



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan\*

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Volume 14, Issue No. 44 | Date: November 01, 2019

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

## PAKISTAN OVERVIEW

### ISQ Convocation & Prize Distribution Ceremony 2019

The Institute of Bankers Pakistan conducted its ISQ Convocation & Prize Distribution Ceremony 2019 on Monday, October 28, 2019 at Jinnah Auditorium at its Head Office located in Karachi. The Chief Guest on this occasion was Mr. Jamil Ahmad, Deputy Governor of State Bank of Pakistan, who gave away Gold Medals, Prizes and Credentials to the outstanding candidates of IBP Superior Qualification (ISQ), who topped in the examinations. He also gave away Prizes to the winners of IBP Essay Competition 2018. Besides this, year two new Prizes were also instituted for the first time, namely: Kassim Parekh Gold Medal and Imtiaz Alam Hanfi Gold Medals, sponsored by Habib Metropolitan Bank and the family of Mr. Imtiaz Alam Hanfi respectively. Mr. Mansur-Ur-Rehman Khan, the Chief Executive IBP welcomed the chief guest, recipients of awards and prizes and the distinguished senior bankers. The ISQ is the only recognized banking qualification in Pakistan accredited by the Chartered Banker Institute, UK.

### Banking Brief

**Bank Deposits** – As on October 25, 2019, the total bank deposits stood at Rs. 13,912.112 bn as compared to Rs. 13,838.063 bn on October 18, 2019, more by 0.53 pc.

**Bank Advances** – As on October 25, total bank advances stood at Rs. 8,019.016 bn as compared to Rs. 8,037.484 bn on October 18, less by of 0.23 pc.

### SBP Governor Inaugurates Conference on AML/CFT & Trade-Based Money Laundering

While inaugurating the conference on Anti-Money Laundering (AML)/Combating Financing of Terrorism (CFT) and Trade-Based Money Laundering (TBML), Dr. Reza Baqir, Governor State Bank stated that significant progress has been made between May and September 2019 to meet the action plan items set by Financial Action Task Force (FATF) in different areas to demonstrate effectiveness of AML/CFT regime of Pakistan. "There was a major rethink of the approach being taken by the authorities in early to mid-2019. Consequently, a number of steps were taken to significantly strengthen our approach to making progress on these issues," the Governor said. He however, stressed for the need of putting more effort to make progress on remaining areas to ensure that Pakistan is out of grey list in the next meeting of FATF. The conference was organized by Habib Metro Bank and attended by the Deputy Governor State Bank of Pakistan, Country Head Asian Development Bank and international experts in the field of AML/CFT and trade from the United States, Australia and UAE. Participants included CEOs and senior management of Banks, DFIs, Microfinance Banks and Exchange Companies and representatives from the SBP, Financial Monitoring Unit (FMU) and Securities & Exchange Commission of Pakistan (SECP).

## 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	13.08	13.33
ENDING	13.08	13.33
CHANGE	0	0

### FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 201.50	PKR 174.00	PKR 156.10
ENDING	PKR 201.50	PKR 174.50	PKR 155.70
CHANGE	0	+0.5	-0.4

### PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	33,657
ENDING	34,377
CHANGE	+720

### GOLD RATE

	(10 gm)
STARTING	PKR 74,674
ENDING	PKR 75,446
CHANGE	+772



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## Pakistan Takes Big Leap in Business Index

In what appears to be the highest-ever upward shift in a year shown by a country, Pakistan climbed 28 places and rose to the rank of 108 in the World Bank Ease of Doing Business index and landed in the club of world's top 10 business climate improvers. In its report for the year 2020 released recently, the World Bank said the enactment of six regulatory reforms, including a concerted improvement in business regulation, had improved Pakistan's overall ranking that would improve the country's image for attracting investments. Other countries included in the club of top 10 reformers are: Saudi Arabia, Kuwait, Jordan, Nigeria, India, China, Bahrain, Tajikistan and Togo. India remained top among South Asian nations at 63, followed by Bhutan at 89, Nepal at 94 and Sri Lanka at 99. The countries which are far behind in the ease of doing business index in South Asia are Bangladesh at 168, Afghanistan at 173 and Maldives at 147.

## FATF Cell Established

The interior ministry has constituted a FATF (Financial Action Task Force) cell to ensure effective and timely implementation on the FATF action plan. According to a notification issued recently, four officers associated with the National Counter Terrorism Authority (NACTA) have been inducted into the cell. NACTA Director General Munir Masood, Director Dur-e-Maqnoon, Deputy Director Habibur Rehman and Assistant Director Mufti Mohammad Yaqoob have recently been made members of the cell, whereas an additional secretary of the ministry is heading it. Earlier in July, the Federal Board of Revenue (FBR) had also established a similar FATF cell to ensure implementation of measures against terror financing carried out through currency smuggling.

