



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan\*

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Volume 14, Issue No. 07 | Date: February 15, 2019

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

## PAKISTAN OVERVIEW

### Deposits File

According to the weekly statement of position of all scheduled banks for the week ended February 1, 2019, deposits of all scheduled banks stood at Rs. 13,172.769 bn, higher by 0.88pc, over the preceding week's figure of Rs. 13,057.570 bn.

### Credit folio

Gross advances of all scheduled banks stood at Rs. 7,880.886 bn, higher by 0.51pc over the preceding week's figure of Rs. 7,840.684 bn.

### Investments Conspectus

Investments of all scheduled banks stood at Rs. 5,234.579 bn against preceding week's figure of Rs. 5,223.417 bn, rise of 0.21pc.

### Assets Diary

Total Assets of all scheduled banks amounted to Rs. 17,121.040 bn against previous week's figure of Rs. 16,946.824 bn, rise by 1.03pc.

## Trade Deficit Shrinks By Over \$2 Bn in First Seven Months

Pakistan's trade deficit plunged by 9.66pc to \$19.26 bn during the first seven months of the current fiscal, as compared to the same period last year. Data released by the Pakistan Bureau of Statistics (PBS) recently showed the trade deficit contracted by over \$2 bn to \$19.264 bn in the July-January period of 2018-19 against a deficit of \$21.32 bn during the corresponding months last year. Exports increased by 2.24pc to \$13.23 bn during the period under review from \$12.94 bn in the same period of 2017-18. Meanwhile, imports declined by 5.17pc to \$32.49 bn from \$34.27 bn in the first seven months.

## Govt Aims For Creation of 'A Million Jobs' Under Kamyab Jawan Programme

The federal government anticipates the creation of a million jobs under the Kamyab Jawan Programme, an aggressive small and medium enterprise lending scheme which is expected to stimulate job creation and economically empower the youth. Kamyab Jawan, which falls under the Prime Minister's Youth Programme, is a collaboration with the Small and Medium Enterprises Development Authority (SMEDA).

## Services Trade Deficit Declines by 29pc

Services trade deficit shrank by 29.11pc during the first half of current fiscal year compared to the corresponding period last year, according to data released by the

## MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)		
	Bid%	offer%
STARTING	10.61	10.86
ENDING	10.60	10.85
CHANGE	-0.01	-0.01

FOREIGN EXCHANGE RATES			
	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 177.50	PKR 156.30	PKR 137.50
ENDING	PKR 178.40	PKR 156.50	PKR 138.10
CHANGE	+0.9	+0.2	+0.6

PAKISTAN STOCK EXCHANGE	
100 Index	
STARTING	40,887
ENDING	40,486
CHANGE	-401

GOLD RATE	
(10 gm)	
STARTING	PKR 57,600
ENDING	PKR 58,085
CHANGE	+485

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Pakistan Bureau of Statistics (PBS) recently. The deficit in the first six months of the current fiscal year was recorded at \$1.945 bn against \$2.744 bn during same period last fiscal year, showing a decline of 29.11pc, official data revealed.

## Agri-Credit Falls Short of Target, Grows Over Last Year

The banks' disbursement for agricultural credit during the first half of this fiscal year remained below the target but surpassed the 1HFY18 level, said the State Bank of Pakistan (SBP) recently. In the first half of 2018-19, banks disbursed Rs. 527.3 bn, which is 42.2pc of the total target for FY19 and 22pc higher than the disbursement made during same period last year. While presiding a review meeting of Agriculture Credit Advisory, SBP Governor Tariq Bajwa asked banks to enhance their efforts in order to reach the annual credit target. "I would urge the stakeholders including banks, federal and provincial governments to harness technology platforms for enhancing agriculture," said the Governor recently. The outstanding portfolio of agriculture credit also increased to Rs. 521 bn by end of December 2018, up 17.9pc, from Rs. 442 bn last year. Meanwhile, the number of outstanding borrowers also rose to 3.9 mn by end of 2018, from 3.46 mn last year, representing a growth of 12.8pc.

