



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan\*

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Volume 13, Issue No. 49 | Date: December 07, 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 23, 2018, deposits of all scheduled banks stood at Rs. 12,703.096 bn, higher by 0.12pc, over the preceding week's figure of Rs. 12,687.118 bn.

#### Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 7,682.816 bn, higher by 0.55pc over the preceding week's figure of Rs. 7,640.462 bn.

#### Investments Brief

Investments of all scheduled banks stood at Rs. 5,447.001 bn against preceding week's figure of Rs. 5,488.415 bn, less by 0.75pc.

#### Assets Notebook

Total Assets of all scheduled banks amounted to Rs 16,644.727 bn against previous week's figure of Rs 16,597.909 bn, less by 0.20 pc.

### FBR Finds 20,000 Wealthy Non-Filers

During the first 100 days of the government, the Federal Board of Revenue (FBR) has identified some 20,000 high net-worth non-filers. The 68-page document — on six sectors — was released in an effort to highlight incumbent government's achievements in its first 100 days of government including the steps to revive the economy. According to the report, in its drive against non-filers, the FBR has issued notices to more than 3,000 high net-worth individuals with tangible assets — including houses in the posh areas of big cities — in the first 100 days.

### Hurdles for Foreign Investors

With a population of more than 200 million people, Pakistan may be a growing market for foreign electronic goods and mobile phones. But a host of issues relating to the business environment continue to keep them from investing in the manufacturing industry here. "Pakistan is a strategic market for us... but it still remains a very small market for electronic goods because of the low purchasing power of consumers," TCL Pakistan General Manager Sunny Yang said in response to a question whether her company planned to invest in TV parts manufacturing in Pakistan. "A company has to consider the country situation as well," added the executive of the world's third largest LED TV manufacturer from China, which entered the Pakistan market back in 2013. 'Customs duty on TV assemblers rose from 5pc to 30pc in five years'. "The ever-changing customs tariffs, exchange rate volatility leading to economic instability and a growing grey market of illegal and under-invoiced goods hurt a manufacturer's pricing structure and its ability to plan for future," she argued. "On top of these, there is this issue of inconsistency in policies."

### MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

#### KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	9.77	10.02
ENDING	10.32	10.57
CHANGE	+0.55	+0.37

#### FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 172.50	PKR 152.50	PKR 134.90
ENDING	PKR 175.40	PKR 155.90	PKR 139.00
CHANGE	+2.9	+3.4	+4.1

#### PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	40,496
ENDING	38,562
CHANGE	-1934

#### GOLD RATE

	(10 gm)
STARTING	PKR 54,270
ENDING	PKR 55,513
CHANGE	+1243

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## Separate Directorate Established for Real Estate

The government has established the Directorate General Immoveable Properties (DGIP) to deal with matters related to real estate and immoveable properties. A notification towards this effect was issued recently which also included the details on scope, operational mechanics and procedural parameters of the newly established authority. The plan to establish the authority was announced in Finance Act 2018. Director General for Broadening of Tax Base, Muhammad Tanveer has been given the additional charge to head the DGIP whereas three of his colleagues were also given additional charge to look after the new office.

## No Headway in \$1 bn China Market Access Package

The government's expectation to get market access worth \$1 billion in exports to China during the current fiscal year seems to have hit an impasse, as learnt from official sources. Adviser to Prime Minister Abdul Razzak Dawood announced the export package from China after PM Imran Khan made a four-day visit to Beijing and Shanghai during the first week of November. He said that 'Pakistan has secured market access worth \$1bn from China to double country's exports within one year'. Subsequently, various ministers made public claims that they intend to "double exports to China by the end of the fiscal year." However, despite a lapse of one month since the announcement, there has been no official update from the government regarding the status of the package.

