



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan\*

Page No. 01

Volume 13, Issue No. 48 | Date: November 30, 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 16, 2018, deposits of all scheduled banks stood at Rs. 12,687.118 bn, higher by 0.10pc, over the preceding week's figure of Rs. 12,674.457 bn.

#### Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 7,640.462 bn, higher by 0.58pc over the preceding week's figure of Rs. 7,595.927 bn.

#### Investments Brief

Investments of all scheduled banks stood at Rs. 5,488.415 bn against preceding week's figure of Rs. 5,455.183 bn, higher by 0.61pc.

#### Assets Notebook

Total Assets of all scheduled banks amounted to Rs. 16,597.909 bn against previous week's figure of Rs. 16,564.932 bn, higher by 0.20pc.

### PM Directs Finalisation of Trade, Tariff Policies

Prime Minister Imran Khan has directed the Commerce Division to finalize three strategic policy documents ahead of Dec 31, according to a senior official. The official said the premier has asked the division to finalize a draft five years Trade Policy for 2019-24 with a string of measures to enhance export competitiveness and productivity of the domestic industries. The other two policies, National Tariff Policy and Trade Related Investment Framework, will also be made ready for approval of the cabinet latest by end of December.

### Pepsi Co to Invest \$1.2 bn'

Pepsi Co is set to invest \$1.2 bn in Pakistan in coming years, a statement from Prime Minister's office said recently. Pepsi planned to make "a further investment of \$1.2bn" in next five years, the statement said, after the company's chief Executive for Asia, Middle East and North Africa, Mike Spanos, led a Pepsi delegation that met Mr. Khan.

### FBR Asked to Increase Tax on Imported Tobacco

While probing the multi-billion tax evasion in tobacco sector, a special committee of the Senate directed the Federal Board of Revenue (FBR) to equate tax incidence on imported and locally produced tobacco. The Senate Special Commit-

### MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)		
	Bid%	offer%
STARTING	9.67	9.92
ENDING	9.77	10.02
CHANGE	+0.1	+0.1

FOREIGN EXCHANGE RATES			
	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 172.00	PKR 151.50	PKR 134.00
ENDING	PKR 172.50	PKR 152.50	PKR 134.90
CHANGE	+0.5	+1	+0.9

PAKISTAN STOCK EXCHANGE	
100 Index	
STARTING	40,869
ENDING	40,496
CHANGE	-373

GOLD RATE	
(10 gm)	
STARTING	PKR 53,584
ENDING	PKR 54,270
CHANGE	+686

\* An ISO 9001 : 2015 Certified Company



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 02

Volume 13, Issue No. 48 | Date: November 30, 2018

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

tee on Causes of Decline in Tax Collection of Tobacco Sector – led by its convener Senator Ms. Kalsoom Parveen – was informed that the government has imposed Rs. 300 per kg on tobacco exports in the last budget while on imports it collects only Rs. 22 per kg.

## First Rice Conference Begins in Larkana

Pakistan's first 'Rice Conference' was held in Larkana under the aegis of Rice Exporters Association of Pakistan (REAP) to bring all stakeholders of the rice sector under one roof to enhance the quality and productivity of the crop. The two-day 'Rice Conference' is aimed at discussing and identifying the problems being faced by the rice sector and accordingly find out right solutions of these issues so that the losses prior to harvest and after harvest could be reduced by adopting good practices. Larkana is one of the largest rice cultivated area where the conference was held on November 26 and 27. Second REAP Rice Conference will be held in March or April next year in Punjab to address the issues of rice trade in that province.

## Hotels, Railway Station To Be Built For Sikh Pilgrims In Kartarpur

Federal Minister for Railways recently announced that the government would provide land to Sikh organizations for construction of modern hotels in Kartarpur, Nankana Sahib and Narowal, besides construction of a railway station in Kartarpur to provide state-of-the-art board and lodging facilities to Sikh pilgrims visiting Pakistan. He was talking to reporters after seeing off Indian Sikh pilgrims who departed for Lahore through special trains after offering their religious rituals at Gurdwara Panja Sahib in Hassanabdal.

## GB Agriculture Thrives as Water Availability Improves

A US-funded project has helped reduce water losses in the Gilgit-Baltistan (GB) region by 60pc, bringing more land under cultivation to spur agricultural growth in the territory, and raising income and productivity for more than 8,000 farmers. The US-funded Satpara Development Project, which closed last week, ran for seven years and was carried out by USAID to increase access of farmers to irrigation and achieve increased agricultural production and economic

opportunities. As a result of all these initiatives, 1,200 new businesses were established creating more than 4,000 jobs in GB. Horticultural products from Baltistan now have access to larger markets in both Lahore and Islamabad.

