



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

Page No. 01

Volume 14, Issue No. 03 | Date: January 18, 2019

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

PAKISTAN OVERVIEW

SBP Wins Award

The State Bank of Pakistan (SBP) has won the award for best central bank in the world for promoting Islamic finance in 2018, said a press release. The award was conferred by Islamic Finance News, an arm of the REDmoney Group, Malaysia in recognition of the SBP's initiatives to promote Islamic banking in the country.

Millat Tractors to Resume Production

Millat Tractors Ltd (MTL) informed the exchange recently that the company's plant will remain non-operational for another week and will resume production on Jan 21. MTL shut down its plant on Dec 10, 2018 due to its annual maintenance plan.

EcoPack Plans to Set Up Project Worth Rs. 160 mn

EcoPack Ltd plans to set up a project worth Rs.160 mn to produce and sell 'large size pet bottles', said the company release issued recently. According to the release, the project will be operational by the fourth quarter of the financial year 2018-19. The company specializes in production of pet bottles and pet reforms and its clients include Pepsi Co, Coca-Cola Pakistan, Qarshi Industries and Murree Brewery.

China to Import Potatoes

China plans to import potatoes from Pakistan, it will shortly send a delegation to Islamabad to finalize arrangements and fulfilling the requirements of sanitary and phytosanitary measures (SPS). It has been reported that Beijing wants to import more from Pakistan, especially food items such as cherries, potatoes, wheat, citrus, rice and mangoes. China wants to build stronger socio-economic ties with Pakistan on the basis of reciprocity. Pakistan's annual potato yield currently stands at around 4.2 mn tonnes as against domestic requirement is 3.75 mn tonnes leaving a sizable surplus. About 97pc of the vegetable is grown in Punjab. The fresh crop of potato, which hit the local market in early December 2018, will be ready for export by the end of January prior to the visit of Chinese delegation.

Remittances Soar 10pc in Six Months

Remittances from overseas Pakistanis rose by 10pc to \$10.718 bn during the first six months of this fiscal year as compared to \$9.744 bn in same period last year, reported the State Bank of Pakistan recently. Saudi Arabia remained the biggest source of inflows as Pakistani workers in the kingdom remitted \$2.567 bn during the first half of this fiscal year. The United Arab Emirates closely followed with inflows of \$2.292 bn, up 6.1pc, over \$2.16 bn in the same period last year. Remittances from Malaysia rose to \$735 mn as against \$501 mn in 1HFY19. The United States and the United Kingdom remained healthy contributors. Inflows from the US grew 29.3pc to \$1.655 bn while UK remittances were up 13.5pc to \$1.533 bn. during the period under review. Pakistan ranks fifth worldwide in amount of remittances received.

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

| KIBOR (6 MONTHS) | | |
|------------------|-------|--------|
| | Bid% | offer% |
| STARTING | 10.51 | 10.76 |
| ENDING | 10.51 | 10.76 |
| CHANGE | 0 | 0 |

| FOREIGN EXCHANGE RATES | | | |
|------------------------|------------|------------|------------|
| | GBP(£) | EURO(€) | USD(\$) |
| STARTING | PKR 176.20 | PKR 158.20 | PKR 138.60 |
| ENDING | PKR 178.10 | PKR 157.60 | PKR 138.60 |
| CHANGE | +1.9 | -0.6 | 0 |

| PAKISTAN STOCK EXCHANGE | |
|-------------------------|--------|
| 100 Index | |
| STARTING | 39,049 |
| ENDING | 39,306 |
| CHANGE | +257 |

| GOLD RATE | |
|-----------|------------|
| (10 gm) | |
| STARTING | PKR 58,128 |
| ENDING | PKR 57,613 |
| CHANGE | -515 |

* An ISO 9001 : 2015 Certified Company



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 02

Volume 14, Issue No. 03 | Date: January 18, 2019

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

SBP & Banks' Reserves

Reserves held by the State Bank of Pakistan amounted to \$7.05 bn during the week ended on Jan 4. Holdings of the commercial banks were recorded at \$6.55 bn while the total liquid reserves of the country amounted to \$13.597 bn.

