



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan\*

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Volume 13, Issue No. 51 | Date: December 21, 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 December 7, 2018, deposits of all scheduled banks stood at Rs. 12,860 bn, lower by 1.67pc, over the preceding week's figure of Rs. 13,079.179 bn.

#### Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 7,734.373 bn, lower by 0.19pc over the preceding week's figure of Rs. 7,749.578 bn.

#### Investments Brief

Investments of all scheduled banks stood at Rs. 7,446.309 bn against preceding week's figure of Rs. 5,459.196 bn, higher by 36.39pc.

#### Assets Notebook

Total Assets of all scheduled banks amounted to Rs. 17,933.899 bn against previous week's figure of Rs. 17,100.573 bn, higher by 36.39pc

### Blueprint for Boosting Economy Submitted to IMF

Pakistan has formally submitted to the International Monetary Fund (IMF) its Memorandum of Economic and Financial Policies (MEFP) envisaging macroeconomic stabilization, graduating into growth strategy over the next three years. This was also confirmed by Finance Minister Asad Umar when approached. Sources said the government under the MEFP plans a fiscal adjustment of about 2.5pc of GDP in three years — almost the same as the last Fund program ending September 2016 — to bring down fiscal deficit to about 4pc at the end of 36-month program.

### Tax Filers Number Increases to 1.4 mn

The number of tax returns filers has surged up to 1.4 mn compared to 1.1 mn last year as the last date for filing the returns ends on December 17, 2018. This was stated by Minister of State for Revenue while speaking at a news conference at DGPR office recently. The minister said the government had launched operation against some 3,500 non-filers and collected data of 20,000 more people who had purchased vehicles worth over Rs. 10 mn or property worth over Rs. 20 mn in a year.

### Islamic Banking Profits Jump 27pc

Profits of the Islamic banking industry surged by 27.7pc to Rs. 23 bn in 3QCY18, from Rs. 18 bn in same quarter last year, reported State Bank of Pakistan's Islamic Banking Bulletin issued this month. According to the bulletin, liquid assets to total

### MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)		
	Bid%	offer%
STARTING	10.41	10.66
ENDING	10.47	10.72
CHANGE	+0.06	+0.06

FOREIGN EXCHANGE RATES			
	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 175.00	PKR 157.50	PKR 139.50
ENDING	PKR 177.00	PKR 159.50	PKR 139.80
CHANGE	+2	+2	+0.3

PAKISTAN STOCK EXCHANGE	
100 Index	
STARTING	38,585
ENDING	38,251
CHANGE	-334

GOLD RATE	
(10 gm)	
STARTING	PKR 56,413
ENDING	PKR 58,300
CHANGE	+1887

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assets and liquid assets to total deposits ratios of the industry stood at 22.8pc and 27.9pc, respectively. Meanwhile, asset quality indicators like non-performing finances (NPFs) to financing (gross) and net NPFs to net-financing were recorded at 2.7pc and 0.5pc, respectively better than the overall banking averages. Similarly, return on asset and return on equity (before tax) were recorded at 1.3pc and 20.2pc, respectively.

## How Sugary Are We

- Six out of 38 sugar mills commenced crushing by Dec 11 as they said the price of Rs. 182 per 40 kgs notified by the Sindh government was not viable.
- The sugar cane crop takes around 18 months to mature. It grows on around 320,000 hectares in the province, mostly in the lower Sindh region.
- In the recent past, the sugar industry has flourished in upper Sindh as well, in Ghotki district alone, five sugar mills are operational.
- There used to be 32 sugar mills in Sindh about eight to nine years back, but their number has increased to 38 now.
- Not only the number of mills has increased in Sindh, but also the per-day crushing capacity of several units has increased to 10,000 — 12,000 tonnes from 4,000 — 5,000 tonnes over the last 10 years.
- Given such growth in the sugar industry — primarily supported by banks' financing — one can safely assume that the sugar business remains largely lucrative, besides sugar cane, the crop produces a number of by-products, some mills also produce electricity by burning bagasse.
- Economists assert that the sugar sector is structurally inefficient as it is quasi monopsony, which refers to a market structure in which a single buyer substantially controls the market as the major purchaser of goods and services offered by many would-be sellers.

