



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

Page No. 01

Volume 14, Issue No. 45 | Date: November 08, 2019

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

PAKISTAN OVERVIEW

Pakistan Wants IMF to Separate FATF From Program

Pakistan has asked the International Monetary Fund (IMF) to relax conditions under the \$6 bn Extended Fund Facility (EFF) relating to the Financial Action Task Force (FATF) and issuance of sovereign guarantees to help raise over \$4 bn from domestic and international markets. Pakistan has budgeted about \$3 bn bonds (about Rs. 450 bn) — Islamic Sukuk and Eurobond — to be launched in the international capital markets during the current fiscal year to meet targets under the EFF for foreign inflows. Separately, the government has planned to raise about Rs. 200 bn from domestic Islamic banks for the power sector to scale down circular debt. “We are dying to complete these transactions at the earliest,” said a senior official, adding that the capital market conditions were never as conducive as at present. He said the return on bonds had plummeted to almost zero in the international capital markets and investors were finding it hard to secure profits on secured papers. “This provides an ideal opportunity for Pakistan to tap international capital markets to secure sovereign bonds at a minimal interest rate,” the official said. Pakistan had last tapped the international capital markets in 2016 at about 8.25pc mark-up when average yield hovered between 3pc and 5pc for other countries. Likewise, the government had negotiated Islamic financing worth around Rs. 200 bn for the power sector from domestic banks in recent months on top of another Rs. 200 bn secured earlier this year.

Banking Brief

Bank Deposits – As on November 1, 2019, the total bank deposits stood at Rs. 14,077.744 bn as compared to Rs. 13,912.112 bn on October 25, 2019, more by 1.20 pc.

Bank Advances – As on November 1, the total bank advances stood at Rs. 8,042.875 bn as compared to Rs. 8,019.016 bn on October 25, 2019 increase by 0.30 pc.

SBP Launches National Payment Systems Strategy

Dr. Reza Baqir, Governor, State Bank of Pakistan launched the National Payment Systems Strategy (NPSS) in an event held at its headquarters in Karachi. President of the World Bank, Mr. David Robert Malpass was the Chief Guest at the event that was attended by key stakeholders including regulators, government entities, banks, telcos, Electronic Money Institutions (EMIs), Payment System Operators (PSOs) and Payment Service Providers (PSPs) and other Fintechs. Speaking on the occasion, Governor SBP welcomed Mr. David Malpass and other World Bank officials to SBP and thanked them for their support in the preparation of this strategy. The Governor highlighted the benefits that the NPSS would bring to the people and economy of Pakistan and said “this strategy lays out a road map and action plan for Pakistan to have a modern and robust digital payments network.” Elaborating the benefits further, he said that the key goal of this strategy would be to make access to financial services easier for people and help in improving financial inclusion in

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	13.16	13.41
CHANGE	+0.08	+0.08

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 201.50	PKR 174.50	PKR 155.70
ENDING	PKR 200.50	PKR 172.50	PKR 155.70
CHANGE	-1	-2.00	0

PAKISTAN STOCK EXCHANGE

100 Index

STARTING	34,377
ENDING	35,978
CHANGE	+1601

GOLD RATE

(10 gm)

STARTING	PKR 75,446
ENDING	PKR 74,888
CHANGE	-558



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Page No. 02

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the country, particularly for women, along with greater documentation of the economy.

Pakistan Seeks \$9 bn Chinese Loan for ML-1

Committing complete fencing of Afghan and Iran borders on priority to ensure peace and security, Pakistan recently asked China to finance \$9 bn Main Railway Line (ML-1) and other road and infrastructure projects to expand the China-Pakistan Economic Corridor (CPEC). At the conclusion of ninth Joint Cooperation Committee (JCC) meeting of CPEC here, the two sides also approved Gwadar Smart City Master Plan and signed two memorandums of understanding (MoUs) for cooperation in the field of health and trade. They also signed minutes of the meeting and inaugurated 392 km Multan-Sukkur Motorway completed with Chinese funding of Rs. 294 bn.

