brief

Investments of all scheduled banks stood at Rs. 6,676.682 bn against preceding week's figure of Rs. 6,899.201 bn, lower by 3.22pc.

Assets Notebook

Total Assets of all scheduled banks amounted to Rs. 17,417.521 bn against previous week's figure of Rs. 17,247.988 bn, rise of 1pc.

China's 'Belt and Road', e-commerce to Redefine Shipping Lines

The face of global shipping may be altered and seaborne trade flows and patterns redefined in the wake of new factors such as digitalization, e-commerce and the China's 'Belt and Road' initiative which are increasingly unfolding, says a report issued by the United Nations Conference on Trade and Development (UNCTAD). The value of shipping can no longer be determined by scale alone. The ability of the sector to leverage relevant technological advances to improve processes and operations, cut costs and generate value for the industry and customers, as well as the broader economy and society, is becoming increasingly important, UNCTAD says in its Review of Maritime Transport for 2018.

Making the Most of China-US Trade Tiff

The ongoing trade war between China and the United States can boost the prospects of Pakistani exports to the American market and encourage Chinese producers to relocate to Pakistan to avoid punitive tariffs on their US shipments and take advantage of cheaper labor. On top of that, business leaders say it may afford Islamabad an opportunity to renegotiate the terms of China's future investments in and trade with Pakistan. Abdul Razzak Dawood, adviser to the PM on trade, industry and investment, was quoted last week to have told a gathering of textile manufacturers in Karachi that the trade war between the world's two

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)		
	Bid%	offer%
STARTING	8.76	9.01
ENDING	8.76	9.01
CHANGE	0	0

FOREIGN EXCHANGE RATES			
	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 164.50	PKR 145.50	PKR 126.70
ENDING	PKR 173.00	PKR 151.00	PKR 133.00
CHANGE	8.5	+5.5	+6.3

PAKISTAN STOCK EXCHANGE	
100 Index	
STARTING	39,226
ENDING	37,517
CHANGE	-1709

GOLD RATE	
(10 gm)	
STARTING	PKR 51,012
ENDING	PKR 51,098
CHANGE	+86



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largest economies could be beneficial for Pakistan. The trade war between China and the United States is getting bigger and bigger by the day and the demand for goods is not declining (in the US market). Pakistan needs to explore ways, so that it can benefit from this war. Pakistan is already seeking the same market access for its exports that Beijing has given to the Association of South East Asian Nations (ASEAN), New Zealand and Australia under the 2006 Free Trade Agreement (FTA) that is responsible for heavily tilting the trade balance in favor of China.

Devaluation Pushes up Total Debt by Rs. 900 bn

Pakistan's total debt and liabilities have increased by almost Rs. 900 bn in a single day and Rs. 1.4 tr since Aug 18 because of steep currency devaluation. Informed sources said the erosion in exchange rate by about Rs. 9.50 against dollar on Tuesday (October 9, 2018) was a signal that the government was completing prior actions to secure another program from the International Monetary Fund (IMF) that required Pakistan to allow a full free float exchange rate and increase policy rate and utility tariffs.

South Asia Can Benefit from Trade War: WB

The World Bank says South Asia's export opportunity has not gone away and import demand in the traditional destination markets for South Asian exports – the United States and Europe – will remain robust. Instead of seizing it by reorienting resources towards foreign markets, especially through fiscal consolidation, countries in the region seem to be drifting towards more traditional protectionist policies, says the World Bank in its report on South Asia. In the view of experts on South Asia at the South Asia Economic Policy Network, under the office of World Bank's regional Chief Economist, South Asia could even benefit from the current trade dispute between the US and China through trade diversion.

Pakistan's Ability to Withstand External Shocks

The World Bank has said that Pakistan's ability to withstand external shocks has diminished and risks will remain predominantly on the downside with declining reserves and elevated debt ratios. In its South Asia Economic Focus titled 'Budget Crunch' released recently, the World Bank says appropriate policy responses to correct these imbalances and

increased buffers to absorb future shocks will reduce these risks and support a positive growth outlook. Such responses would entail increased flexibility of the exchange rate, strengthening the fiscal position through renewed efforts to improve revenue collection and better coordination between federal and provincial governments to reduce public spending, the report says.