## Banks Issued Guidelines To Tighten Cyber Security

In the aftermath of a local bank reporting a loss of Rs. 2.6 mn last month, the State Bank of Pakistan (SBP) issued a number of measures against cybercrime to safeguard banks/microfinance banks (MFBs) and their customers from potential frauds. Banks and MFBs will immediately carry out extensive vulnerability assessment and penetration testing to identify potential weaknesses in their Alternate Delivery Channels (ADCs) and payment systems including, but not limited to, card systems, RTGS, SWIFT, internet/mobile banking and agent-based/branchless banking etc, said the SBP. "The assessment reports along with action plans and timelines to address the vulnerabilities will be submitted to Payment Systems Department (PSD) latest by March 31, 2019," the bank stated recently. In addition to these, banks will also arrange independent third party audit of their ADCs and payment systems. "These reports are to be submitted to PSD latest by Dec 31, 2019," said the SBP. With effect from Jan 1, 2019, banks/ MFBs will send free of cost transaction alerts to their customers through both SMS and email for all international and domestic digital transactions.

## Tough Measures Are Necessary to Rescue the Economy

The PTI government believes its economic policies have already started showing signs of stabilization. It believes its policies will put the country on a sustainable growth and development path within 12 to 24 months in stark contrast to past growth spurts fuelled by borrowed money and deficit financing. In a brief interview, Minister of State for Revenue Hammad Azhar said the government contacted the International Monetary Fund (IMF) soon after coming to power. It simultaneously engaged with friendly countries for alternative financing options to minimize the pain that might have come due to rushed acceptance of fund conditions.



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 03

Volume 13, Issue No. 48 | Date: November 30, 2018

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

## INTERNATIONAL ARENA

### China's Vows to Better Protect Intellectual Property

China's President told Spanish lawmakers recently his country would boost protection of intellectual property ahead of a G20 meeting where he faces a trade showdown with the USA. Xi is due to meet his US counterpart Donald Trump at the gathering in Argentina this week, with Washington threatening to ramp up a trade war with Beijing if it does not allay US concerns over intellectual property theft and China's forced technology transfers.

### On Black Friday, More US Shoppers Chose the Computer Over the Mall

The Thanksgiving Day and Black Friday kickoff of the US holiday shopping season showed the increasing preference for online purchases, as more Americans opted to stay home and use their smartphones while sales and traffic at brick-and-mortar stores declined. The ongoing shift to online shopping has forced retailers across the country to invest heavily in boosting their e-commerce businesses, and also highlights the impact of early holiday promotions and year-round deals on consumer spending. Bill Park, a partner at Deloitte & Touche LP, said online sales are starting to complement in-store shopping over the weekend, and for shoppers and retailers the two platforms are starting to converge. Online sales rose more than 23pc, crossing \$6 bn on Black Friday, according to data from Adobe Analytics, which tracks transactions at 80 of the top 100 US retailers. On Thanksgiving, it estimated sales grew 28pc to \$3.7 bn.

### EU Agrees 'Best Possible' Brexit Deal

European Union leaders finally sealed a Brexit deal, saying the package agreed with Prime Minister Theresa May was the best Britain will get in a warning to the British parliament not to reject it. "Those who think that, by rejecting the deal, they would get a better deal, will be disappointed," European Commission President Jean-Claude Juncker told reporters after the 27 other EU leaders formally endorsed a treaty setting terms for British withdrawal in March and an outline of a future EU-UK trade pact. Asked whether there was any chance Brussels would reopen the pact if an alliance of pro- and anti-Brexit forces votes it down in the British parliament,

Juncker said "this is the best deal possible", although summit chair Donald Tusk sounded more guarded, saying he did not want to consider hypotheticals.

### California's Deadliest Wildfire Finally Controlled

The deadliest and most destructive fire in California's history was finally brought totally under control by firefighters, more than two weeks after it erupted, authorities said recently. The fire, which broke out on November 8, is so far known to have killed 87 people although another 249 people remain unaccounted for. That figure has fallen sharply over the weekend, having stood at 474 on Friday. Only 54 of the fatalities have been identified, according to the local sheriff's office in Butte County, around three hours drive north of San Francisco. A total of 153,336 acres were affected by the fire, with nearly 14,000 homes and hundreds of other structures destroyed.

### UAE Seeks Rich, Educated Foreigners With Long-Term Visa Scheme

The United Arab Emirates will offer long-term visas to rich property investors, senior scientists and entrepreneurs in an effort to support its economy and real estate market, which have been hurt by low oil prices. Until now, visas for foreigners to live in the Arab world's second biggest economy have generally been valid for only a few years, and have depended on the main visa holder in each family remaining employed. The government said in May it planned to ease that policy. Detailed rules approved by the cabinet recently offer five-year residency to owners of UAE real estate worth at least 5 mn dirhams (\$1.4 mn), as long as ownership is not based on loans.

