



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 14, Issue No. 01 | Date: January 04, 2019

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 OVERVIEW

BANKING SCENARIO

Deposits File

According to the weekly statement of position of all scheduled banks for the week ended December 21, 2018, deposits of all scheduled banks stood at Rs. 13,030.678 bn, higher by 0.46pc, over the preceding week's figure of Rs. 12,970.177 bn.

Credit folio

Gross advances of all scheduled banks stood at Rs. 7,809.637 bn, higher by 0.35pc over the preceding week's figure of Rs. 7,781.681 bn.

Investments Conspectus

Investments of all scheduled banks stood at Rs. 7,481.648 bn against preceding week's figure of Rs. 7,507.111 bn, less by 0.33pc.

Assets Diary

Total Assets of all scheduled banks amounted to Rs. 18,122.033 bn against previous week's figure of Rs. 18,124.802 bn, less by 0.01pc.

Happy Tidings for National Savings Customers

The new raised rates would be applicable to deposits and investments made with effect from January 1, 2019. The CDNS, working under the ministry of finance, increased the rate of Defence Saving Certificate (DSC) to 12.47pc from 10.03pc. Likewise, the returns on Behbood Saving Certificates, Pensioners' Benefit Account and Shuhadas' Family Welfare Account were jacked up to 14.28pc from 11.88pc. The return on Regular Income Certificates was increased to 12pc of total investment. The profit margin on Special Savings Certificates and Special Savings Accounts were also raised to 11.40pc from 8.60pc. Also, the return on savings certificates having 3-12 month tenure was also increased to 9.98pc from 8.48pc. Similarly, the Savings Account would now get 8.50pc instead of 7pc.

ECC Set to Okay Import of Azerbaijan Fuel on Credit

The government has called a meeting of the Economic Coordination Committee (ECC) of the Cabinet to approve an agreement with Azerbaijan for fuel supply on credit and consider measures to stop rising urea prices despite import of the commodity. Informed sources said that Azerbaijan had offered to supply petroleum products to the Pakistan State Oil (PSO) through the State Oil Company of Azerbaijan Republic (SOCAR) on credit under a long-term agreement. The two sides had entered into an inter-governmental agreement (IGA) in February 2017 for supply

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	10.54	10.79
ENDING	10.53	10.78
CHANGE	-0.01	-0.01

FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 175.00	PKR 157.30	PKR 138.70
ENDING	PKR 174.50	PKR 157.30	PKR 138.80
CHANGE	-0.5	0	+0.1

PAKISTAN STOCK EXCHANGE

100 Index

STARTING	37,167
ENDING	37,547
CHANGE	+380

GOLD RATE

(10 gm)

STARTING	PKR 57,442
ENDING	PKR 58,128
CHANGE	+686

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of a number of oil and gas products, including furnace oil, petrol, diesel and liquefied natural gas (LNG). The PSO and SOCAR are now expected to formally sign a commercial agreement for supply of motor gasoline (petrol) against a 4-6 month credit facility of \$100-150 mn.

Pakistan Must Be Made Part of Production Chain

Foreign Minister Shah Mehmood Qureshi has said that economic diplomacy is the need of the hour and called for concerted efforts to make Pakistan part of the global production chain. In his address at the envoys' conference on economic diplomacy, he said the world over only those economies had prospered that had innovated, melding ideas, knowledge, skills and resources to produce quality, cost-effective and value-added products that captured markets. "If Pakistan is to develop on a sustainable basis; if Pakistan is to break the begging bowl once and for all; if we are to become an integral part of the global value chain, then we must better leverage our diplomatic machinery and harness our regional and global linkages, in pursuit of national development agenda," he said.

Revenue Collection Posts 2pc Growth

Revenue collection for the first half of current fiscal year is estimated to have shown less than 2pc growth, leaving a shortfall of more than Rs.170 bn against the target. A senior official at the Federal Board of Revenue (FBR) said the field formations had reported about Rs. 1.784 tr collections by Monday night against the half-yearly target of Rs. 1.96 tr, leaving a gap of almost Rs.175 bn.

Data Belies Auto Vendors Claim of Recession

Vendors from the auto sector are claiming a 'recession' in their sector, which they claim has lost over 12,000 jobs in the last three months, with another 50,000 jobs on the line. But the data for production and sales of automobiles and motorbikes released by Pakistan Automotive Manufacturers Association (PAMA) covering the last five months paints an altogether different picture. Auto vendors are claiming that car production has gone down by 35pc and 30pc drop in two-wheelers. But data released by auto assemblers' shows production of Honda, Toyota and Suzuki cars, the three auto assemblers in Pakistan, has surged to 100,262 in the first five months of the fiscal year, from 91,189 units in the same period last year. Likewise, production

of bikes (Honda, Suzuki, Yamaha and United Auto Motorcycle) soared to 665,531 units in the same five months of the fiscal year; up from 635,502 in same period last fiscal.