Measures Underway to Strengthen Local Industry

The government will provide protection to local industry and take necessary measures to reinvigorate all industrial sectors and ensure export-led growth, said Adviser to Prime Minister Abdul Razzak Dawood recently. Speaking to a select gathering of executives of business houses and top industry leaders at Employers Federation of Pakistan (EFP), the adviser said that the government is focused on an achievable export-led growth and plans are under way to reduce and in some instances remove regulatory duties (RD) on raw materials imports in order to ensure continuous flow of inputs to economy's growth. As a first step the commerce and finance ministries have developed National Tariff Policy with a three-year duty structure so that the ad hoc syndrome of fixation of duties would end once and for all, he added.

Talks with Saudi Arabia on \$8 bn Gwadar Refinery in Final stages

Saudi Arabia has agreed in principle to set up a major refinery at Gwadar and showed serious commitment to make investments in other areas of energy sector, according to federal Minister for Petroleum Ghulam Sarwar Khan. The minister told journalists that the two sides had agreed to set up an oil refinery at Gwadar and a summary would be moved to the federal cabinet for approval to sign a memorandum of understanding (MoU). He said the Saudi minister for energy was expected to visit Islamabad later this month for signing of the MoU. He said the visiting Saudi delegation was offered to participate in the \$2 bn North-South Gas Pipeline and bid for the upcoming 10 petroleum exploration blocks to be offered for auction soon. On the sidelines, Pakistan updated China about the progress on engagements with Saudi delegation.



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INTERNATIONAL ARENA

Heatwaves Can Become Yearly Affair of Global Climate: United Nations

The landmark United Nations (UN) report on limiting global warming to 1.5 degrees Celsius was released in South Korea recently, after a week-long meeting of the 195-nation Intergovernmental Panel on Climate Change (IPCC). More than 90 scientists wrote the report, which is based on more than 6,000 peer reviews. A "Summary for Policymakers" of the 400-page tome underscores how quickly global warming has outstripped humanity's attempts to tame it, and outlines stark options — all requiring a makeover of the world economy — for avoiding the worst ravages of climate change.

China Slashes Banks' Reserve Requirements

China's central bank recently announced a steep cut in the level of cash that banks must hold as reserves, stepping up moves to lower financing costs and spur growth amid concerns over the economic drag from an escalating trade dispute with the United States. The reserve requirement cut, the fourth by the People's Bank of China (PBOC) this year, comes as Beijing has pledged to expedite plans to invest billions of dollars in infrastructure projects as the economy shows signs of cooling further, with investment growth slowing to a record low. Reserve requirement ratios (RRRs) - currently 15.5pc for large commercial lenders and 13.5pc for smaller banks - would be cut by 100 basis points effective Oct. 15, the PBOC said, matching a similar-sized move in April.

Carmakers Step up Warnings Over Disorderly Brexit

Carmakers ratcheted up their warnings over a disorderly Brexit, with France's PSA Group and Germany's BMW both saying UK production would suffer if Britain leaves the European Union without a deal. With less than six months before Britain is due to leave the EU on March 29, businesses are increasingly alarmed about the lack of agreement over future trading relations and the possibility of tariffs, delays at ports and extra red tape. The car industry, one of Britain's few manufacturing success stories of recent decades, is particularly at risk given the thousands of parts, engines and finished models that move between Britain and the continent every day. BMW boss Harald Krueger told the Paris Motor Show he saw a

"50:50 chance" of a disorderly, or 'hard Brexit', and that this would lead the company to shift more production of its Mini vehicles - currently focused on its Oxford plant in southern England - to the Netherlands. Maxime Picat, the European head of Peugeot and Citroen maker PSA Group, also said there would "necessarily be an impact" on its UK production if Brexit meant the group had to make cars separately for British and EU markets. "We'd take a look at our two factories, the state of our business, and look for a solution. But I don't know where that will lead us in terms of the sustainability of our sites." Dieter Zetsche, the chief executive of German carmaker Daimler, also told the Paris event that scenarios involving a disorderly Brexit were "highly worrying".

