



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 14, Issue No. 47 | Date: November 22, 2019

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

PAKISTAN OVERVIEW

Foreign Investment Jumps 238pc

The foreign Direct Investment (FDI) in the first four months of current fiscal year jumped by 238pc to \$650 mn from \$192 mn during the same period last fiscal year, reported the State Bank of Pakistan (SBP) on November 18. The government is trying to increase foreign investment in the country but the size of inflows continues to remain low. The foreign private investment, which includes portfolio investments, reached to \$665.7 mn compared to net outflow during the corresponding period last year. The highest inflows during the period came from Norway reaching \$263.7 mn, followed by \$122 mn from China, the biggest investor in the country particularly due to the ongoing China-Pakistan Economic Corridor.

Banking Brief

Bank Deposits As on November 15, 2019, the total bank deposits stood at Rs. 13,847.838 bn as compared to Rs. 13,872.935 bn on November 8, 2019, less by 0.18 pc.

Bank Advances – As on November 15, the total bank advances stood at Rs 8,053.982 bn as compared to Rs 8,025.671 bn on November 8, 2019 more by 0.35 pc.

Cotton Output Falls by 1.8 mn Bales

The cotton production continues to give a gloomy picture as effects of high temperature, heavy rains and gusty winds reduced crop by around 1.814 mn bales. Data released by Pakistan Cotton Ginners' Association (PCGA) recently shows cotton production up to November 15 at 6.857 mn bales, down 21pc over 8.671 mn bales in same period last year. A steep fall in cotton production in Punjab was the major factor which reduced overall output in the country. Sindh also suffered immensely due to impact of climate change.

Textile Exports Show Growth, Oil Imports Fall in July-October

Pakistan's textile and clothing exports grew by over 4pc year-on-year during the first four months of 2019-20, showed data released by the Pakistan Bureau of Statistics recently. The modest increase in export proceeds and the decline in import of oil and food products helped the government achieve a current account surplus in October after a gap of five years. Export of textile and clothing rose by 4.1pc to \$4.58 bn in July-October period compared to \$4.40 bn in the corresponding months of last year.

SBP Sets Agri Loan Target at Rs. 1.35 tr

After achieving a record-high disbursement of Rs. 1 tr to the agriculture sector in the last fiscal year, the State Bank of Pakistan has set next fiscal year's target at Rs. 1.35 tr. SBP Governor Reza Baqir, while chairing the annual meeting of the Agricultural Credit Advisory Committee in Peshawar, appreciated banks for their efforts in increasing credit to the agriculture sector in FY19. "It is for the first time

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	13.28	13.53
ENDING	13.30	13.55
CHANGE	+0.02	+0.02

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 199.50	PKR 171.50	PKR 155.40
ENDING	PKR 201.20	PKR 172.50	PKR 155.40
CHANGE	+1.7	+1.00	0

PAKISTAN STOCK EXCHANGE

100 Index

STARTING	37,583
ENDING	37,925
CHANGE	+342

GOLD RATE

(10 gm)

STARTING	PKR 74,117
ENDING	PKR 73,603
CHANGE	-514



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in Pakistan's history that credit to the agriculture sector has surpassed one trillion rupees," he remarked in his keynote address.

Tyre Venture to Invest \$600 mn

The Sino-Pak Tyre Manufacturing Joint Venture is "an import substitution opportunity" that seeks to leverage Pakistan's locational advantage as well as growing market for vehicle tyres, said Dr. Xu Peng, Managing Director of InvestTarget, the investment bank and private equity fund which is the largest investor in the consortium. The company will aim to produce 5 to 6 mn pieces every year, 2-3 mn of which will be for trucks and buses and 3-4 mn for passenger cars. "We will start with the trucks and buses segment," Peng says, "because nobody is producing these in Pakistan and there is a growing demand." With Daewoo as the local partner, there should be no difficulty finding the first customer.

