



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 13, Issue No. 52 | Date: December 28, 2018

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

— WE WISH THE READERS OF OUR NEWSLETTER A JOYOUS AND BLISSFUL NEW YEAR —

PAKISTAN COMPENDIUM

BANKING SCENARIO

Deposits Folder

According to the weekly statement of position of all scheduled banks for the week ended December 14, 2018, deposits of all scheduled banks stood at Rs. 12,970.177 bn, higher by 0.85pc, over the preceding week's figure of Rs. 12,860.540 bn.

Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 7,781.681 bn, higher by 0.61pc over the preceding week's figure of Rs. 7,734.373 bn.

Investments Brief

Investments of all scheduled banks stood at Rs. 7,507.111 bn against preceding week's figure of Rs. 7,446.309 bn, higher by 0.81pc.

Assets Notebook

Total Assets of all scheduled banks amounted to Rs. 18,124.802 bn against previous week's figure of Rs. 17,933.899 bn, higher by 1.06pc

UAE Pledges \$ 3 bn to Support Pakistan

The United Arab Emirates has announced its intention to deposit US\$3 bn (equivalent to AED11 bn) in the State Bank of Pakistan "to support the financial and monetary policy of the country". The Abu Dhabi Fund for Development said that it will deposit the said amount in the coming days to enhance liquidity and monetary reserves of foreign currency at the bank. The country's support for Pakistan's fiscal policy is based on the historical ties between the two friendly countries and the desire to further develop the bilateral cooperation in all fields.

Major Crops Need More Attention

The federal government has recently unveiled an agriculture promotion package of Rs. 82 bn. This is part of an overall Rs. 200 bn agriculture development plan that the federal and provincial governments will be implementing in the next 3 years. Part of the plan aims at boosting yields of the major crops, minimizing their post-harvest and storage losses and exploiting their full potential for exports and local needs. Pakistan produces five major crops: cotton, sugar cane, wheat, rice and maize. In the past 10 years, lots of development plans focused on boosting their per-hectare yields, but the results are not very encouraging. The yield of cotton, for example, has increased from an estimated 641 kilograms per hectare in 2008 to 726 kg per hectare in 2018 — a rise of just 13pc over 10 years, according to recent statistics.

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	10.47	10.72
ENDING	10.54	10.79
CHANGE	+0.07	+0.07

FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 177.00	PKR 159.50	PKR 139.80
ENDING	PKR 175.00	PKR 157.30	PKR 138.70
CHANGE	-2	-2.2	-1.1

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	38,251
ENDING	37,167
CHANGE	-1084

GOLD RATE

	(10 gm)
STARTING	PKR 58,300
ENDING	PKR 57,442
CHANGE	-858

* An ISO 9001 : 2015 Certified Company



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Conventional Banks Lending Rises

Conventional banks lending to the private sector has gone up by 400pc in slightly over five months (July 1-Dec 7) of the current fiscal, according to the latest report of the State Bank of Pakistan. The lending by conventional banks was much bigger at Rs. 268.5 bn this year compared to Rs. 65 bn in the same period of last fiscal year. Islamic Banks doled out Rs. 6.2 bn in the first 5 months of the previous fiscal year which increased by 8 times to Rs. 48.5 bn in the same period this year. The lending of banks was more despite higher interest during the current fiscal year.

Traders Blame Lack of Awareness for Slow Response to Yuan-based Settlement

Despite clear instructions from the State Bank of Pakistan (SBP) to promote the use of Yuan, the share of Chinese currency for importing finished goods as well as raw material has remained negligible. Traders blamed the commercial banks for not spreading enough awareness in the business community regarding the use of Yuan for trade. "Our members do not import goods in Yuan and I think the root-cause for this is the lack of awareness among traders," said Chairman Pakistan Tyres Importers and Dealers Association Ashraf Dharani.

Water Shortage Hits Cotton Production

Cotton production has fallen 6.77 pc to 9.962 mn bales during the current season up to Dec 15, due to water shortages and rise in input costs. This year's shortfall would mark the fourth consecutive year of production declines. The cotton production data for last fortnight (Dec 1-15) paint a gloomy picture for both of the leading cotton producing provinces. Production in the country's largest cotton producing province, Punjab, suffered a 9.64pc decline after production fell to 5.918 mn bales against the 6.55 mn produced during the same period last year. On the other hand, cotton production in Sindh also fell short of the targets but performed relatively better than Punjab. As of December 15, Sindh's production has reached 4.04 mn, down 2.22pc from 4.136 mn produced during the same period last year.

