



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 13, Issue No. 42 | Date: October 19, 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 October 5, 2018, deposits of all scheduled banks stood at Rs. 12,701.690 bn, less by 2.53pc, over the preceding week's figure of Rs. 13,031.815 bn.

#### Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 7,481.798 bn, lower by 0.13pc over the preceding week's figure of Rs. 7,491.989 bn.

#### Investments Brief

Investments of all scheduled banks stood at Rs. 6,623.299 bn against preceding week's figure of Rs. 6,676.682 bn, lower by 0.80pc.

#### Assets Notebook

Total Assets of all scheduled banks amounted to Rs. 16,934.088 bn against previous week's figure of Rs. 17,417.521 bn, lower by 2.85pc.

### Exports Grow by 4.6pc

Exports grew by 4.6pc during the first quarter of the current fiscal year despite government's efforts to bring double-digit growth, according to data released by the Pakistan Bureau of Statistics recently. In rupee terms, export proceeds rose 23.12pc in the first three months of the current fiscal year, owing to substantial depreciation in the exchange rate since last year. State Bank of Pakistan has devalued the rupee by approximately 10pc in the first week of September. In the open currency market, dollar is currently trading at around Rs. 138. Since December last year, the rupee has lost its value 30pc against the greenback. Export proceeds during the period – July to September – rose to \$5.4 bn from \$5.2 bn over the corresponding months of last year.

### Rs. 24.5 bn Separate Development Plan For Tribal Districts

The Khyber Pakhtunkhwa cabinet recently approved separate annual development program, carrying total outlay of Rs. 24.5 bn for the seven districts of the erstwhile Federally Administered Tribal Areas (FATA). This is for the first time that the provincial cabinet approved ADP for the newly-merged districts. Before merger, the ADP for the former FATA was presented to the provincial governor, who served as chief executive and an agent to the president for the tribal borderlands for approval.

### MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

#### KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	8.76	9.01
ENDING	9.48	9.73
CHANGE	+0.72	+0.72

#### FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 173.00	PKR 151.00	PKR 133.00
ENDING	PKR 171.50	PKR 151.00	PKR 133.25
CHANGE	-1.5	0	+0.25

#### PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	37,517
ENDING	38,430
CHANGE	+913

#### GOLD RATE

	(10 gm)
STARTING	PKR 51,098
ENDING	PKR 52,941
CHANGE	+1843



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## Pakistan Approaches IMF

After considering various options, the government has finally decided to approach the International Monetary Fund (IMF) for a three-year 'stabilisation and recovery program'. The decision was precipitated by a downslide on the trading floor of the stock exchange and growing depreciation pressure on the rupee. Market perception, shared by the IMF and independent economists, was that the rupee devaluation and policy interest rate hikes, while a step in the right direction, are an inadequate response to the currency turmoil in emerging markets and surging petroleum prices. The increasing import bill continues to outpace cumulative greenback earnings from merchandise, services and manpower by a widening margin.

## Resisting the Lure of Cash Crops

The Sindh irrigation department recently advised growers to cultivate short-duration crops in the brackish water zone. But growers based in the sweet water zone can cultivate wheat in the upcoming Rabi season, according to the advisory issued against the backdrop of uncertain water supplies. This is not unusual. Irrigation water supplies during summer and winter crop seasons usually remain erratic in Sindh. This makes things difficult for farmers cultivating major crops i.e. wheat, rice, sugar cane and cotton. It calls for crop diversification by farmers who, by and large, stick to major cash crops.

## Pakistan's BASEL Ranking

Pakistan's ranking on the BASEL anti-money laundering index improves by 0.08 points, increasing the country's current ratings to 6.49 points according to BASEL Anti-Money Laundering Report 2018.

## Govt Clarifies CPEC Debt Position

Outflows under China-Pakistan Economic Corridor (CPEC) will begin in 2021 and peak over the next three years without creating a debt trap, an official of the Planning Commission with knowledge of the financing arrangements said recently. Separately, the Planning Commission released a lengthy statement trying to address the concerns of the global community about Pakistan's mounting Chinese debts and whether or not CPEC could turn out to be a "debt trap" for Pakistan. A day earlier, the IMF Chief Economist Maurice Obstfeld told reporters that Pakistan should avoid "excessive

debts which cannot be repaid" when availing Chinese borrowing for infrastructure development.