## Irrigation Irritants

• Pakistan has a large irrigation infrastructure, commanding a land area of around 14.3 mn hectares, and yet hardly any attempt is being made to curtail and rationalize the difference between operational costs and water rate.

• A lifeline for the livelihoods of a majority of rural population, the infrastructure comprises of three large reservoirs Tarbela, Mangla and Chashma, 23 barrages and 12 river-linking canals.

• At least 45 distributing canals spread over 60,800 km serve water at farm gate through 140,000 watercourses.

• Some studies suggest the estimated replacement cost of the irrigation system to be up to \$70 bn. But being decades old and coupled with official neglect, most of the infrastructure is in a shambles.

• A World Bank report states that the Indus delta is degrading at an annual rate of \$2 bn.

• The Punjab government allocated Rs. 16 bn for the irrigation department last year. Of this, Rs. 8.8 bn was consumed on payment of salaries to the staff, leaving just Rs. 7.2 bn for operation and maintenance of the large irrigation network. As per estimates of the department's officials, they need at least Rs.50 bn annually to keep the canal system operational.

• To meet operational costs farmers around the world are charged accordingly. But here too, Pakistan lags behind as water rates are kept low for fear of political backlash and rulers lack the will to make a decision in this respect.

• The situation is worse in Punjab compared to other federating units as the water rate there was fixed in 2002-03 at a flat rate of Rs. 85 per acre for Kharif crops, which consume more water, and Rs. 50 for Rabi crops with low water needs.

• In Balochistan, the water rates for Kharif crops were Rs. 378 per acre for cotton, Rs. 726 for sugar cane, and Rs. 210 for wheat, Rabi crop, in 2008-09. In Khyber Pakhtunkhwa during the same year, the rate for cotton was Rs. 250 and Rs. 200 per acre for wheat, while in Sindh these were Rs. 93.07 per acre for cotton, Rs. 181 for sugar cane and Rs. 53 for wheat.

## Remittances Maintain Momentum

Overseas Pakistanis remitted \$12.77 bn during the seven months of the current fiscal year up 12pc from the \$11.38 bn received during the same period last year, reported the State Bank of Pakistan recently. Major growth was witnessed in the inflows from the US and the UK at 33pc and 22.5pc respectively; however, Saudi Arabia emerged as the leading contributor to the total tally. Currency experts said the overseas Pakistanis are sending higher amount to buy properties or to meet the increased cost of living in the country.

## Car Sales Remain Firm

Sale of locally assembled cars remained firm in the last seven months amid restriction on non-filers to buy vehicles



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from July-January, multiple price hikes on account of rupee devaluation and increase in interest rates. Total car sales inched up to 123,391 units in 7MFY19, from 123,356 in same period last fiscal year. On the other hand, January sales showed healthy growth as they increased to 19,353 units from 16,141 units in December 2018, according to figures released by Pakistan Automotive Manufacturers Association (PAMA).

## INTERNATIONAL VISTA

### Lagarde Warns Of High Arab Public Debt

Public debt has rapidly increased in many Arab countries since the 2008 global financial crisis, due to persistently high budget deficits, the International Monetary Fund warned recently. "Unfortunately, the region has yet to fully recover from the global financial crisis and other big economic dislocations over the past decade," IMF Managing Director Christine Lagarde said. "Among oil importers, (economic) growth has picked up, but it is still below pre-crisis levels," she told the Arab Fiscal Forum in Dubai. Lagarde said public debt among Arab oil importing nations had increased from 64pc to 85pc of Gross Domestic Product in the decade since 2008. Nearly half of these countries now have public debt of over 90pc of GDP, she said. Public debt among oil exporters including the six-nation Gulf Cooperation Council rose from 13pc of GDP to 33pc of GDP, accelerated by the crash in oil prices around five years ago, Lagarde said.