Current Account in Surplus

The country posted \$99 mn current account surplus in October after a gap of more than four years, indicative of the recovery from long-prevailing deficits but the four-month current account position still showed a deficit of \$1.5 bn. The latest data released by the State Bank of Pakistan (SBP) showed the government has succeeded in bringing down the current account deficit. The country's current account deficit, in the last fiscal year, clocked in at \$12.75 bn, down 36pc from record-high \$19.9 bn in FY18. The data for October showed the current account was positive 99mn against a net deficit of \$1.28 bn in the same month of previous fiscal year. The details showed the deficit fell drastically due to sharp decrease in imports, which fell to \$14.65 bn from \$19 bn in the same period last fiscal year. However, exports of goods increased to \$8.22 bn compared to \$7.9 bn in the last fiscal year.

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

REAL SECTOR (GROWTH IN %)	FY 2018	FY 2019 _p	FY 2019 _†	-
REAL GDP	5.5	3.3	6.2	-
AGRICULTURE SECTOR	3.9	0.9	3.8	-
INDUSTRIAL SECTOR	4.9	1.4	7.6	-
SERVICES SECTOR	6.2	4.7	6.5	-
CPI INFLATION (YoY%)	FY 2019 _{pa}	JUL-OCT FY20 _{pa}	SEP 2019	OCT 2019
NATIONAL	6.8	10.3	11.4	11.0
URBAN	7.1	10.5	11.6	10.9
RURAL	6.3	10.1	11.1	11.3
FOOD INFLATION-URBAN/RURAL	4.7/4.8	12.1/12.9	15.0/15.0	13.7/14.6
MONETARY SECTOR (IN BILLION RS.)	FY 2018	FY 2019 _p	Jul - OCT 19 _#	-
CURRENCY IN CIRCULATION	476.5	562.2	381.1	-
_p PROVISIONAL	-	-	-	-
_{pa} PERIOD AVERAGE	-	-	-	-
_† Target from Annual plan 2018-19- PBS	-	-	-	-

SOURCES: PBS/ STATISTICS-SBP NEWS November 19/PROVISIONAL DATA



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INTERNATIONAL VISTA

BRICS Show Common Interests Among Major Emerging Market Economies

Chinese President Xi Jinping met leaders of other BRICS countries at the BRICS Summit 2019 in Brasilia and called for a partnership in the new industrial revolution, with experts saying that BRICS members share broad common interests and face common challenges despite some differences. Xi urged business circles to actively participate in and promote BRICS economic cooperation to make tangible contributions to economic growth and job creation, as reported. Xi made the remarks at the closing ceremony of the BRICS business forum in the Brazilian capital. The BRICS partnership on the new industrial revolution is vital to BRICS economic cooperation in the next stage, Xi noted in his speech, urging the business sector to integrate business cooperation with the BRICS partnership on the new industrial revolution and yield better results in such areas as innovation, digital economy and green economy to promote the high-quality development of BRICS economies. *(BRICS is an economic cooperation group which has Brazil, Russia, India, China and South Africa as its members.)*

Bribery Risk Index: Bangladesh has Highest Risk in South Asia

Bangladesh has been identified as the country with the highest risk in terms of bribery threats in South Asia, according to the latest Global Bribery Risk Index. In the updated index report titled Trace Bribery Risk Matrix, Bangladesh scored 72 out of 100 this year, which is two points higher than last year. The global average score is 51. This means that the threat of business bribery has grown stronger as the country was ranked in the 178th position. Bangladesh has also fared poorly in measures taken to discourage bribery and anti-bribery enforcement, the 2019 Trace Bribery Risk Matrix said. Trace, headquartered in the United States and registered in Canada, is a globally recognized anti-bribery business association. In the report, each country is given a score from 1 to 100 for each domain and for the total bribery risk. A higher score indicates a higher risk of business bribery, Trace said. India and Pakistan are ranked

78th and 153rd. The five countries with the lowest bribery risk in the world are New Zealand, Norway, Denmark, Sweden and Finland. The countries with the highest risk are Venezuela, Yemen, North Korea, South Sudan and Somalia.

Dollar Dominoes

From the dominant reserve currency for central banks to the main conduit for global trade and borrowing, US dollars are the lifeblood for banks and markets around the world. A Fed research paper estimated in 2017 that as much as 70pc of all dollars are held outside the United States and 60pc of all \$100 bills circulated overseas. Another Fed paper this year said roughly half the 1.6 tr of dollar banknotes in circulation were outside the United States. Markets got a reminder of the greenback's hegemony in September when a squeeze in overnight dollar funding rates in New York sent shivers across the world. Governments and central banks have tried to reduce their dollar-dependency, with Bank of England governor Mark Carney describing its role in the world economy as "destabilizing". But de-dollarization is likely to take many years.