- Accordingly, 38 men decide at which price they will buy sugar cane from farmers.
- They believe that it is better for Pakistan to start importing sugar, being water-intensive, sugar cane is not Pakistan's crop, it should be imported, which will be cost effective, further sugar cane production is unviable for Sindh.
- We are producing around 0.6-0.7 mn tonnes over and above consumption needs.

## ECC Orders Imported Urea Supply to Farmers

The Economic Coordination Committee (ECC) of the Cabinet recently ordered immediate transportation of imported urea into the market. The directives were issued when the meeting of the ECC, presided over by Finance Minister Asad Umar, was informed about the arrival of imported shipments. The government had ordered about 100,000 tonnes of urea in September to beef up supplies in the market in view of some domestic shortages.

## Import Substitution

Planning and Development Minister recently that imports from China have reached \$18 bn and the country needs to adopt import substitution policies for which government is devising policy packages. Addressing the annual meeting of the Pakistan Society of Development Economists, he said China-Pakistan Economic Corridor (CPEC) is an opportunity for growth and prosperity to both countries.

## SNIPPETS

### Early Adopters of Change

Research published by Willis Towers Watson found that companies with established strategies for dealing with change management are three and a half times more likely to outperform their peers.

### Next Step

MIT Sloan Technology Review reports that 60pc of companies do not have short-term goals in place for new employees.



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## INTERNATIONAL ARENA

### Qatar To Invest \$20bn In US Energy Sector

Energy-rich Qatar, under blockade by its Gulf neighbors, said recently it plans to invest more than \$20 bn in the US energy sector over the next five years. Saad al-Kaabi, minister of state for energy affairs and CEO of Qatar Petroleum, told a conference in Doha that Qatar is looking to invest in US oil and gas sectors as well as unconventional resources. "More than \$20 bn will be invested over the next five years in the United States in different projects," Kaabi told the Doha Forum. He said Qatar's main target was to revive the multi-billion dollar Golden Pass LNG terminal in Texas. Qatar Petroleum owns 70pc of the project, with ExxonMobil and ConocoPhillips splitting the rest.

### Oil Shift of Power

An interesting phenomenon is banging on the global energy horizon. The energy world is no longer unipolar. Saudi Arabia, often regarded as the main player in this market, is in controls of hardly 12.7pc of the total global crude consumption. It is no more wielding near-unilateral control over global oil markets it once enjoyed. The energy world is now tripolar. Russia has been a part of the global crude balance for some time now. Over the last few years, the United States too gate-crashed into the exclusive club with equal, if not higher, stakes. "The oil market today is dominated by the Big Three", the Paris based International Energy Agency (IEA), underlined in a recent report, referring to Russia, Saudi Arabia and the US. Combined these three countries control 40pc of global supplies.

### Storm Clouds Gathering for Next Global Crisis

The International Monetary Fund (IMF) warned recently that the storm clouds of the next global financial crisis were gathering but the world financial system was not ready to deal with it. David Lipton, the fund's first deputy managing director, also warned that recent capital outflows had further exposed vulnerabilities in emerging markets, which could be hit harder by the next global crisis. "As we have put it, 'fix the roof while the sun shines.' But like many of you, I see storm clouds building, and fear the work on crisis

prevention is incomplete," said Mr Lipton while addressing the Bloomberg Global Regulatory Forum, London. In his speech, released to the media by his office in Washington, Lipton also urged those emerging economies who had not shored up their defences against shocks to act now.

### EU's BREXIT Message to May: Clarify, Reassure, But Not Renegotiate

'Clarify?' Yes. 'Reassure?' Sure. 'Renegotiate?' No. The European Union reacted in union to news that British Prime Minister was coming to demand changes to the BREXIT deal the sides agreed just two weeks ago after 18 months of painstaking talks. "There is no room whatsoever for renegotiation," said Jean-Claude Juncker, the head of the EU's executive Commission. "But of course there is room enough to give further clarifications and further interpretations without opening the withdrawal agreement." EU sources said the bloc was examining the issues raised by the British legal advice to see if they could be addressed, although it was too early to say whether this approach would lead anywhere.