### UK Economy at Weakest Since 2012, as BREXIT, Global Worries Bite

Britain's economy slowed sharply in late 2018, pushing annual growth to a six-year low as worries about BREXIT hammered business investment and a weakening global economy weighed on trade, data showed recently. Quarterly growth fell to 0.2pc between October and December from 0.6pc in the previous quarter, in line with forecasts while output in December alone dropped by the most since 2016. "BREXIT uncertainty, a slowing global economy and the persistent financial squeeze on consumers and businesses

are increasingly having a suffocating effect on economic activity", economist Suren Thiru said. Sterling fell a third of a cent to below \$1.29 after the data, before recovering. Businesses are increasingly concerned about the lack of a plan for March 29, when Britain is due to leave the EU.

### Turkey Opens Vegetable Stalls to Beat Inflation

Battling a sharp rise in food costs, Turkish authorities opened their own markets recently to sell cheap vegetables directly to shoppers, cutting out retailers who the government has accused of jacking up prices. Crowds queued outside municipality tents to buy tomatoes, onions and peppers in Istanbul's Bayrampasa district, waiting for an hour for items selling at half the regular shop prices. The move to set up state markets follows a 31pc year-on-year surge in food prices in January. Traders blamed storms in southern Turkey's farming region for food price inflation, as well as rising costs of labor and transport. Authorities called it "food terror" and said they would punish anyone trying to keep prices artificially high.

### Britain, Switzerland Agree on Post-BREXIT Trade

Britain and Switzerland signed a deal to preserve trade relations between the two countries even if London opts to leave the European Union without a deal with Brussels. British international trade secretary Liam Fox and Swiss Economy Minister Guy Parmelin signed the bilateral trade agreement in Bern recently. "This new agreement lays the foundations for the two parties to continue their sound economic and trade relations once the United Kingdom has left the EU," the Swiss government said in a statement. Switzerland is not a member of the EU, but its relations with Britain are based on a long line of bilateral agreements between Bern and the bloc. If London and Brussels manage to reach a deal for an orderly BREXIT, the bilateral agreements between Switzerland and the EU will continue to apply to Britain until the end of the transition period, the statement said.

### The Chinese Giants Shaping the World's Industries

It was fear of being dominated by a Chinese giant that sparked an attempt by large French and German rail companies to join forces to create a European industrial



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champion. The merger by Alstom and Siemens was vetoed by the EU recently, but concerns about the overwhelming power of vast, often state-backed Chinese companies is not limited to the rail industry. Here are some of areas in which Chinese companies control a large piece of the global market.

**Rail:** China's state-backed CRRC is the world's largest train manufacturer, with locomotives and wagons ordered across the globe from Boston to Philadelphia, Cambodia to Colombia, and customers including the iconic London Underground and Germany's Deutsche Bahn. Its annual revenues of euros 26 bn (\$29 bn) alone outweigh the three Western heavyweights Bombardier, Siemens and Alstom, each of which brings in around 9bn a year.

**Agrichemicals:** The state-owned ChemChina became one of the world's seeds and pesticide producers when it acquired Swiss pesticide giant Syngenta for \$43 bn in 2017, putting it in competition with Monsanto and DowDupont.

**Aviation:** China's state-owned plane-maker Comac expects to deliver its first home-made passenger jet to a customer in 2021, as it seeks to challenge the dominance of Boeing and Airbus. The company says it has received a thousand orders for its 168-seater C919 plane.

**Smartphones:** Chinese smartphone makers are taking a larger slice of the global market, with Huawei at 15pc, Xiaomi 8.7pc and Oppo 8.1pc. Phone sales by Huawei and Oppo surged by 30pc last year, defying a downward trend that hit rivals Apple and Samsung.

## US-China Trade Talks Resume Next Week

US negotiators are preparing to press China next week on longstanding demands that it reform how it treats American companies' intellectual property in order to seal a trade deal that could prevent tariffs from rising on Chinese imports. A new round of trade talks begins in Beijing on Monday, after the most recent set of negotiations concluded in Washington last week without a deal and with the top US negotiator declaring that a lot more work needed to be done. A White House official said that preparations were

under way and the talks would continue to focus on pressing Beijing to make structural reforms.