## Number of Return Filers Jumps 55pc

The Federal Board of Revenue (FBR) announced that 55pc more income tax returns were received for the tax year 2018 compared to a year ago. An official statement said the board received 482,275 income tax returns for the tax year 2018 until Oct 10, an increase of 170,208 returns from 312,067 returns received till the same date in the previous tax year.

## Remittances Up 13pc to \$5.4 bn

The country received 13pc more remittances in the first quarter of the current fiscal, indicating inflows were higher from almost all sources except the Gulf Cooperation Council (GCC) countries. Overseas Pakistanis remitted \$5.419 bn in the first quarter of FY19; 13.14pc higher than the same period of last year, according to a State Bank's report issued on October 10, 2018. Higher remittances are encouraging for the government since they are a key ingredient to bridge the current account deficit. Remittances from Saudi Arabia showed a growth of 2.85pc. However, the inflows were highest among all sources of remittances. The country received \$1.263 bn from Saudi Arabia. The second highest remittances — \$1.196 bn — were received from the UAE. The highest increase in remittances was noted from the United States which jumped by 32.35 pc to \$828.4 mn during the quarter. Remittances from the UK also increased by 18pc to \$759.4 mn in the same period. Remittances from the EU increased by 3.59pc to \$165.6 mn in the same quarter.

## SNIPPETS

### Top Adviser

American multinational Deloitte provides consulting and financial services to 85pc of Fortune 500 companies.

### Culture of Curiosity?

In a survey conducted by SurveyMonkey, 83pc of executives who responded stated that they foster curiosity, while only 52pc of employees agreed.



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## INTERNATIONAL ARENA

### An Unexpected Demand For Aluminium

International demand for Indian aluminium has gone up significantly in the recent past, and the coming months could bode well for the industry. Aluminium exports from India soared by 36pc in 2017-18, even as the price of the metal shot up by more than 20pc. Besides traditional markets, Indian aluminium producers have also been able to break into the Japanese market in recent weeks. The imposition of sanctions by the United States on Russia's United Company Rusal, the second-largest aluminium producer, has triggered demand for the metal from countries like India. According to the Indian commerce ministry, exports in 2017-18 shot up to 1.66 mn tonnes (mt) from 1.22 mt in the previous year. The current fiscal will also see a surge in exports of the metal from India.

### FDI to Developing Asia Declines

The flows of foreign direct investment (FDI) to developing Asia declined by 4pc to \$220 bn in the first half of 2018, as compared with the same period last year, the United Nations Conference on Trade and Development (UNCTAD) said in a report recently.

Driven mostly by a 16pc decline in flows to East Asia, China with an increase of 6pc, emerged as the largest global FDI recipient, totaling \$70 bn. Flows to Hong Kong contracted to \$34 bn — about half the level it received in 1H17. 'The Investment Trends Monitor, 2018' says flows to South-East Asia and South Asia rose by 18pc to \$73 bn and 13pc to \$25 bn, respectively. In South Asia, India attracted \$22bn of FDI flows, contributing to the sub-region's 13pc rise in FDI. FDI flows to West Asia fell by 21pc to \$5.1 bn, caused by a 5pc fall in Turkey and divestments from Qatar, totalling over \$1 bn.

### Coke Goes for Coffee

The Coca-Cola Company, one of the largest and most iconic food and beverage manufacturers, bought out British coffee chain Costa Coffee in September in a deal valued at \$5.1 bn. According to details of the transaction released, Coke bought out Costa from its parent company Whitbread PLC in a cash, debt-free deal, which is being viewed with great interest by industry watchers around the world.

### China Pledges Access for Dutch Companies

Chinese Premier Li Keqiang reaffirmed pledges recently to open up his country to foreign investment as a way of promoting commerce between his country and the Netherlands. Pointing to deals done in July with German companies, Li said his government would fast track Dutch applications to establish themselves in China. "We will remove foreign equity restrictions to Dutch companies as well," he said. "If there is any Dutch company that is interested in operating a fully-owned venture in China like the German companies, the Chinese government welcomes that and we will approve the application as quickly as possible."

