



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan\*

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Volume 14, Issue No. 42 | Date: October 18, 2019

A Company Set Up Under Section 42 of the Companies Act, 2017

## PAKISTAN OVERVIEW

### SBP Consults Stakeholders on the New National Payment Systems

The State Bank of Pakistan (SBP) organized a workshop titled 'Digital Payments Reforms' in collaboration with the World Bank recently. The objective of the workshop was to share the draft National Payment Systems Strategy and solicit the input of key stakeholders involved in its implementation. The workshop was attended by senior officials from PTA, NADRA, SECP, FBR, the PM office's Strategic Reforms and Implementation Unit, Banks, Telcos, Electronic Money Institution (EMIs), PSO/PSPs and Fintechs. Governor SBP, Dr. Reza Baqir led the workshop, while Chairman PTA, Major General (Retired) Amir Azeem Bajwa, and Country Director World Bank, Illango Patchamuthu were also present at the occasion. Addressing the workshop, the Governor SBP, Dr. Reza Baqir, highlighted the issues that have been longstanding and needed attention of all the stakeholders. The Governor emphasized the need for rapid digitization of payments in order to realize the full benefits for the economy as cash is still the preferred mode of payments for our routine and day to day activities.

### Framework in Place to Counter Terror Financing: SBP

The State Bank of Pakistan (SBP) said recently that a comprehensive framework has been developed to deal with the money laundering and terror financing to restrict misuse of banking channels. "In order to strengthen trade-related Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime and restrict possible misuse of banking channels, a comprehensive framework on the subject has been developed," said a circular issued. The SBP advised the authorized dealers (banks) to upgrade their systems and control and bring policies and procedures in line with the requirements of the framework to ensure meticulous compliance with the provisions with immediate effect.

### Banking Brief

**Bank Deposits** – As on October 4, 2019, the total bank deposits stood at Rs. 13,902.393 bn as compared to Rs. 14,025.990 bn on September 27, 2019, a decrease of 0.88pc.

**Bank Advances** – As on October 4, 2019, the total advances stood at Rs. 7,999.035 bn as against Rs. 7,974 bn on September 27, 2019, a rise of 0.30pc.

### NADRA Extends Naya Pakistan Housing Scheme Registration Deadline

The National Database and Registration Authority (NADRA) has extended the last date for submission of applications for the Naya Pakistan Housing Program to November 15. So far, more than 1.4 mn applications have been received from across the country according to a Nadra spokesman. He said 150,255 applications had been received from Lahore district, 47,802 from Multan district, 44,786 from Bahawalpur district, 890,262 from different districts of Karachi and 34,484 from Peshawar district.

## MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

### MONETARY POLICY RATE

Effective from July 16, 2109 - 13.25pc

### KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	13.39	13.64
ENDING	13.29	13.54
CHANGE	-0.1	-0.1

### FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 195.50	PKR 172.50	PKR 156.30
ENDING	PKR 201.00	PKR 173.50	PKR 156.10
CHANGE	+5.5	+1	-0.2

### PAKISTAN STOCK EXCHANGE

#### 100 Index

STARTING	34,475
ENDING	33,870
CHANGE	-605

### GOLD RATE

#### (10 gm)

STARTING	PKR 74,228
ENDING	PKR 74,588
CHANGE	+360



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## Services Exports Status

The export of services amounted to \$809.03 mn in the first two months of this fiscal year, as against \$871.35 mn in same period of 2018-19, reported the Pakistan Bureau of Statistics. On monthly basis, export of services plunged 11.27pc year-on-year to \$390.41 mn in August.

## Reserves Rise

The foreign exchange reserves held by the State Bank of Pakistan (SBP) increased by \$56 mn to \$7.813 bn during the week ending Oct 11, the central bank announced on Thursday. The forex holdings of the commercial banks rose to \$7.328 bn from \$7.235 bn the preceding week. The total reserves of the country recorded at \$15.142 bn during the week under review.

## Trade Deficit Shrinks

The country's trade deficit contracted by a significant 35pc in the first quarter of the financial year 2020, the Pakistan Bureau of Statistics (PBS) reported. The PBS in its quarterly report said that the country's trade deficit stood at \$5.727 bn during the quarter ending September 30 as compared to a \$8.791 bn deficit during the same period last year. The decline was largely driven by a fall in imports, which reduced by 20.59pc when compared with the first quarter last year. During the period in review, exports increased by a marginal 2.75pc. According to the PBS data, the volume of exports during the three months clocked in at \$5.522 bn as compared to \$5.374 bn exports during the same period last fiscal.