## SBP Raises Key Lending Rate By 150 Basis Points To 10pc

State Bank of Pakistan (SBP) decided to raise its policy (target) rate by 150 basis points (bps) to 10pc, effective from December 3. The decision was taken in light of the current and evolving macroeconomic situation in the country and the Monetary Policy Committee observed that further consolidation was required to ensure macroeconomic stability, an SBP statement said. The economic data released since the last Monetary Policy Committee meeting in September shows that the positive impact of recent stabilisation measures has started to materialize gradually. Particularly, the current account deficit is showing early signs of improvement.

## Revenue Collection Remains Muted

The Federal Board of Revenue's (FBR) collection during the month of November grew by 1.87pc year-on-year to Rs. 277.24 bn – the smallest increase in a month in recent past. The revenue collection fell short of the target owing to the Inland Revenue's poor performance.

## KNOW YOUR KINNOW

- All Pakistan Fruits & Vegetable Exporters, Importers and Merchants Association (PFVA) have set the Kinnow export target at 3,50,000 tonnes for this season.
- The 'Kinnow' is a high yield mandarin hybrid cultivated extensively in the Punjab region of Pakistan. It is a hybrid of two citrus cultivars — 'King' (Citrus nobilis) × 'Willow Leaf' (Citrus × deliciosa) — first developed by Howard B. Frost, at the University of California Citrus Experiment Station.
- 'Kinnow' harvesting starts when the fruit's external color becomes orange, from December to February.
- Russia, Indonesia, Gulf countries and Middle Eastern countries are big importers of Pakistani Kinnow. It is faced with stiff competition from Morocco & Turkey in this market, who are expected to have a bumper crop of Kinnow this season.
- Pakistan is expected to earn foreign exchange of \$180 million, according to Waheed Ahmed, Patron-in-Chief PFVA, the collective export of citrus fruit and value-added products can be enhanced to one billion US dollar within five years, however, to attain this target, it is imperative to grow new varieties of Citrus fruits through extensive R & D, besides ensuring Kinnow "free from all diseases" and to increase yield per acre by setting up new orchards.



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## INTERNATIONAL ARENA

### German Police Raid Deutsche Bank in 'Panama Papers' Probe

German prosecutors raided several Deutsche Bank offices in the Frankfurt area recently over suspicions of money laundering based on revelations from the 2016 "Panama Papers" data leak. Frankfurt prosecutors said they were investigating allegations that Germany's biggest lender helped clients set up offshore companies in tax havens to "transfer money from criminal activities" to Deutsche Bank accounts. The latest raid was a new blow to the financial institution that has been hammered by a string of scandals linked to its pre-2008 crisis attempts to compete with Wall Street investment banking giants.

### G20 Summit Backs WTO Reforms

The leaders of the world's largest economic powers backed an overhaul of the global body that regulates international trade disputes, ahead of high-stakes talks between US President Donald Trump and Chinese President Xi Jinping aimed at defusing a trade war. The Group of 20 industrialized nations called for reforms to the crisis-stricken World Trade Organization amid growing global trade tensions, in a final statement from a two-day gathering in Argentina. The communique, which was finalized after delegates worked through the night and recognized trade as an important engine of global growth but made only a passing reference to "the current trade issues," without providing any details.

### US, China Agree to More Talks

United States President Donald Trump and China's Xi Jinping agreed to suspend any new tariffs in the escalating trade war between the world's two largest economies, even if huge existing duties will remain in place. Following more than two hours of dinner talks between the two leaders, the White House said an increase of tariffs from 10 to 25pc due to kick in on Jan 1 would now be put on hold, providing room for intense negotiations. The agreement, hashed out over steak in the Argentine capital Buenos Aires, lowers the temperature in a conflict that has spooked world markets. The two leaders, who were in Buenos Aires for a summit of the G20 countries, called it "a highly successful meeting", a White House statement said.