### SBM Mumbai Branch Loses Rs. 143 Crore

The State Bank of Mauritius (SBM) Mumbai branch has been gyped of nearly Rs. 143 crore after unknown fraudsters hacked into its accounts here, an official said. The incident occurred at the SBM's Nariman Point Branch according to the bank's complaint lodged with the Mumbai Police's Economic Offences Wing (EOW) last week.

### China Restricts Capital Outflows

China's latest attempts at restricting outward investment by its residents show just how nervous policymakers in the world's second largest economy are about possible capital flight spurred by a broadening Sino-US trade war. Beijing has been gradually easing monetary and fiscal policy this year, as it seeks to steer the economy through a period of slowing domestic growth and declining stock markets against the backdrop of escalating trade tensions with Washington. While the Chinese central bank has tightened its grip on the currency, which is down about 10 pc since the first salvos in the trade war were fired in March, it has refrained from direct intervention on a large scale to support the yuan, also known as the renminbi.

### Leaders Need to Fix Broken Economic Models

World leaders need to fix global trading systems instead of trying to tear them down, International Monetary Fund chief Christine Lagarde said recently, in a rebuke to nationalist politicians pushing tariffs and protectionism. Her comments come as a trade spat between China and the United States threatens economic growth around the world, with IMF



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experts warning of 'new vulnerabilities' in the global system. "We need to work together to de-escalate and resolve the current trade disputes," Lagarde said at an IMF and World Bank gathering in Bali. Around 32,000 members of the global financial elite are on the Indonesian holiday island for a week of discussions that have been clouded by US President's America First trade policy. Trump has levied or threatened tariffs on goods from economies around the world, notably China, but also on traditional allies such as the European Union.

## US Tightens Restrictions on Foreign Investments

The US government recently announced a plan for tougher oversight of foreign investment in key technology industries, a move seen as largely targeted at China. The new rules, which take effect November 10, updated 30-year-old statutes giving the president broad powers to block foreign investments in sensitive industries or those deemed harmful to US national security. The reform allows the Committee on Foreign Investment in the United States (CFIUS) to review any investment, not just company takeovers, in an American firm in one of 27 key sectors.

## MANAGEMENT & INFOTECH CORNER

### Get Your Colleagues to Put Down Their Phones in Meetings

If you have ever wondered whether you have a colleague's full attention while they are staring at their phone, stop wondering. You do not. But instead of getting frustrated that co-workers constantly check their devices during meetings, take action. You might start by sharing research that shows even the mere presence of a cell phone — much less its glowing screen and constant buzzing — is bad for productivity. Then talk with your team about the upsides and downsides of using devices during meetings. Propose ground rules like "Be totally

present" and "Keep the phone in your pocket." The team could also agree to use a simple phrase like "Tech-check" as a friendly way of reminding someone to put their phone away. Once a few rules are in place, stick to them — and point out when a colleague does not. You might get some annoyed looks at first, but over time the team will set a new norm. (Adapted from *How to Get Someone to Put Away Their Phone and Actually Listen*, by Joseph Grenny and Kelly Andrews-HBR.)

### Recognize an Employee's Good Work by Asking How They Pulled It Off

Employees want to feel appreciated, but a simple "Great job!" is not always motivating — especially if you say it all the time. When you want to praise someone for their work on a project, try being curious about how they pulled it off. You might say something like, "That was really impressive. Will you tell me how you did it?" By showing interest in the story behind the accomplishment, you honour the results as well as the person who reached them. You also get a view into how the person solves problems, what parts of the work they love and what makes them feel proud — insights that can be helpful when making assignments. And if the employee suffered any personal costs during the work, acknowledge the toll it took. Whether they gave up time with family or bore the political risks of a highly visible project, talking about the costs will encourage the person to be honest with you in the future. (Adapted from *What Not to Do When You're Trying to Motivate Your Team*, by Ron Carucci-HBR.)

## SNIPPETS

### Concrete and Jungle

The Seattle Amazon.com workspace, called The Spheres, has over 40,000 plants indoors.

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