Financial Action Task Force (FATF) Satisfied with Bid to Curb Money Laundering

The FATF is reported to have expressed a degree of satisfaction over Pakistan's efforts and action plan to combat money laundering and terror financing under international obligations and indicated certain areas to do more before May this year to get out of the grey list. A high-level delegation led by Finance Secretary is currently attending a three-day conference of the FATF in Sydney, Australia. The delegation comprises representatives of the State Bank of Pakistan (SBP), National Counter Terrorism Authority (NACTA), Federal Investigation Agency (FIA), Federal Board of Revenue (FBR) and Financial Monitoring Unit.

Master Motors to Assemble Iveco Trucks

Master Motor Corporation (MMC) will start assembling Iveco trucks in Pakistan this year, said the company's Chief Executive recently. He made the announcement while inaugurating the company's first facility and showroom in Sindh Industrial and Trading Estate Area. "We have imported eight Iveco trucks in the last 2-3 months but now we have decided to start its assembling from the middle of this year," he added. Iveco is the first Italian automotive brand to hit the Pakistani market. MMC plans to assemble 300 trucks in the first five years and will increase production after assessing market demand as the Italian truck is fit for long route in Central Asia and China.

Pakistan Seeks Greater Trade Cooperation

Pakistan is seeking technical assistance from Canada to improve Sanitary and Phyto-sanitary (SPS) measures and develop quality infrastructure as per international standards to increase rice and mango exports to the North American country. The Minister for National Food Security told the Canada's High Commissioner recently that both countries should specify mutual areas in research for long-term implications in existing and potential trade agreements. He

urged the envoy that Canada must consider and take steps to open its markets for Pakistani mangoes and rice which are of exceptional quality. Currently, Canada is importing these products from Mexico and Brazil. Bilateral trade could be accelerated through harmonization of SPS measures while highlighting the need for liaison between importers and exporters of agro-commodities. (Sanitary and phytosanitary (SPS) measures are to protect humans, animals and plants from diseases, pests, or contaminants).

SPOTLIGHT

- In the last five fiscal years (2013-2018), Pakistan's domestic saving growth rate averaged below 7.4pc. In each of these years, the government sector's saving growth remained negative.
- In 2017-18, more than half (Rs. 104 bn) of the total Rs. 203 bn fresh savings in National Savings Schemes were in prize bonds.
- In the first half of this fiscal year (between July 1 and Dec 28), banks' net fresh lending swelled 65pc to Rs. 504 bn from Rs. 305 bn in a year-ago period.
- The number of SMEs across Pakistan is estimated to be 3.2 mn. They employ 78pc of the country's labour force and account for 30pc of GDP and 25pc of the total manufactured goods exports.
- The existing microfinance market is worth Rs. 250 bn, with a loan portfolio comprising 97pc clean and 3pc gold-backed advances. MFBs have a network of 3,500 branches across the country that allows the industry to reach out to and serve a large majority of small enterprises.
- The State Bank of Pakistan's (SBP) latest report shows the credit to private sector by Islamic banks rose to Rs. 77.086 bn during July-December FY19, surging by 190pc, as against Rs. 26.56 bn in corresponding half of last year.



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 03

Volume 14, Issue No. 03 | Date: January 18, 2019

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

INTERNATIONAL VISTA

Britain Does Not Want its Empire Back

Britain is moving towards an exit from the European Union (EU) on March 29, possibly with no agreement, and thus courting, according to the Bank of England, an 8pc drop in GDP and a 7.5pc rise in unemployment. A dreary prospect attended by matching dreary commentaries on the stupidity of the 52pc of the British electorate that voted for BREXIT in 2016.

Saudi Arabia Announces Rise in Oil Reserves

Top oil exporter Saudi Arabia announced a slight rise in its crude oil reserves recently after they were independently audited, providing more detail about the size of deposits shrouded in secrecy for decades. Saudi Arabia's reserves of easily recoverable oil have long been the world's largest but few details were public. The Saudi Energy Ministry said in a statement carried by state that Saudi Arabia's proven oil and gas reserves stood at around 268.5 bn barrels of oil and 325.1 tr standard cubic feet of gas as of the end of 2017.

Ireland Raises 4 bn Euros Amid Largest Ever Bond Demand

Ireland kicked off its funding drive for 2019 by raising 4 bn Euros in a new 10-year bond sale after being swamped with bids for four times that amount, the country's debt agency said recently. Ireland has begun its annual fundraising with a syndicated sale every year since 2013 and was among the first Eurozone sovereigns out of the traps again in one of the busiest weeks of the year for issuance in the bloc.