## India's Beef Baffles

India's falling red meat exports are creating a space for Pakistan in the Middle Eastern market as a recent report reveals that the Indian cow protection movement is hurting its beef exports and related businesses.

During the last year or so, India's meat exports have dropped by about 30pc, especially to the Gulf countries. The vacuum created, coupled with local factors, is attracting Pakistani exporters and investors towards this sector. The country exported at least 125,505 tonnes of beef and veal meat to the Gulf States during the first 10 months of 2018-19, according to data made available by the Trade Development Authority of Pakistan (TDAP). The United Arab Emirates was the largest buyer with a tally of 67,275 tonnes.

## Pakistan's Major Economic Indicators - FY 2018 & FY 2019

REAL SECTOR (GROWTH IN %)	FY 2018	FY 2019 <sub>p</sub>	-	-
REAL GDP	5.5	3.3	-	-
AGRICULTURE SECTOR	3.9	0.9	-	-
INDUSTRIAL SECTOR	4.9	1.4	-	-
SERVICES SECTOR	6.2	4.7	-	-
CPI INFLATION (YoY%)	FY 2019 <sub>pa</sub>	JUL-SEP FY 20 <sub>pa</sub>	AUG 2019	SEP 2019
NATIONAL	6.8	10.1	10.5	11.4
URBAN	7.1	10.3	10.6	11.6
RURAL	6.3	9.7	10.3	11.1
FOOD INFLATION-URBAN/RURAL	4.7/4.8	11.6/12.3	11.9/12.6	15.0/15.0
MONETARY SECTOR (IN BILLION Rs.)	FY 2018	FY 2019 <sub>p</sub>	SEP 2019 <sub>#</sub>	-
CURRENCY IN CIRCULATION	476.5 BN	562.2 BN	321.4	-
<sub>p</sub> PROVISIONAL	-	-	-	-
<sub>pa</sub> PERIOD AVERAGE	-	-	-	-
<sub>#</sub> Last weekend of the month	-	-	-	-

SOURCES: PBS STATISTICS DEPT. SBP NEWS - October 2019



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## INTERNATIONAL VISTA

### India-US Trade Relations

India wants to comply with global sanctions, including US sanctions on Venezuela and Russia, but also needs to maintain its own strength and strategic interests, Finance Minister said recently. The United States in January imposed the toughest sanctions yet on Venezuela's oil industry. The move has scared away some global customers, but with few alternative suppliers of heavy oil, Indian refiner Reliance Industries Ltd has been buying Venezuelan crude from Russian major Rosneft. The company is set to resume direct oil loadings in the South American nation after a four-month pause. "In specific issues which are critical for India's strategic interests, we have explained to the United States that India is a strategic partner for the USA and a strategic partner has to be strong and not weakened," she said. The International Monetary Fund earlier had lowered its outlook for Indian growth in 2019, citing weaker-than-expected outlook.

### US Sanctions Not to Bite a Turkish Economy

The sanctions the US announced against Turkey this week fall well short of doing serious damage to an economy still healing from a recession and currency collapse. President Trump could take far tougher action that would deter foreign investment and credit that Turkey badly needs but doing so could backfire in a number of ways, and it is not clear he really wants to. The sanctions announced, however, did not match the rhetoric and were seen as minimal by analysts and financial investors.

### China's International Trade Growth Slow

China's imports and exports fell more than expected in September, official data showed recently, as cooling demand at home and abroad hit trade in the world's second largest economy. Globally, China's exports dropped 3.2pc in September from the same period last year, while imports dived 8.5pc, according to data from the customs administration. The European Union has also replaced the United States as China's top trading partner amid a bruising tariffs spat, with imports from the US down 26.4pc on-year

in September. China promised to increase US agricultural purchases in a partial US-China deal announced on recently, which also includes protections for intellectual property and opening up financial markets. China's trade surplus with the US narrowed 3.9pc to \$25.8 bn in September from \$26.9 bn in August.