The Large-Scale Manufacturing Position

The large-scale manufacturing (LSM) sector rose by 0.95pc during October, suggested the Pakistan Bureau of Statistics

data. During the first four months of this fiscal year, the big industry production declined by 0.65pc led by pharmaceuticals, coke and petroleum products, iron and steel products and electronics. On the other hand, it increased in non-metallic mineral products, fertilizers, engineering products and paper and board. LSM's growth in October came on the back of 132.8pc surge in production of electronics, iron and steel products going up by 36.75 pc, automobiles 26.38pc, petroleum products 21.64 pc, non-metallic mineral products 15.47pc, paper and board 11.24pc, rubber products 9.26pc, pharmaceuticals 7.03pc, food and beverages 3.13pc, and textile 0.65pc.

Companies Awarded for Mitigating Gender Gap

International Finance Corporation (IFC), World Bank Group, and the Pakistan Business Council (PBC) hosted an awards conference recently, recognizing businesses that have reduced gender gap in the workforce. The event marks a yearlong IFC-PBC partnership to boost women employment. The IFC/PBC Employer of Choice for Gender Balance Awards were bagged by Telenor Pakistan which won the Gold Award, whilst Serena Hotels, was awarded the Silver Award and Habib Bank Ltd the Bronze Award.

New Industrial Policy on the Cards

Amid focus on austerity measures to achieve revenue and fiscal deficit targets, the government announced recently that a comprehensive industrial policy is on the cards which will create an enabling environment for broad-based industrialization and encourage innovation in a wide range of sectors. It was not possible that textile sector alone can help Pakistan enhance its export proceeds to a reasonable good numbers. There was a great potential for exports of electronic appliances and motor vehicles. Despite this potential, Pakistan is not exporting from these two sectors. Pakistan has already started export of tractors to Mozambique and Zambia. The next target is motorcycles and electronic appliances exports from the country. Pakistan's current exports of cement are 5 mn tonnes and these will be enhanced to 20 mn tonnes by 2023. As regards the exports of manpower, the government was considering various proposals to facilitate exports of skilled labor to developed countries. It has been, however, noted that the country lacks skilled labor. The



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available quota of 100,000 labor exports to Qatar will be utilized completely.

British Airways to Resume Flights to Pakistan

British Airways will resume flights to Pakistan from June next year, announced the airline recently. "Direct flights from London Heathrow to Islamabad's new airport to start in June," said British High Commissioner Thomas Drew, "are a further boost to links between the UK and Pakistan, especially on trade and investment."

Shanghai Electric Renews KE Offer

A fresh Public Announcement of Intention (POI) from Shanghai Electric Power Company Ltd to acquire up to 66.4pc shares of K-Electric (KE) has been received, the utility announced at the PSX recently. Manager to the offer, Arif Habib Ltd in a separate notice concurred that it had submitted a fresh POI on behalf of Shanghai Electric Power Company, to acquire up to 18,335,542,678 shares (66.4pc) of KEL, subject to receipt of requisite regulatory and other approvals.

INTERNATIONAL ARENA

China Mulls Over New Foreign Investment Law

China's legislature is considering a new law governing foreign investment that will streamline existing rules and prevent the forced transfer of technology, state media reported recently. The new "unified law" will replace three existing laws on Chinese and foreign equity joint ventures, non-equity joint ventures and wholly foreign-owned enterprises, Xinhua news agency reported. A draft of the proposed legislation was presented at a meeting of the Standing Committee of the National People's Congress (NPC) which was held recently. When in place, the new law would bar local governments from restricting market access for foreign firms and from forcing them to transfer technology.

South Korea to Fine BMW \$10 mn Over Engine Fires Response

South Korea has said it will fine German automaker BMW 11.2 bn won (\$10 mn) for allegedly dragging its feet in recalling cars with faulty engines linked to dozens of engine fires. BMW vehicles, bursting into flames, made headlines in South Korea earlier this year, with local media reporting more than 40 cases in 2018 and some parking lots refusing to accept BMW cars over fears they could catch fire. The auto giant recalled more than 170,000 vehicles in South Korea with a faulty exhaust gas recirculation (EGR) cooler, which the firm blamed for the fires.