Eyes Turn to China

Ten years after China helped stave off the threat of a global depression with a huge stimulus plan, investors are looking once again towards Beijing as the world economy heads for a slowdown, or worse, in 2019. Booming China has accounted for about a third of the growth in the global economy in recent years. So recent signs that it is losing momentum is unsettling when the US boom, turbo-charged by President's tax cuts of 2017, seems to have peaked and Europe's heavyweights are stalling. Policy

sources said in Beijing recently that the government is planning a lower economic growth target of 6-6.5pc for 2019 after an expected 6.6pc in 2018, which would be the slowest expansion since 1990.

South Asia's Trade Woes

South Asia's economic and geopolitical future would be far more secure if it were to become more integrated. According to analysis conducted by the World Bank, the region's trade potential currently hovers around \$67 bn, almost three times the current trade of about \$23 bn. China's annual GDP growth is expected to slow down to around 6pc compared to around 7pc in South Asia by 2020, which means the region will become a driver of global growth, and its trade potential will only increase in the coming years.

MANAGEMENT OUTLOOK

TIPS

You Love Without Saying Goodbye

Even when you love a job, sometimes you recognize that it is time to move on. Whatever your reason for leaving, do not give your two weeks' notice and rush out the door. Take the time to say goodbye to the people and spaces that have been important to you. When you do a certain task, attend the all-hands meeting, or even look out your favorite window for the last time, stop for a moment and acknowledge it. And be sure to have a proper farewell with the co-workers you value most. Remember that you are not saying goodbye forever; those connections will continue, and can even develop in new ways. Of course, it is OK to be sad about what you are losing, even as you celebrate what is coming next. Feeling sad might make you wonder if you are making a mistake. But maybe it just means that, for a period of time, you were lucky enough to have a job you really enjoyed.

(Adapted from *How to Leave a Job You Love*, by Gianpiero Petriglieri-HBR.)



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 04

Volume 14, Issue No. 03 | Date: January 18, 2019

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

The Solution to a Tough Problem is Not to Over-think it

We all like to consider ourselves smart, but raw intelligence is not everything. When we get stuck on a problem, sometimes it is because we are over thinking it. Pay attention to when focused thinking is not getting you anywhere; perhaps it has turned into obsessing over the same answers or approaches. Consider whether experimenting with a new strategy or talking ideas through with others might be more likely to result in success. Take breaks to let your brain relax and get unstuck. Expand your range of skills for reaching insights and coming up with new ideas; do not be someone who sees every problem as a nail because your only tool is a hammer. And when you do find yourself ruminating, disrupt it by doing a few minutes of an absorbing activity, such as a puzzle. This can be a surprisingly effective way to break your brain out of a rut.

(Adapted from *5 Ways Smart People Sabotage Their Success*, by Alice Boyes-HBR.)

Rolls-Royce Breaks Record

Rolls-Royce Motor Cars sold a record-high number of its luxury vehicles last year, with purchases soaring worldwide, the German-owned company announced recently. Run by BMW since 1998, the prestigious brand whose models include the Ghost and Phantom, sold 4,107 cars across more than 50 countries in 2018, the highest annual figure in Rolls-Royce's 115-year history. Sales jumped more than 22pc compared with 2017, when 3,362 Rolls-Royces were bought. [BMW stands for Bayerische Motoren Werke, or translated into English, Bavarian Motor Works-while 'Rolls-Royce' derives its name from its designers, Charles Stewart Rolls (1877-1910), English pioneer motorist and Frederick Henry Royce (1863-1933), English engineer, who founded the Rolls-Royce Company in 1906].

Part of American Lives

Mobile phones and other household goods make up the largest single category of US imports from China, accounting for \$70.4 bn in 2017, according to the US Census Bureau.

SNIPPETS

Class Matters

According to research from the US Department of Education, 61pc of college students enrolled in 2011-2012 came from households that did not have a parent with a bachelor's degree.

A Slice of the Pie

Apple retains 30pc of iTunes and App Store sales of apps made by outside developers.

The Onboarding Equation

Companies with standardized on-boarding for new employees see 50pc greater retention rates.

King e-commerce

Amazon.com garnered nearly 45pc of US retail e-commerce in 2017.

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