### Defaults in Bangladesh

According to Bangladesh Bank (BB), default loans stands at Tk 1,12,000 crore as of June 2019. IMF says the figure stands at Tk 240,167.17 crore — more than double the amount of defaulted loans as reported by BB. The recent IMF report on bad loans is alarming and for two reasons. The first is obvious, the very amount of defaulted loans — a major burden on its banking sector; the second is more insidious: the discrepancy between the central bank and IMF figures.

### 14pc of Food Lost World Over Before Reaching Retailer: Report

The State of Food and Agriculture 2019, a recent report published by the Food and Agriculture Organization (FAO) of the United Nations, said that globally around 14pc of the world's food is lost after harvesting and before reaching the retail level, including through on-farm activities, storage and transportation. Losses and waste are generally higher for fruits and vegetables than for cereals and pulses at all stages in the food supply chain, with the exception of on-farm losses and those during transportation in Eastern and South-Eastern Asia.

### One Third of Young Children Undernourished

A third of the world's nearly 700 mn children under five years old are undernourished or overweight and face lifelong health problems as a consequence, according to a grim UN assessment of childhood nutrition released recently. "We are losing ground in the fight for healthy diets." Problems that once existed at opposite ends of the wealth spectrum have today converged in poor and middle-income countries, the report showed. Despite a nearly 40pc drop from 1990 to 2015 of stunting in poor countries, 149 mn children four or younger are today still too short for their age, a clinical condition that impairs both brain and body development.



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Another 50 mn are afflicted by wasting, a chronic and debilitating thinness also born of poverty. At the same time, half of youngsters across the globe under five are not getting essential vitamins and minerals, a long-standing problem UNICEF has dubbed "hidden hunger." Over the last three decades, however, another form of child malnutrition has surged across the developing world: excess weight.

## MANAGEMENT OUTLOOK

### TIPS

#### **If Your Project Does Not Have a Deadline, Make One Up**

It is easy to prioritize projects that have deadlines — you know exactly when they are due. But how do you motivate yourself when a project does not have a deadline? Try making one up. Pick a date that you want the work done by, or set aside a certain amount of time for it each day or week. You can also create accountability by enlisting positive peer pressure. Tell a colleague what your deadline is (even if you picked it), and send them updates regularly. For additional motivation, incentivize yourself. For example, you might decide that after spending a morning on the project, you will treat yourself to lunch. Or you could let yourself work from your favorite coffee shop — as long as you finish the project's next step. If those incentives are not powerful enough, try penalties. Decide that if you do not complete the task as planned, you would not be able to listen to your favorite podcast or watch your favorite TV show tonight.

(This tip is adapted from "How to Motivate Yourself When You Don't Have a Deadline," by Elizabeth Grace Saunders-HBR.)

#### **Help People Understand Your Data**

People cannot use data to make decisions if they do not understand what the numbers mean. To help colleagues wrap their heads around a data point — how big or tiny it is, how important it should seem — compare it with something concrete and relatable. When you are talking about lengths of time, frame your data in terms of flights between cities, TV episodes or how long it takes to microwave a bag of popcorn — whatever your audience will know. When you are talking about size, use places and things that are familiar to listeners. For instance, if you were trying to show a San Francisco audience what 1 mn users really look like, you might mention the San Francisco Giants baseball field, which has 41,915 seats: "Our users would fill the stadium almost 24 times." Articulating figures this way can keep the narrative from getting lost in the numbers.

(This tip is adapted from "3 Ways to Help People Understand What Your Data Means," by Nancy Duarte-HBR.)

#### **Family Businesses Have to Define What Success Looks Like**

Privately held family businesses have a lot of freedom to define success. Yet many founders and owners are not clear about exactly what they want their company to achieve, which leads to conflicting priorities and unclear decision-making. Ask yourself whether you are most interested in growth (maximizing the financial value of the business), liquidity (generating cash flow for use outside of the business) or control (retaining decision-making authority). Achieving all three goals is difficult, if not impossible, so you are better off focusing on one or two. Think carefully about why you started the company and which of the three goals are most aligned with your objectives. And do not forget to revisit your choices as things change, whether they're external factors like the economy or internal factors like a shift in senior management. What worked well in one environment can be a disaster in another.

(This tip is adapted from "Every Business Owner Should Define What Success Looks Like," by Josh Baron and Vlad Barbieri-HBR.)

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