Federal Reserve is the 'Only Problem Our Economy Has': Trump

President Trump lashed out at the Federal Reserve after administration officials spent the weekend trying to assure the public and financial markets that Jerome Powell's job as Fed chairman was safe. The President has expressed frustration over the Fed's decision to raise its key short-term rate four times this year. Those moves are intended to prevent the economy from overheating at a time of brisk growth and an unemployment rate near a half-century low. At a news conference last week, Powell explained that the rate hikes were evidence of the economy's strength.

Asia's Richest Take Hit with \$137 bn in Losses

The world's fastest growing source of mega-wealth hit a speed bump this year. The 128 people in Asia with enough money to crack the 500-member Bloomberg Billionaires Index lost a combined \$137 bn in 2018, the first time wealth in the region has dropped since the ranking started in 2012. Global trade tensions and concerns that stock valuations are too frothy, hammered some of the area's biggest fortunes. China's tech sector was hit particularly hard, while India and South Korea were not spared. The declines occurred even as banks and money managers aggressively stepped up efforts to cater to Asia's richest. Asian equities retreated again recently, with benchmarks slipping in Japan, China and Australia.

Going it Alone: In a survey published by AARP The Magazine, 40pc of adults responded that they feel loneliness.



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MANAGEMENT & INFOTECH CORNER

Talk to Remote Colleagues About How You Will Work Together

Do you have a co-worker who is in a different office or location? When you work virtually with someone on a regular basis, it can be helpful to talk about how you will work together. Have a conversation about the best ways to communicate. For example, you might decide to email for simple matters but get on Skype when something complex requires you to share screens. Also, discuss what times of day are better to call or text, and whether there are particular days of the week you should avoid. If you collaborate on documents, establish a process to ensure you do not inadvertently delete updates or create conflicting versions. Consider using Dropbox, Google Docs or another service that monitors revisions. Establishing these kinds of ground rules early on demonstrates respect for each other's time and helps avoid the frustration that can come from mismatched expectations. (Adapted from *The Virtual Work Skills You Need — Even If You Never Work Remotely*, by Barbara Z. Larson and Erin E. Makarius-HBR.)

You Can Find Meaning Even in Tasks You Do Not Enjoy Doing

We all have parts of our jobs that are not fun. But even an unpleasant task can have meaning if you search for it. Try this exercise. Think about an activity that you do not always enjoy doing — delivering performance reviews, for example. Now ask yourself why you do it, but ask four times. The first time you ask “Why do I do this?” You might answer, “Because I have to” or “I want to let my people know where they stand.” Then ask a second time: “Why do I want to let my people know where they stand?” The answer here might not be inspiring: “Because it is part of my job.” But the answer might also start to sound more meaningful: “So that people can know how they can reach

their career goals.” Then ask a third time: “Why do I care if people know how to reach their career goals?” Continue for one more iteration. By the fourth round, you are likely to uncover a meaningful reason behind the activity — and a motivation for doing it well. (Adapted from *The Most Powerful Lesson My Cancer Taught Me About Life and Work*, by Dan Cable-HBR.)

When Talking to Customers, Be Confident and Show Your Expertise

Everyone wants their customers to be happy. And that requires using the right words, especially since more and more customer interactions take place through writing. Start the conversation by establishing a personal rapport. Show the customer that you are listening to their problem or complaint, and then shift to a take-charge attitude, using confident, assertive language. Research shows that customer satisfaction is higher when you avoid deferential words (‘afraid,’ ‘mistake’) and use dominant language instead (‘must,’ ‘confirm,’ ‘action’). In addition, customers will see you as more helpful if you use specific words. For example, a clothing retailer should talk about the ‘white turtleneck’ rather than the ‘shirt.’ And do not be afraid to explicitly endorse a product to the customer (“I suggest this comforter”); doing so implicitly, by sharing your personal preference (“I like this comforter”), can be less effective. An explicit endorsement signals both confidence and expertise. (Adapted from *The Words and Phrases to Use — and to Avoid — When Talking to Customers*, by Sarah Moore et al-HBR.)

SNIPPET

Pressure to Reform

According to World Bank estimates, Brazil's debt to gross domestic product ratio would increase to more than 150pc by 2030 if the country does not reform its current pension benefits.

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DONATE FOR THE SUPREME COURT OF PAKISTAN AND THE PRIME MINISTER OF PAKISTAN DIAMER-BHASHA AND MOHMAND DAMS FUND