



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 13, Issue No. 47 | Date: November 23, 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 November 9, 2018, deposits of all scheduled banks stood at Rs. 12,674.457 bn, less by 0.58pc, over the preceding week's figure of Rs. 12,749.140 bn.

Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 7,595.927 bn, higher by 0.34pc over the preceding week's figure of Rs.7,570.250 bn.

Investments Brief

Investments of all scheduled banks stood at Rs. 5,455.183 bn against preceding week's figure of Rs. 5,512.109 bn, less by 1.03pc.

Assets Notebook

Total Assets of all scheduled banks amounted to Rs. 16,564.932 bn against previous week's figure of Rs. 16,638.615 bn, less by 0.44pc.

Ghandhara To Assemble Renault Trucks

Ghandhara Nissan Limited (GNL) has announced its plans to locally assemble Renault Trucks (RT) by end of 2019 at the manufacturing site in Port Qasim, according to a company release issued recently. Prior to assembly, RT in partnership with GNL had launched full range of Renault trucks. Currently all the vehicles are being imported in built up condition from Lyon, France.

Current Account Deficit Down 4.5pc in July-Oct

The current account deficit decreased by 4.5pc during the first four months of this fiscal year, however it is still much higher than desired level as the government struggles to reduce deficits and avoid large foreign borrowings. The latest report by the State Bank of Pakistan shows the country has a current account deficit of \$4.840 bn during July-October period of 2018-19, albeit declining by \$232 mn, from \$5.072 bn in the same period last year.

\$1 bn Received From Saudi Arabia

Pakistan received \$1 bn from Saudi Arabia recently as part of the \$3 bn package promised by the kingdom during the visit of Prime Minister Imran Khan.

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	9.65	9.90
ENDING	9.67	9.92
CHANGE	+0.02	+0.02

FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 173.50	PKR 151.00	PKR 134.30
ENDING	PKR 172.00	PKR 151.50	PKR 134.00
CHANGE	-1.5	+0.5	-0.3

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	41,660
ENDING	40,869
CHANGE	-791

GOLD RATE

	(10 gm)
STARTING	PKR 52,683
ENDING	PKR 53,584
CHANGE	+901

*An ISO 9001 : 2015 Certified Company



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State Bank of Pakistan's Chief Spokesman confirmed the arrival of \$1bn, taking the SBP reserves to \$8.482 bn, from \$7.482 bn reported on November 9. The new government is trying to plug the big hole on the external front as the current account deficit reached record \$18 bn in FY18. Estimates suggest the country needs \$12bn additional inflow to meet the deficit in FY19.

Govt. May Allow Wheat's Export to the Tune of 3.1 mn Tonnes

The government is expected to allow export of 3.1 mn tonnes of wheat from PASSCO, Punjab and Sindh stocks with freight subsidy of Rs 40.317 bn or \$302 mn, official sources said. Giving the background, sources said, Provincial Food Department of Punjab and Sindh have submitted their requests to offload their surplus wheat stocks at the tune of 2.5 mn tons (2 mn tons from Punjab and 0.5 mn from Sindh) by providing freight support from the federal government.

TAPI Inspires China to Launch a Similar Pipeline Project

China has formally approached the Pakistani authorities and submitted a proposal for a China-Turkmenistan pipeline that is to cross several Central Asian mountain ranges. "It would be cheaper and easier for China to build one from Pakistan's territory to cross the Karakoram range to its western border," the Managing Director of Inter State Gas Systems (ISGS) Mobin Saulat explained recently. "Since the Chinese government has contacted us just recently, their case/proposal has been shared with Turkmenistan where it is currently passing through an evaluation process," he added. The Centre and the provinces decided to form task forces within their jurisdictions to control rapid population growth. The meeting presided over by Prime Minister Imran Khan considered the figure of 207.8 mn population in the last census as a benchmark to discuss the issue of population welfare and its control. The meeting decided to reduce population growth rate of 2.4pc per annum to 1.5pc.

HIGHLIGHTS

- Car sales in the first four months of current fiscal year increase by 3.6pc clocking at 72, 563 units sold according to data released by the Pakistan Automotive Manufacturers Association.
- Punjab Seed Corporation is ranked 22nd on Access to Seeds index, issued by the Thailand-based East West Seed, after evaluating 24 leading companies in South and Southeast Asia.
- The Supreme Court is informed that the four provincial governments have agreed to impose Rs. 1 on every litre of water extracted from the aquifer (ground water springs) to sell bottled water.
- The government is likely to allow use of Chinese currency, Yuan for mitigating the exchange rate variation risk on the pattern of four other international currencies through amendment in Power Policy 2015.
- The Diabetes Prevalence Survey of Pakistan has revealed staggering 16.98pc prevalence of diabetes as 35.3 mn people among the adult population are found diabetic in Pakistan, overeating, lack of exercise and stress are the major factors for causing diabetes.



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INTERNATIONAL ARENA

Quick Service Restaurants Learn Tough Lessons in India

With a growing number of Indians, especially the young in metros and other major cities, leading fast-paced lives and spending long hours at work, demand for food sold by quick service restaurants (QSRs) and even makers of snacks and cereals is soaring. Hundreds of thousands of working couples in major cities can be seen slogging it out at their offices. While they earn handsome salaries, many have had to move out of joint families to cities where couples live in smaller apartments and often far from work. The long work hours are aggravated with the enormous time it takes to travel to office and return home. QSRs are led by American majors including McDonald's, Domino's Pizza, KFC and Pizza Hut, though many players from other parts of the world have also entered the business. But after spectacular growth witnessed about four years ago, fast food majors saw a steep decline in sales, especially after demonetization of the Indian rupee. Last year was horrendous for the growth of these QSRs and many had to shut down outlets. The last few months, however, have seen a revival in their business and all leading players are reporting healthy growth. The American fast food majors have also realized that it requires a lot of effort to woo young Indians to their outlets.