WB President Urges Focus on Reforms for Jobs, Growth

World Bank Group President David R. Malpass recently said the reforms carried out by Pakistan for ease of doing business would help create jobs, attract investment and generate more tax revenue. Malpass acknowledged the efforts taken by the government to improve its ranking on the Ease of Doing Business index. "Your country jumped to 108th place from 136th last year. Your reforms made it easier for the entrepreneurs to start business, get electricity and construction permits, register property, pay taxes and trade across border", he remarked at the exhibition held to celebrate the country's 28-point jump in ease of doing business ranking.

Pakistani Startups Earn Millions of Dollars

Pakistani tech startups have raked in millions of dollars from local and foreign investors as a number of deals were announced over the weekend. Around half a dozen startups disclosed their investment rounds at 021Disrupt, a major tech and entrepreneurship conference. This year marks the watershed moment for Pakistani startups, especially in terms of funding, claimed major investors and entrepreneurs at a two-day tech conference in Karachi. On the sidelines of the event, Airlift, a smart bus service operating in major Pakistani

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

REAL SECTOR (GROWTH IN %)	FY 2018	FY 2019 _p	-	-
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 _{pa}	JUL-SEP FY 20 _{pa}	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 _p	SEP 2019 _#	-
CURRENCY IN CIRCULATION	476.5	562.2	321.4	-
_p PROVISIONAL	-	-	-	-
_{pa} PERIOD AVERAGE	-	-	-	-
_# Last weekend of the month	-	-	-	-

SOURCES: PBS STATISTICS DEPT. SBP NEWS - October 2019



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Page No. 03

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cities — announced its Series A investment at a massive \$12 mn, the largest in the country at this stage. The round was led by a major US-based venture capital firm, First Round Capital that has stakes in the likes of 9GAG and Uber, with participation from Fatima Gobi Ventures and Indus Valley Capital.

Reserves Up

Reserves held by the State Bank of Pakistan rose by \$21.6 mn to \$7.914 bn during the week ended on Oct 25. On the other hand, holdings of the commercial banks amounted to \$7.175 bn, which brought the country's total liquid reserves to \$15.09 bn.

Farmers Can Use EWR for Bank Loans

The State Bank of Pakistan (SBP) on October 31, 2019, allowed the farming community to use Electronic Warehouse Receipt (EWR) as collateral for lending against agriculture produce and commodities. The move will allow farmers, traders, and processors to avail financing facility from banks and improve access to formal credit, reduce losses arising from wastage of agricultural commodities after harvest, increase farmer profitability and reduce risks of banks by allowing agricultural commodity as alternate collateral. The central bank notified the Collateral Management Company Regulations 2019, under the Companies Act 2017 to promote warehouse receipt financing and electronic trading of agricultural commodities.

Warehouse Mechanism:

Warehouse Receipt Financing (WHRF) is a mechanism whereby farmers, traders and processors may avail financing facility from banks while collateralizing their produce and agricultural commodities as a security stored in accredited warehouses. WHRF would benefit small farmers who usually find it difficult to access credit from banks due to non-availability of agricultural land as collateral. Further, WHR financing would provide liquidity to commodity market and help in improving food security and price stability.

SNIPS

Pace Yourself

The talking speed of the most effective public speakers is around 220 words per minute.

INTERNATIONAL VISTA

Libra Could Come Under Some Existing Rules: Watchdog

Existing securities rules could apply to stablecoin digital currency initiatives such as Facebook's Libra project to help realize its benefits, global securities watchdog IOSCO said recently as policymakers examine whether new regulation is needed. The watchdog, made up of securities regulators from across the world, including the United States, Europe and Japan, said an assessment of stablecoins found they can potentially offer benefits as well as pose risks. A stablecoin is a digital currency tied to a 'stable' asset or basket of assets that can range from real currencies to commodities. Libra would be pegged to bank deposits and government securities across several currencies such as the Dollar and Euro.