### MBS, Modi Meet In Argentina as India Looks to Find New Avenues for Oil Import

Saudi Crown Prince Mohammed bin Salman expressed the kingdom's willingness to provide for all of India's oil and petroleum product needs during a meeting with Indian Prime Minister Narendra Modi in Buenos Aires. According to news agency SPA, the two leaders met at the residence of the Saudi crown prince — known by his initials MBS — in the Argentine capital and discussed bilateral cooperation between the two friendly countries in the various fields. Both the leaders are in Buenos Aires to attend the Group of 20 (G-20) summit which kicks off Friday. The meeting between the two leaders comes a few months after it was announced that — following US's reimposition of sanctions against Iran.

### Trump Claims Win as US, Mexico, Canada Sign New Trade Deal

The leaders of the United States, Mexico and Canada signed a huge regional trade deal to replace the old NAFTA, denounced by President Donald Trump as a killer of US jobs. "This is a model agreement that changes the trade landscape forever," Trump said at the signing ceremony in Buenos Aires, on the sidelines of a G20 leaders' summit. Trump said negotiating the deal known in Washington as the US-Mexico-Canada Agreement, or USMCA, had seen the leaders take "a lot of barbs and a little abuse." But he insisted that the "incredible milestone" would aid US workers, especially in the auto industry, while putting in place "intellectual property protection that will be the envy of nations all around the world." Canadian Prime Minister Justin Trudeau was less effusive about the renegotiated pact, but said the USMCA would resolve the threat of "serious economic uncertainty" that "would have gotten more damaging." While praising the "historic" nature of the deal, Trudeau also told Trump that the progress gave "all the more reason why we need to keep working to remove the tariffs on steel and aluminium between our countries." Mexican President Pena Nieto, on his last day in office, called the revamped version of NAFTA important in shoring up "the view of an integrated North America with the firm belief that together we are stronger and more competitive."



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## Egyptian Tax Change Could Spur Banks to Step Up Private Lending

A proposed change to the way Egypt taxes bank profits could encourage lenders to boost credit to the private sector and push up yields on Treasury debt, raising its appeal among foreign investors, economic analysts say. The cabinet last week gave preliminary approval to a proposed amendment to the way bank taxes are calculated by scrapping a provision that lets local banks deduct taxes already paid on treasuries from their bottom-line income tax.

## Qatar to Quit OPEC in January 2019: Energy Minister

Qatar is to leave Opec next month in order for the Gulf state to focus on gas production, the country's new Energy Minister Saad al-Kaabi announced in a surprise move recently. Qatar has been a member of OPEC since 1961, and the decision to pull out comes at a turbulent time in Gulf politics, with Doha under a boycott by former neighbouring allies including Saudi Arabia for 18 months. "Qatar has decided to withdraw its membership from OPEC effective January 2019 and this decision was communicated to OPEC this morning," Kaabi said at a Doha press conference. Kaabi, who also heads state-owned Qatar Petroleum, denied the move was linked to the feud with Saudi Arabia and its allies. The decision was "technical and strategic" and had "nothing to do with the blockade," he said.

## SNIPPETS

### Emerging Momentum

Between 2005 and 2016, emerging-market firms generated 40pc of all global revenue and net income growth among large public companies.

### What a Customer Wants

PwC, also known as PricewaterhouseCoopers, found that just 38pc of American customers believe that company employees have an understanding of what consumers want.

## MANAGEMENT & INFOTECH CORNER

### Climate Action

The World Bank recently unveiled \$200 billion in climate action investment for 2021-25, adding this amounts to a doubling of its current five-year funding. The World Bank said the move, coinciding with a UN climate summit meeting of some 200 nations in Poland, represented a "significantly ramped up ambition" to tackle climate change, "sending an important signal to the wider global community to do the same. "Developed countries are committed to lifting combined annual public and private spending to \$100 billion in developing countries by 2020 to fight the impact of climate change — up from 48.5 bn in 2016 and 56.7 bn last year, according to latest OECD data.