### New Extreme Brexit Could Be Worse Than Financial Crisis for UK: BoE

Britain risks suffering an even bigger hit to its economy than during the global financial crisis 10 years ago, if it leaves the European Union in a worst-case BREXIT scenario in four months' time, the Bank of England said recently. Hours after the government issued its own stark warning about a no-deal Brexit, the BoE said the economy could shrink by as much as 8pc in about a year. The two reports could add to pressure on lawmakers to drop their opposition to the Brexit agreement that Prime Minister Theresa May struck with other EU leaders recently, which is far from certain to be approved in parliament on Dec. 11.



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 04

Volume 13, Issue No. 48 | Date: November 30, 2018

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

## MANAGEMENT & INFOTECH CORNER

### Amazon Rules, Walmart Gains in E-Commerce

Amazon is still the dominant player in US e-commerce, but Walmart is seeing strong gains and is poised to become the number three online retailer, a market tracker said recently. Amazon's sales are likely to grow a robust 30pc and its market share is likely to grow to 48pc of online retail sales, according to research firm eMarketer.

Meanwhile, eBay will hold its number two position but will see its market share dip to 7.2pc, the report said. Walmart meanwhile "has one of the fastest growing e-commerce businesses" and will capture 4pc of internet retail sales this year, overtaking Apple as the number three seller, according to eMarketer. Total US e-commerce was projected to grow 16pc to reach \$525.7 bn this year. That means online will make up 9.8pc of total US retail sales this year, and Amazon will capture almost half of online dollars spent, the eMarketer study showed.

### IT Services Exports

Export of IT services – especially software – still remains a "potential" sector, given the numbers. Background discussions with stakeholders put the industry's size at roughly \$3 bn in 2018. Some \$2.5 bn of that pie can be marked as exports – of which only a billion dollars is officially recorded as ICT exports. The remaining half a billion dollars is accounted for by the local market – that is, software purchases made by companies and institutions in Pakistan from local software houses. If boosting software exports is the ultimate goal, local sales must pick up first. The local spending on IT, at \$500 mn or so, is abysmal, compared to economies like India adjusted for size. Specifically, the federal and provincial governments would need to purchase a lot more software and IT-enabled services from local software houses than they currently do.

### Alibaba Founder Jack Ma Played Important Role in Pushing China's BRI

Jack Ma, founder of Chinese tech giant Alibaba, is among the world's richest people but he has now emerged as a member of another club: China's 89-million-strong Communist Party. The billionaire's Communist bona fides were revealed by the People's Daily, the party's official mouthpiece, in an article praising contributors to China's development. He is not the first nor likely the last Chinese super-rich capitalist to join the party, which counts property titan Xu Jiayin and Wanda Group founder Wang Jianlin among its billionaire members. But Ma's membership had not been known until now as China's richest man had previously suggested that he preferred to stay out of politics.

### Fragile Climate Puts Food Security at Risk, Warns UN

Feeding a hungry planet is growing increasingly difficult as climate change and depletion of land and other resources undermine food systems, the UN Food and Agricultural Organization said recently as it renewed appeals for better policies and technologies to reach 'zero hunger'. Population growth requires supplies of more nutritious food at affordable prices, but increasing farm output is hard given the 'fragility of the natural resource base' since humans have outstripped Earth's carrying capacity in terms of land, water and climate change, the report said. About 820 mn people are malnourished. The FAO and International Food Policy Research Institute released the report at the outset of a global conference aimed at speeding up efforts to achieve zero hunger around the world.

## SNIPPETS

### Uphill Battle

A majority — more than 60pc — of startups that are backed by venture capitalists end up failing.

Editor: Rafi Ahmed | Deputy Editor: Shahla Naqvi | Designed by: M. Jahangir Ishaq | Email: Publications@ibp.org.pk

Published by: The Institute of Bankers Pakistan, M.T. Khan Road, Karachi 74200, Pakistan

General Disclaimer: Data used in the Economic Letter is based on government sources besides recognised representative private sector trade bodies as reported in the print media. They are cross-checked before release. Yet an error or two may creep in, regrettable as they may be as part of human nature. Reporting is unopinionated. The Institute of Bankers Pakistan stands totally absolved of any error contained in the Economic Letter, either in reporting or composing.

DONATE FOR SUPREME COURT OF PAKISTAN DIAMER BASHA AND MOHMAND DAM FUND