US Trade Deficit Falls to \$52.5 bn

The US trade deficit fell by 4.7pc to \$52.5 bn in September as the country recorded its first petroleum surplus, but overall imports and exports otherwise fell under the weight of rising global tariffs and a slowing world economy. Some economists had forecast the trade gap would fall slightly to \$52.5 bn in September. Imports of automobiles fell \$1.1 bn. When adjusted for inflation, the goods trade deficit fell \$3.1 bn to \$82.6 bn in September. The United States imported fewer cars but sold fewer overseas in September. It also imported fewer cellphones, toys and games, but sold less food, feed and beverages abroad.

France to Start Setting Quotas for Economic Migrants

France will from next year start setting quotas for migrant workers, its labor minister said recently, as President Emmanuel Macron's government seeks to toughen immigration policies in response to criticism. Starting next year, authorities working with employers will identify industries lacking qualified candidates and facilitate the hiring of foreigners to fill the gap, Labor Minister Muriel Penicaud said. This is about France hiring based on its needs. It is a new approach, similar to what is done in Canada or Australia.



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Millions in India Face Smog

Millions of people in India's capital started the week choking through "eye-burning" smog, with schools closed, cars taken off the road and construction halted. A poisonous haze envelops New Delhi every winter, caused by vehicle fumes, industrial emissions and smoke from agricultural burning in neighboring states. But the current crisis has turned into the worst in three years, and New Delhi CM called for a range of measures to fight what he described as unbearable pollution.

Xi Pledges Wider Market Access, Free-Trade Deals

President Xi Jinping recently pledged to further open China's economy, declaring the world must "knock down walls" as he opened an annual trade fair against the backdrop of the US tariffs war. Xi addressed an audience including French President Emmanuel Macron at the import exhibition in Shanghai, staged annually by China to show its willingness to open up its vast domestic markets in the face of criticism that they remain too closed. The world community must "continue to knock down walls instead of building walls, resolutely oppose protectionism and unilateralism, and continuously reduce trade barriers", Xi said. The speech was light on specifics, however, and thus unlikely to mollify foreign critics who accuse China of a range of protectionist measures and failing to deliver on reform promises.

MANAGEMENT OUTLOOK

New Leaders, Make Decisions Slowly

When you take on a leadership role, it can be tempting to prove yourself by making early decisions fast. But until you are familiar with how things work in the company, you are at risk of judging processes and people too quickly. That is why it is important to manage your urge to "do something." Instead of acting, focus on listening to, observing and

learning from those around you. Take notes about what you hear, paying attention to when your assumptions about the company or your team are right, and when they are wrong. And make sure you talk to a variety of people. You may not know yet who is a reliable source of information, so it is easy to be overly influenced by one person's or one group's perspective. Once you feel confident about moving forward, use your new knowledge to select a critical area of focus for the year. This will help people direct their efforts and evaluate progress, both yours and theirs. (This tip is adapted from *Why New Leaders Should Make Decisions Slowly*, by Constance Dierickx-HBR.)

How Leaders Can Make Better Use of Feedback

Do you get real value out of feedback? Sometimes leaders are not sure how to move from receiving it to using it to grow. To put your feedback into practice, take the following steps. First, talk it through with someone who is trustworthy, curious and not in a position to evaluate your performance. Ask them to listen carefully and help you sort through your thoughts. Next, draft a development plan. It should include a summary of the feedback, questions you have about it, the steps you will take to improve and the help you will need. Then share this plan with the people who gave you the feedback, and use the opportunity to ask your questions. Do not debate or get defensive. Next, revise your plan with their new input, and include how you will measure your progress. Finally, start following your plan, and check in with your colleagues every few months. With their help and your commitment, you can keep improving and advancing. (This tip is adapted from *6 Steps Leaders Can Take to Get the Most Out of Feedback*, by Jennifer Porter-HBR.)

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Health Tech Boom

The American telemedicine market is estimated to exceed \$64 bn by 2025 with the growth of apps and chatbots.

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