## LSM Contracts in August

The country's large-scale manufacturing output shrank for fifth month in a row. The LSM index dipped by 7.06pc in the second month of this fiscal year from a year ago, the Pakistan Bureau of Statistics (PBS) reported recently. In comparison,

## 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	562.2	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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the index had contracted by the first month of current fiscal year, LSM index shrank by 3.28pc while it fell 6.04pc year-on-year between July and August. In 2018-19, the three LSM sectors recorded a decline of 3.64pc against the target growth of 8.1pc, which the government has set at 3.1pc for 2019-20. LSM constitutes 80pc of manufacturing and 10.7pc of the overall GDP. In comparison, small-scale manufacturing accounts for just 1.8pc of GDP and 13.7pc in manufacturing.

## **SBP Calls for 'Industrial Policy' as Priority**

The State Bank of Pakistan (SBP) in its annual report said the rising share of services sector, at the expense of industry and agriculture, needs to be addressed while forecasting the GDP growth for FY20 between 3 and 4pc. According to the report, the country largely produces non-tradable services which are consumed domestically. At the same time, industrial output, exports and FDI have faltered, it added. "This pattern needs to be corrected in order to make trade deficit sustainable in the years to come. Putting in place a coherent industrial policy should be among the immediate priorities, while a gradual shift away from non-tradable services in favor of exportable services should also be pursued in the medium term," said the SBP. The services sector grew by 4.7pc during FY19, missing the annual target by 1.8 percentage points (6.2pc in FY18). This was the most noticeable deviation between the actual and targeted growth rate of services in the past few years, said the report.

## **Dhabeji Special Economic Zone Launched**

The provincial government recently launched Special Economic Zone (SEZ) at Dhabeji, district Thatta near Port Qasim. The 1,530-acre project has already been declared as a 'priority special economic zone' by the Government of Pakistan under the industrial cooperation phase of China-Pakistan Economic Corridor. It is pertinent to mention that the senior officials of National Development Reforms Commission of China showed their satisfaction on the proposed mechanism of the project. The zone will offer state-of-the-art infrastructure, utilities at the doorsteps and easy access to the Karachi Port and Port Qasim and the main railway line (ML-1) and also to National Highway.

## **INTERNATIONAL VISTA**

### **EU Approves BREXIT Extension up to January 31**

The EU27 has agreed that it will accept the UK's request for a BREXIT extension until 31 January 2020, the president of the European Council Donald Tusk tweeted. EU member states will wait for Britain's reply to its offer of a 3-month delay to BREXIT before launching a written procedure whereby governments will have 24 hours to accept or reject the agreement reached by their envoys to Brussels recently.

### **Global Leaders to Attend Saudi 'Davos in Desert'**

Top finance moguls and political leaders are set to attend a Davos-style Saudi investment summit starting on October 29. Organizers say 300 speakers from 30 countries, including American officials and heads of global banks and major sovereign wealth funds, will attend the annual summit that seeks to project the insular kingdom as a dynamic investment destination.

### **European Central Bank Chief Defends Legacy Against Stimulus Sceptics**

Mario Draghi ended his eight-year term as head of the European Central Bank by defending his most recent stimulus package and reminding that the Eurozone is now in better shape than during the days when the Greek crisis threatened to break it apart. Draghi resisted extensive reminiscence about his term at his last news conference. He downplayed the recent and unusually public criticism from a minority of the 25-member governing council members after the bank decided September 12 to re-start bond purchases with newly printed money. The stimulus is meant to revitalize the economy but critics worry it should be saved for more serious downturns and can distort financial markets, increasing risks down the line.

### **Hong Kong Enters Recession**

Hong Kong has fallen into recession, hit by more than five months of anti-government protests that show no signs of relenting, and is unlikely to achieve annual economic



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growth this year, the city's Financial Secretary said. "The blow to our economy is comprehensive," Paul Chan said in a blog post recently, adding that a preliminary estimate for third-quarter GDP would show two successive quarters of contraction — the technical definition of a recession. He also said it would be "extremely difficult" to achieve the government's pre-protest forecast of 0-1pc annual economic growth.

## **US Deficit Hits Nearly \$1tr. When Will it Matter?**

The Trump administration reported a river of red ink recently as the federal deficit for the 2019 budget year surged 26pc from 2018 to \$984.4 bn, its highest point in seven years. The gap is widely expected to top \$1 tr in the current budget year and likely remain there for the next decade. The year-over-year widening in the deficit reflected such factors as revenue lost from the 2017 Trump tax cut and a budget deal that added billions in spending for military and domestic programs. Forecasts by Trump administration and the Congressional Budget Office project that the deficit will top \$1tr in the 2020 budget year, which began Oct. 1. And the CBO estimates that the deficit will stay above \$1tr over the next decade.

## **China Warns Member Countries Not to Politicize FATF**

The Financial Action Task Force (FATF) forum should not be politicized by countries to pursue their agenda, said a top Chinese foreign ministry official. "China does not want the FATF to be politicized by any single country. There are some countries which want to include Pakistan in the blacklist. They have political designs which China is against," said Deputy Director General Yao Wen at the Department of Asian Affairs of China's Ministry of Foreign Affairs. Speaking to a group of Pakistani journalists, Mr. Yao said China blocked attempts to include Pakistan in the blacklist. "We made it clear to the US and India that we cannot do it. It goes beyond the purpose of FATF," he added. He said the FATF was meant to support a country to take action against terror financing. "Pakistan was effectively pursuing its National Action Plan and China encouraged it to act against terrorists and strengthen its system."