Oil Price of \$65-\$75 Will 'Suit' Russia

Russian President said oil price of \$65 to \$75 per barrel would "suit" Moscow, as crude soared this week to reach the highest level since November 2014. "A price of \$65 to \$75 per barrel would suit us. This would be completely normal to ensure the efficient functioning of energy companies and the investment process," the Russian leader told an energy forum in Moscow. Oil prices spiked this week to a four-year peak, with Brent Crude at nearly \$85 per barrel on worries over stretched global supplies due to US sanctions on Iran. Energy firms enjoyed big gains on the surge, after the world's top producers agreed to maintain output despite pressure from US President.

US Inflation & Unemployment Rates

The Federal Reserve predicted that unemployment will remain below 4pc through 2020 and that inflation will remain low — around 2pc — during that time. This has never happened before in modern US history. The last time unemployment was that low for several years, in the 1960s, it triggered high inflation, but the central bank and many outside forecasters do not believe that will occur this time. — Bloomberg



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Iranian Oil Exports Drop Further

Iran's crude exports fell further in the first week of October, according to tanker data and an industry source, taking a major hit from US sanctions and throwing a challenge to other OPEC oil producers as they seek to cover the shortfall. Iran exported 1.1 mn barrels per day (bpd) of crude in that seven-day period, Refinitiv Eikon data showed. An industry source who also tracks exports said October shipments were so far below 1m bpd.

Saudis, Russia Open the Oil Taps

Russia and Saudi Arabia are pumping an extra one million barrels a day of oil and could do even more. Yet the market does not seem to care. After their September meeting in Algiers spurred prices to a four-year high, the world's two largest oil exporters sought to send a clearer signal to ease the price worries of consumers. Russia is pumping record volumes of crude and Saudi Arabia is almost there too. Still, the muted price reaction and the analysis of one powerful individual suggests limits to their influence.

MANAGEMENT & INFOTECH CORNER

To Learn a New Language, Set Goals and Practice

Learning another language can be a boon to your career (especially English, which has become the lingua franca of the business world). Whether you need total fluency or just a working knowledge, having a plan can help. To start, set specific goals for your learning. Decide what you want to be able to do ("I will comfortably deliver a presentation in English ...") and by when ("... before the end of next quarter"). Then create habits around practicing. Maybe you could read one industry article a day in the new language, or write your weekly team updates in it. And do not turn learning into a slog. If you find yourself dreading practice time, rethink your approach: Read the translated version of your favorite book, for example, or enroll in a cooking class that is taught in the language. Most important of all, believe in yourself. If your goals start to seem

unachievable, make them smaller or more manageable until you regain your confidence. (Adapted from *How to Improve Your Business English*, by Minh Tran and Peter Burman-HBR)

Helping an Employee Through a Crisis Starts with Listening

At some point, we all have a stressful life event that distracts us from work. Perhaps it is a family member's illness, a divorce or the death of a friend. If someone on your team is going through a personal crisis, what can you do as manager? First, make yourself available. If you maintain an atmosphere of compassion in the office, people are more likely to come to you when they are going through a tough period. When they do approach you, do not ask prying questions. Respect people's privacy and simply listen. Your employee may just want a sounding board about the difficulties of caring for a sick relative or an opportunity to explain how this has affected productivity. And do not jump to conclusions. Ask employees what changes to their work would help them, and then explore the options together. (Adapted from *How to Manage an Employee Who's Having a Personal Crisis*, by Carolyn O'Hara-HBR)

Are You Wasting Your Company's Coaching Budget?

Not every executive will benefit from working with a coach. And if you are the person who decides which company leaders get to work with an outside expert, you want to spend your budget wisely. To assess whether a struggling leader is ready for coaching, watch for a few red flags. First, be wary of an executive who always has an excuse when things go wrong. Coaching requires self-awareness and introspection, so someone who consistently blames external factors for problems may not be a great choice. Second, think carefully about a leader who favors quick-fix tactics. The best candidates for coaching are willing to challenge their assumptions and beliefs about how to get things done. And third, beware of managers who delay the start of coaching to "do more research" or "find the right person." It may be a sign that they are just not ready to confront their issues. (Adapted from *4 Signs an Executive Isn't Ready for Coaching*, by Matt Brubaker and Chris Mitchell-HBR)

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