Azad Jammu and Kashmir Likely to Get Rs. 12 bn Annually as Net Hydel Power Profit

The federal government has decided to treat Azad Jammu and Kashmir on a par with Punjab and Khyber Pakhtunkhwa in terms of net hydel power profit and according to rough estimates, AJK is expected to get about Rs. 12 bn per annum. Currently, AJK gets merely 15 paise per unit as water usage charges from Mangla dam; KP and Punjab get net hydel profit of Rs. 1.10 per unit from Tarbela dam and Ghazi Barotha hydel power project, respectively. The payment of profit from net hydel power to AJK may further increase when the Neelum-Jhelum power project is included.

Cabinet Approves Plan to Float Yuan-Denominated 'Panda Bonds'

The federal cabinet approved a strategy to issue 'Panda bonds' in the Chinese market to raise foreign exchange from global markets, though the size of the issue has not been released at the moment. The bonds will be denominated in Chinese Yuan. The cabinet meeting headed by Prime Minister approved the strategy recently. The spokesperson to Finance Ministry said that the Panda bond has been finalized "after several rounds of discussions with Chinese banks, investment groups, regulatory authorities in China and stock exchange and traditional financial advisers."

Exports Crippled By Paucity of Funds

The government's failure to payback outstanding payments against duty drawback on taxes (DDT) and drawback on local taxes and levies (DLTL) schemes has hindered country's exports during the last 10 years. Exporter claimed that the approximate outstanding amount against these schemes launched by the previous governments since 2009 has accumulated to Rs. 72 bn. Beside the DDT and DLTL amounts, a mammoth amount of around Rs. 300 bn under the sales tax, customs rebate and withholding tax is also outstanding for a long period of time, according to Pakistan Apparel Forum.



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INTERNATIONAL VISTA

Britain Can 'Turn A Corner' in 2019

Prime Minister Theresa May said in her New Year's address that Britain can turn a corner in 2019 and move forward with optimism — if parliament backs her BREXIT deal. "New Year is a time to look ahead and in 2019 the UK will start a new chapter," May said, as Britain prepares to leave the European Union on March 29. "The BREXIT deal I have negotiated delivers on the vote of the British people and in the next few weeks MPs will have an important decision to make. If parliament backs a deal, Britain can turn a corner. Most British lawmakers do not back the deal May reached with the European Union. They are due to debate the UK-EU withdrawal agreement on next week, before voting the following week.

India Exempts Rupee Payments for Iran Oil From Hefty Taxes

India's finance ministry has exempted rupee payments made to the National Iranian Oil Co (NIOC) for crude oil imports from a steep withholding tax, according to a government order announced recently. The exemption, put in place on Dec 28 but backdated to Nov 5, will allow Indian refiners to settle about \$1.5 bn of outstanding payments to NIOC. Those have been building up since Tehran was put under stringent US sanctions in early November.

Emerging Nations Will Take Longer to Outpace Developed Economies: CEBR

In the race to outpace developed economies, emerging countries such as China, India and Brazil suffered a setback this year and will outgrow them later than previously expected, the Centre for Economics and Business Research (CEBR) said. The CEBR consultancy's 2019 World Economic League Table was more downbeat on the global economy than last year's outlook. China is likely to overtake the United States as the world's No. 1 economy in 2032, two years later than previously expected, due to a more lax monetary policy and lower exchange rate, the CEBR said. It expects Brazil to overtake Italy in 2020, not 2018. India would overtake Britain and France, probably in 2019, but

possibly 2020, rather than in 2018 as it predicted a year ago. Britain would likely lose its place as then the sixth biggest economy to France next year due to BREXIT-related disruption, but should regain that position by 2023. The CEBR also projected Ireland to be among the fastest growing economies in the eurozone next year, but said BREXIT posed a big downside risk to that forecast.

No Increase in Dubai Public Spending

Dubai expects to almost halt the growth of state spending this year as revenues expand more slowly because of the emirate's efforts to stimulate business investment, according to the 2019 state budget released recently. State spending will total 56.8 bn dirhams (\$15.5 bn), the plan showed. That would be only a marginal increase from last year's original budget plan of 56.6 bn dirhams, which was a 19.5pc rise from 2017. Last year, budgeted infrastructure spending shot up by close to 50pc, to 11.9 bn dirhams, as Dubai made preparations to host the Expo 2020 world's fair.