Nearly Half of German Firms Expect Growing Trade Strains with US

44pc of German firms expect a further escalation of trade tensions between Europe and the United States, which is likely to continue to dampen new investments, the RND newspaper chain reported, citing a survey by the IW Economic Institute. 34pc do not see trade ties growing more strained, RND reported. It said 41pc of firms surveyed considered it unlikely that the United States and the European Union (EU) would reach agreement on a transatlantic trade agreement. The IW study said continued uncertainty about the global trade environment would weigh on firms' willingness to invest, which in turn would depress German firms' export prospects in the United States and elsewhere. "Given worldwide economic developments, the downturn of the German economy is expected to continue," IW said in the study, according to RND. The DIHK

German Chambers of Commerce also sees no signs that the United States will change course and back away from threatened tariffs, a situation that is of particular concern to German automakers, the media group reported.

Higher Wood and Metal Prices Hit Profit: IKEA

The owner of the IKEA furniture brand reported a drop in annual underlying profit recently, hit by higher wood and metal prices. After decades of rapid growth, the world's biggest furniture brand is battling to adapt to the rise of online rivals such as Amazon and made.com, while also trying to maintain its hallmark affordability amid rising raw material and other costs. As part of an overhaul in 2016, design, in-house production and supply chain management transferred to brand owner Inter IKEA from IKEA Group, which owns most of the stores. Inter IKEA said its net profit for the 12 months through August was 1.45 bn euros (\$1.63 bn), compared with 912 mn euros a year earlier, when the firm took 812 mn in goodwill writedowns for the acquired businesses.

Earth's Vital Ecosystems Risk 'Major Transformation'

The Earth's forests, deserts, landscapes and vital ecosystems risk a "major transformation" in the next century due to climate change, international scientists warned recently. Some of these changes are already under way in the southwestern United States, where massive wildfires are destroying pine forests and transforming swaths of territory into shrubland. In the next 100-150 years, these changes will likely extend to savannas, deserts, and woodlands, upsetting ecosystems and imperiling plant and animal life, particularly in areas like Europe and the United States, researchers warned in the journal Science.

EU Ministers Agree On Terms For Brexit

European ministers signed off on Britain's draft divorce deal recently, as they launched a "painful" final week of negotiations on future cross-Channel ties. Brexit negotiator Michel Barnier and the Union's Austrian rotating presidency said the negotiated text would be presented to EU leaders at a signing summit soon. Britain will leave the Union on March 29 next year, but remain within its single market for a further 21 months as negotiators seek a deal to avoid a potential breakdown in trade between the key economic partners.



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MANAGEMENT & INFOTECH CORNER

Never Without Their Smartphones: A Global Revolution

At the sharp end of conflict in Syria, in a schoolchild's bag in Kenya, whether fighting deadly diseases or studying forestry, the smartphone has become ubiquitous in just over a decade. This year, the number of users is expected to pass three bn, and AFP photographers have sampled how the phones have become a mainstay of lives around the world for people who cannot live without them.

PayPal and Pakistan

There has been a repeated demand from freelancers and e-commerce players to bring PayPal to Pakistan. Finance Minister has also shown commitment to facilitating its arrival. There is also a demand that Pakistan should set up its own PayPal-like payment gateway. First, look at some of the reasons why freelancers and e-commerce players want PayPal or a similar platform to come to Pakistan. Pakistan is the fourth largest freelancer community in the world. As per the estimates of Payoneer, Pakistani freelancers bring about \$1 bn to Pakistan via other sources. Most of these platforms charge a fee between 5pc and 30pc. Having access to PayPal allows freelancers to ask their customers to send money via this platform, which costs them only 2.5pc. PayPal allows sending the invoice directly to the customer or easy integration in the website within two minutes. There are also companies that sell subscription software like \$10 a month or \$80 a month. Platforms like PayPal offer easy recurring payment setups. Customers feel safe in allowing such platforms to store their credit card and keep charging them every month. Customers also trust PayPal because it offers an easy dispute mechanism. They know they can file an easy dispute with PayPal if the service provider fails to deliver.

Build a Network That Challenges Your Point of View

When your network is mostly people whose backgrounds and skill sets are similar to yours, it is unlikely to help you find new ideas or creative solutions. Diversify your network by connecting with people whose viewpoints, insights and experiences differ from your own. When you meet someone new, talk about what you do not have in common. Ask friends to introduce you to their contacts who have an interesting job or who work in a unique space. In particular, try to meet people who will challenge your assumptions and biases. If you are struggling to build your network in the usual ways, create a reason to bring a diverse group together. For example, a monthly book club can give you the chance to hear a variety of perspectives, as well as to read authors you would not normally pick up. By making a concerted effort, you can develop a network that both inspires you and pushes you to expand your thinking. (Adapted from *How to Diversify Your Professional Network*, by Amy Nauiokas-HBR.)

When Starting a Side Hustle Focus on the Right Things

A side gig can be a great source of extra income, but when you are launching one it is easy to focus on the wrong things. For example, you should not be fretting over how much to pay for a fancy logo or website. In the early stages, those things are not critical. What is critical is determining whether you even have a business meaning, do customers want to buy what you want to sell? Run a small, inexpensive test to see if there is preliminary interest: If you would like to write a book about a particular topic, write a blog post and see what the response is. If you would like to start a coaching practice, take on a pro bono client and see how it goes. Most successful businesses do eventually need a nice website and a proper legal structure, but those complex and expensive steps can wait until after you have proven your idea. (Adapted from *How to Get Your Side Hustle Off the Ground*, by Dorie Clark-HBR.)

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