## MANAGEMENT OUTLOOK

### TIPS

#### After a Conference, Put All Those Business Cards You Collected to Use

We all know the networking benefits of going to a conference. But to reap those benefits, you have to follow up with the people you met. Luckily, a small amount of effort can help you maintain those new connections. Block an hour on your calendar as 'processing time' after the conference. Go through your briefcase, pockets and travel bag, and gather all the business cards you collected from others. Then capture each person's details in an app or spreadsheet, and identify your goal for the relationship. Separate people into three categories: those you have a specific reason to follow up with, those you did like to build a deeper relationship with and those who are generally interesting but do not fall into the other categories. You cannot invest equally in all connections, so send quick notes to the people in the first and third categories, and spend time figuring out how to connect on a deeper level with those in the second. (Adapted from *How to Follow Up With People After a Conference*, by Dorie Clark-HBR.)

#### How to Respond If A Great Employee Says They Are Leaving

When a talented employee of yours announces their resignation, it is a dreadful moment. The first thing you should do is take some time to process any negative emotions you feel, such as frustration or disappointment. These kinds of feelings are normal, but they would not help you address the situation productively. Once you have reflected, focus on celebrating the employee's accomplishments and gathering their honest feedback about the team. Set an example by expressing genuine support for their decision to leave; you may want to throw a goodbye party or a similar event to wish them well. And then make sure



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you conduct an exit interview, even if human resources will do one too. Ask for the person's advice on retaining other employees and improving the experience of working for you. By being willing to hear uncomfortable truths, you will show the person that you respect the experience and knowledge they gained during their time there.

(Adapted from *How to Manage Morale When a Well-Liked Employee Leaves*, by Liane Davey.)

## Overcome Your Fear of Failure by Redefining It

The fear of failing at something or doing it wrong, looking foolish or not meeting expectations can be paralyzing. But avoiding challenges that make you anxious is not going to help you grow. To overcome your fear of failure, redefine what the concept means to you. For example, instead of thinking about failure (or success) in terms of what you achieve, reframe it in terms of what you learn. No one gets everything right, and a 'failure' can still provide invaluable experience for the future. It is also important to focus on what you want to do rather than what you want to avoid. When you are dreading a tough task, you may unconsciously set goals around what you do not want to happen. Creating a 'fear list' can help: Write down the challenge's worst-case scenario, how you can prevent it and how you will respond if it comes true. Creating a plan for a bad outcome can give you the courage to move forward.

(Adapted from 'How to Overcome Your Fear of Failure,' by Susan Peppercorn-HBR).

## Road Accidents in Pakistan Claimed 36,000 Lives Last Year

Around 36,000 people were killed in road accidents across the country last year and therefore, the Motorway police are making all efforts to check such deaths by ensuring adherence to traffic laws by road users. This was stated by Motorway police SSP during a session held recently to

create awareness of traffic laws among Khubaib College students. The SSP said the statistics showed that road accidents claimed 1.2 million lives worldwide every year with the disregard of traffic laws by the deceased to blame.

## SNIPS

### Lead Entrepreneur

Venture capital firm First Round analyzed its portfolio companies and found that the firms led by at least one female founder performed 63pc better than those with all-male founding teams.

### Great Potential

In a study looking at the application of artificial intelligence, McKinsey found that the technology could create \$13 trillion in new global economic activity by 2030.

## China Reveals Plans to Build First Ever Solar Power Plant in Space

China's Academy of Space Technology has revealed plans to build a solar power plant in space that would orbit the Earth at 36,000km and capture solar energy and beam it back to Earth. Since its photovoltaic array would be floating high above any terrestrial weather, the plant would be able to harness solar power even when it is cloudy on Earth. In order to send energy down back to Earth, the current plan is to have solar arrays in space capture light from the sun and then beam electricity down to a facility on Earth in the form of a microwave or a laser. From there, the electricity could be used simply as if it has been generated by the usual, terrestrial means.

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