Trump Touts 'Big Progress' After Phone Call With Xi on Trade

US President Donald Trump recently touted "big progress" on trade following a phone call with his Chinese counterpart, after the tariff war between the world's two biggest economies helped rattle markets. "Deal is moving along very well. If made, it will be very comprehensive, covering all subjects, areas and points of dispute. Big progress being made!" Washington and Beijing imposed tit-for-tat tariffs on more than \$300 bn worth of goods in total two-way trade earlier this year, locking them in a conflict that has begun to eat into profits and contributed to stock market plunges. The US-China trade war has been among factors pressuring US and global markets in December, alongside worries over slowing growth, a partial US government shutdown, higher US Federal Reserve interest rates and Trump's attacks on the central bank.

Saudi GDP Growth Speeds Up

Saudi Arabia's economy grew in the third quarter at its fastest rate since early 2016, boosted by expansion of the oil sector while non-oil growth stayed sluggish, statistics agency data showed recently. Gross domestic product grew



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2.5pc from a year earlier. That was an acceleration from the second quarter, when GDP rose 1.6pc, and the fastest since the first quarter of 2016, when the same rate was registered. The Saudi economy has been hit hard in recent years by low oil prices and state austerity measures to curb a huge budget deficit. In 2017, it shrank for the first time since the global financial crisis.

Singapore's Economy Grew 3.3pc in 2018

Singapore's economy grew 3.3pc in 2018 but major global economic uncertainties lie ahead including trade tension between the United States and China and nervous financial markets, Prime Minister Lee said recently. The government has forecast GDP growth for 2018 to come in at between 3.0pc and 3.5pc versus a three-year high of 3.6pc the previous year. Lee reiterated the government's forecast for GDP growth in 2019 to be between 1.5pc and 3.5pc. Some economists said that while the trade-reliant economy's growth is expected to slow in 2019, it may still expand at a sufficiently robust pace.

London's Gatwick Airport Sold to Vinci

French conglomerate Vinci announced recently that it had bought control of Gatwick airport, Britain's second-busiest, for nearly 3 bn Pounds only months before BREXIT. Vinci said it will own a 50.01pc stake in Gatwick thanks to the deal worth 2.9 bn (\$3.7 bn, 3.2 bn euros) by the end of June. Gatwick made headlines when it closed its runway repeatedly due to reports of mystery drone sightings nearby, impacting nearly 140,000 passengers. The French purchase of Gatwick, which is Europe's eight-biggest airport and runs the busiest single runway in the world, comes ahead of Britain's departure from the European Union on March 29.

China Tells Online Financial Info Providers to Keep 'Economic Order'

China's cyber watchdog recently issued new regulations for domestic financial information providers, in an apparent crackdown on online content deemed detrimental to the

country's financial stability as the economy slows. Financial information providers are not allowed to distort Chinese fiscal and monetary policies, disturb economic order or to harm the nation's interests, the Cyberspace Administration of China (CAC) said in a statement on its website. Service providers being targeted include those involved in financial analysis, financial trading and financial decision-making, but do not include foreign wire services, according to CAC.

MANAGEMENT OUTLOOK

Wells Fargo Agrees to a \$ 575 mn Settlement

Wells Fargo agreed to a \$575 mn nationwide settlement over its opening of millions of unauthorized customer accounts and other alleged predatory practices, the bank and US authorities announced recently. The agreement between the bank and attorneys general from the 50 states plus the District of Columbia covers a series of scandals that have dogged the big US bank since 2016, when it was fined \$185 mn by US regulators over its so-called fake accounts scandal.

NASA Plans to Send Hot Air Balloons to Detect Earthquakes on Venus

Since our neighboring planet Venus has a very hellish atmosphere, studying more about the planet's internal composition has been a bit difficult. But NASA has new plans to study the planet's seismic activities through hot air balloons. Space agency NASA is planning to study Venus' earthquakes and other internal activities with the help of hot air balloons embedded up special earthquake sensors. Earlier this month, NASA researchers set off a 50-ton chemical explosion 984 ft below the surface of the Mojave desert. This artificial earthquake let NASA to test their special earthquake sensors that hung below the helium-filled balloons that floated hundreds of meters above the desert.

Editor: Rafi Ahmed | **Deputy Editor:** Shahla Naqvi | **Designed by:** M. Jahangir Ishaq | **Email:** Publications@ibp.org.pk

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