### World's Debt Exceeds \$86,000 Per Person: IMF

The International Monetary Fund (IMF) pointed out that global debt has reached an all-time high of \$184 trillion, in a recent updation of its Global Debt Database. The data showed that on an average, the world's debt now exceeds \$86,000 per person — more than two and half times the average income per-capita. The updated figure equals 225pc of the global GDP in 2017. "The top three borrowers in the world (United States, China, and Japan) account for more than half of global debt, exceeding their share of global output," said an IMF statement released with the data.

### JP Morgan Opens Branches in Washington DC

JP Morgan Chase & Co has made a splash this year in Washington, D.C. opening branches for the first time in the nation's capital. Smaller branches, ATM kiosks and mobile phone apps are allowing the bank to go into markets more quickly and for less money now than five years ago, JP Morgan executives said. Banks can venture out now because they have cleaned up regulatory problems since



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the 2007-2009 financial crisis. President's tax cut left them with cash to invest. Washington is a prime battle ground, and JPMorgan considers the region the third biggest in the country by population and gross domestic product. No bank dominates. The top three hold between 14pc and 17pc of deposits in the region, compared with Chase's 32pc share in the New York City area.

## US Takes Fire at WTO Trade Policy Forum

Major economic powers took aim at the United States recently at a World Trade Organization forum, where Washington was accused of abandoning its leadership role for the sake of self-interest. Every WTO member faces a trade policy review, but the latest US audit turned especially hostile, with nations blasting a raft of tariffs and other measures implemented by Trump's administration. Speaking first after a US presentation, Chinese Ambassador Zhang Xiangchen said the US was not honoring its obligations as the world's largest economy. "A top dog should act like a top dog. It cannot only see a narrow spectrum of its own self-interest, and it certainly should not do whatever it wishes at the sacrifice of others," Zhang said, according to quotes distributed from the closed-door meeting by a Geneva trade official. The 164-member WTO has been one of many fronts where the US-China trade war has played out.

## MANAGEMENT & INFOTECH CORNER

### Managerial Tips

#### No Matter How Busy You Are, You Can Be an Attentive Mentor

Being a good mentor takes time. How can you make sure your schedule full of meetings, speaking engagements and travel does not hinder your ability to be an attentive mentor? First, appreciate that some time is better than none. If 60-minute meetings are not possible, try to set

aside 30 or even 15 minutes. These smaller windows will force your mentee (and you) to get to the point. And face-to-face meetings are not your only option: text messaging, email, video conferencing and phone calls can all help you connect with your mentee. Most important, be fully present and engaged during mentoring sessions. Whether you are meeting in person, over Skype or even having a text conversation, demonstrate to your mentee that for the next few minutes, they are all that matters. If you start to get distracted by other tasks or your next meeting, refocus your attention and remind yourself: Be here, now. (Adapted from *How Doctors Can Be Better Mentors* by Sanjay Saint, MD and Vineet Chopra, MD-HBR.)

#### Surround Yourself With People Who Will Push You To Grow

When it comes to planning our careers, we carefully choose our companies and jobs. But rarely are we deliberate about selecting the advisers and confidantes who help us succeed. Cultivate a support group for your career by thinking about whose advice and expertise you wish you had on speed dial. Consider who you feel inspired by, whether they are colleagues, senior leaders or peers in your field. Seek these individuals out, and be candid about why you admire them and why you want to connect. Focus on building a relationship that will benefit both of you. As you get to know each other, do not be afraid to explore big life questions: What do you want to do with your life? What motivates you? What are you doing that you really do not like to do? Work together to become better versions of yourselves. (Adapted from *The Key to Career Growth: Surround Yourself With People Who Will Push You*, by Claudio Fernández-Aráoz-HBR.)

SNIPPET

#### Essential Excel

In a recent survey, experts found that employees spend more than 10pc of their time in the office working on spreadsheets.

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

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