### Microsoft Surpasses Apple as a Valuable Public Company

Microsoft's big bet on cloud computing is paying off as the company has surpassed Apple as the world's most valuable publicly traded company. The software maker's prospects looked bleak just a few years ago, as licences for the company's Windows system fell with a sharp drop in sales of personal computers. But under CEO Satya Nadella, Microsoft has found stability by focusing on software and services over the internet, or the cloud, with long-term business contracts. That 1990s personal-computing powerhouse is now having a renaissance moment, as it eclipses Facebook, Google, Amazon and the other tech darlings of the late decade. (*Cloud Computing is the practice of using a network of remote servers hosted on the Internet to store, manage, and process data, rather than a local server or a personal computer.*)

### New Entrants Object to Pak Suzuki's Demand

Chinese, Korean and French car makers have strongly opposed the move by Pak Suzuki Motor Company Ltd (PSMCL) seeking same benefits/incentives that are marked for new players under the Auto Policy 2016-21. According to the new policy, existing players receive benefits for three years from the start of production of new models



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while new entrants are entitled to avail the same incentives for five years. The demand by Pak Suzuki created quite a debate at the Auto Industry Development Committee (AIDC) meeting held in Islamabad recently when all existing and new automakers received a copy of the two-page PSMCL letter which had been sent to the Prime Minister Imran Khan a day earlier. In the letter, Pak Suzuki maintained that 'if greenfield investment and incentives are given to Pak Suzuki for three years, then the company will invest in setting up state-of-the-art green field plant and introduce new and advance models'.

*(Note: Greenfield investment means the installation of new and independent automotive assembly and manufacturing facilities by an investor for the production of vehicles of a make not already being assembled/manufactured in Pakistan).*

## **If Your Electric Car Manufacturer Knows Where You Are, China May Too**

Tesla constantly sends information about the precise location of its car users to the Chinese government. Tesla is not alone. China has called upon all electric vehicle manufacturers in China to make the same kind of reports potentially adding to the rich kit of surveillance tools available to the Chinese government as it steps up the use of technology to track Chinese citizens. More than 200 manufacturers, including Tesla, Volkswagen, BMW, Daimler, Ford, General Motors, Nissan, Mitsubishi, and US-listed electric vehicle start-up NIO, transmit position information and dozens of other data points to government-backed monitoring centers. Generally, it happens without car owners' knowledge.

## **Your B Players Deserve Your Attention, Too**

Every manager would love to have a team of A players, but that is probably not realistic. You are almost always going to have a mix of performers on your team, so make sure you are not ignoring your B players. These employees can be selfless, dedicated employees who fill important roles, but often they do not get the attention they deserve. Make

sure you are giving them enough support and guidance by learning about their concerns, preferences and work styles. It is a good idea to occasionally reassess their job fit to make sure they are in roles that draw on their strengths. And do not overlook someone's talents just because the person is quiet or reserved, or because they do not fit your idea of what a leader should act like. Some B players are not comfortable in the spotlight but thrive when they are encouraged to complete a project or to contribute for the good of the company. When they have the motivation and the encouragement they need, B players can turn in an A+ performance.

*(Adapted from *How to Retain and Engage Your B Players*, by Liz Kislik-HBR.)*

## **CEOs: Do You Know What You Will Do After You Retire?**

When senior executives retire, there is no shortage of activities to occupy them — serving on boards, mentoring others, being with family. In fact, deciding what to do with your time can be a bit overwhelming. To ease the transition into retirement, think through your priorities: Where do you want to focus your time and effort when it comes to business, philanthropy and family? That way, when opportunities come up, you can assess how they fit your goals. Write down the number of hours per day, and days per year, that you want to work. (Budget a little extra, since having a portfolio of activities can lead to unexpected time requirements.) Be sure to allot time for family and your hobbies so that they do not get crowded out by work commitments. And do not be afraid to say "no," or at least "maybe," to new opportunities. Take it slow, and see what other offers come your way before committing.

*(Adapted from *The CEO's Guide to Retirement*, by Marc A. Feigen and Ron Williams-HBR.)*

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