ARAMCO Declares \$1.71 Tr Valuation in Blockbuster IPO

Saudi Arabia on Sunday put a value of up to \$1.71 tr on energy giant ARAMCO in what could be the world's biggest IPO, but missed Crown Prince Mohammed bin Salman's initial target of \$2 tr. ARAMCO said it would sell 1.5pc of the company in a blockbuster initial public offering worth at least \$24 bn. "The base offer size will be 1.5pc of the company's outstanding shares," the state-owned energy giant said in a statement that set the price range at 30-32 Saudi riyals per share (\$8-8.5). The much-delayed offering is scaled down from original plans, but it still rivals the world's biggest listing so far — the \$25 bn float of Chinese retail giant Alibaba in 2014.

European Car Sales Accelerate in October

European car sales hit their highest October level in a decade, an industry body said recently, as the sector recovers from a stall last year over tighter pollution regulations. The 8.7pc rise in registration to 1.18 mn vehicles "marked the highest October total on record since 2009," said the European Automobile Manufacturers Association.



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MANAGEMENT OUTLOOK

Feedback Should Be Clear and Actionable, Not Nice and Vague

Many managers sugar-coat tough feedback, either to avoid retaliation or to protect employees' feelings. But research shows that managers tend to overestimate how well employees understand 'nice' criticism. To make sure your team members have the clear, actionable feedback they need to grow, do a few things. First, give feedback more often. In addition to annual appraisals, use weekly or monthly check-ins, regular trainings and in-the-moment comments to talk about employees' work. The repetition will reinforce your message. Second, avoid language that could obscure your meaning. For example, 'likely' and 'a real possibility' are phrases that do not mean the same thing to everyone. Be specific in what you say. Third, after you give feedback, ask employees to paraphrase what they heard, to ensure they understand it. Ideally, they will be proactive about asking questions when needed but if they are not, neither of you gets what you need out of the conversation. (This tip is adapted from *Are You Sugarcoating Your Feedback Without Realizing It?*, by Michael Schaefer and Roderick Swaab-HBR.)

Should Big Decisions Be Based On Data or Your Intuition?

When making an important decision, should you trust your gut, or gather more information before deciding? There are two factors to consider. The first is whether more data could actually help you pick the right option. If your company is considering a new product idea, for example, you can do market research and assess your competitor's offerings but that information would not guarantee that people will buy your product. In a situation like this one, you may consider the data at hand and then rely on your gut. The second factor is the context of the problem you are facing. If successful mental models and schemas exist for this kind of decision, it is probably a good idea to use them. On the

other hand, if you are trying to differentiate yourself from competitors who have followed those models, gut instinct may be the way to go. And remember: Intuition draws on the objective and subjective information you already know, so your gut feel is, to some extent, data-driven.

(This tip is adapted from *When It Is OK to Trust Your Gut on a Big Decision*, by Laura Huang-HBR)

Do Your Company Norms Promote the Behavior You Want?

Every company has unwritten rules that dictate how people behave. Often these norms are so ingrained that leaders do not even think about them but unless you do, you risk creating a disconnect between how people think they should act and how you want them to act. Start by asking yourself what norms employees might hold in their heads. For example, what do people think the best way to get ahead is? Are they allowed to disagree with the boss in meetings? Then test your assumptions by asking employees what they think. (This may be easier if you are not the one asking.) Write down what you hear, and reflect on which norms help the company achieve its goals.

(This tip is adapted from *Why You Should Write Down Your Company's Unwritten Rules*, by Karen Niovitch Davis-HBR.)

SNIPS

Video Star

Two years ago, ByteDance, a Chinese internet conglomerate, spent around \$1 bn to acquire Musical.ly, a video-based social network that has since been merged with TikTok.

Unfinished Business

Research shows that just 26pc of people finish the workday having completed all the tasks they had set forth.

Big Industry

A recent Gallup poll found that 25pc of Americans expressed having a strong level of confidence in large businesses.

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