## **ILO Keen to Improve Working Conditions**

The International Labor Organization (ILO) plans to launch the Better Work Program in Pakistan in order make industrial units meet World Compliance Index. At an interactive session held recently with the members of major representative bodies of textile sector at the TMA House, ILO country director Ingrid Christensen said the BWP committee would be meeting in New York next month and after considering the availability of funds would be approving the program for Pakistan. Responding to a question, Ms. Christensen said the funds would also be available from Export Development Fund. Many other countries have also shown keen interest in providing ILO's BWP for Pakistan. She explained the objective of her visit was to introduce BWP's operational details which could help industry achieve efficiency, higher productivity and social security of workers and their living standards.

## **Pentagon Hands Microsoft \$10 bn**

The Pentagon awarded Microsoft a \$10 bn cloud computing contract, snubbing early front-runner Amazon, whose competitive bid drew criticism from President Trump and its business rivals. Bidding for the huge project, known as Joint Enterprise Defense Infrastructure, or JEDI, pitted leading tech titans Microsoft, Amazon, Oracle and IBM against one another. The giant contract has attracted more attention than most, sparked by speculation early in the process that Amazon would be the sole winner of the deal.

## **Saudi Arabia Expects \$50 bn Budget Deficit**

Saudi Arabia expects its state budget deficit to widen to 187 bn Riyals (\$49.86 bn) next year, or 6.5pc of gross domestic product (GDP) from a projected 131 bn riyals for this year, the finance minister said recently. The world's largest oil exporter expects revenues of 833 bn Riyals for 2020, down from 917 bn riyals projected for 2019, Mohammed al-Jadaan told a news briefing. Spending is expected at 1.02 tr Riyals for 2020 versus 1.048 tr projected in 2019, the minister said ahead of the final budget announcement later this year. Saudi Arabia had recently restrained crude production by more than called for by an OPEC-led supply deal to support oil markets. But concern about slowing oil demand and the weakening global economy have kept prices under pressure.





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## MANAGEMENT OUTLOOK

### Stuck in a Mid-Career Rut? Get Help From a Mentor

Why do people get trapped in a mid-career rut? In some cases, it is because, after succeeding early on, they play it safe rather than continuing to take the risks that would help them advance. As a result, they feel stuck in the status quo. If this situation sounds familiar, do not just hope things will change, get help. Find a trustworthy mentor who has navigated the same challenges and come out the other side. During your meetings together, discuss the tough work situations you are facing, and ask about their experiences and how they push themselves to keep growing. You could also find an executive coach to meet with regularly. A good coach will help you understand what is holding you back and explore options for your future. And do some reflecting, on your own too. Think about whether you still get satisfaction from your job, whether you are playing it safe at work and where you want your career to go next. (This tip is adapted from *Are You at Risk of a Mid-Career Rut?* by Laurence Minsky and Julia Tang Peters-HBR.)

### When Hiring for Leadership Roles, Look Beyond the Obvious Candidates

When deciding who to promote into a leadership role, most executives look at how candidates have performed in their current job. But past performance is not always the best predictor of success. Individual contributors are usually measured on their ability, likability and drive — but leadership demands other traits, including integrity and emotional intelligence. So do not just promote your highest performer. Instead, think about what good leadership looks like at your company. Do you need people who can drive results? Bring everyone together? Listen and develop others? Innovate and evolve the business? Then think about who has the skills you are looking for — and take another look at employees who “may not be ready.” Reconsider them on

the basis of their ambition, reputation and passion for your business. Sometimes the youngest, most agile people turn into capable leaders when given the chance. (This tip is adapted from *Hire Leaders for What They Can Do, Not What They Have Done*, by Josh Bersin and Tomas Chamorro-Premuzic-HBR.)

### You Are Not Rehearsing Enough for Your Presentations

Before a critical presentation, the best thing you can do is rehearse a lot. That does not mean you need to memorize every line (which will make you sound too rehearsed). Your goal should be to feel confident in what you are saying while leaving room for spontaneity. Spend extra time on the beginning and the end of your talk, including your first and last slides. The introduction sets the stage for your message and gives your audience a reason to care. Your conclusion determines which ideas people will walk away with. If you nail these two sections of the talk, you will probably do well no matter what happens. You should also repeatedly practice any sections that have complex or technical content. While you rehearse, consider recording yourself on your phone; play it back to watch for distracting habits (fidgeting, avoiding eye contact) and areas where you seem unsure of yourself. Rehearse those sections a few more times. (This tip is adapted from *How to Rehearse for an Important Presentation*, by Carmine Gallo-HBR.)

## SNIPS

### Stunted Growth

In Sweden, the number of bank loans that are approved for small and midsize start-ups has decreased by 15pc over the last decade.

### Passion Project

A recent Deloitte survey found that just 20pc of full-time American workers feel passionate about their work.

### News Alert

The average person receives 46 push notifications on their cell phones per day.

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