



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 14, Issue No. 08 | Date: February 22, 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 8, 2019, deposits of all scheduled banks stood at Rs. 12,942.311 bn, less by 2.30pc, over the preceding week's figure of Rs. 13,172.769 bn.

Credit folio

Gross advances of all scheduled banks stood at Rs. 7,878.411 bn, less by 0.03pc over the preceding week's figure of Rs. 7,880.886 bn.

Investments Conspectus

Investments of all scheduled banks stood at Rs. 5,169.857 bn against preceding week's figure of Rs. 5,234.579 bn, less by 1.23pc.

Assets Diary

Total Assets of all scheduled banks amounted to Rs. 16,848.365 bn against previous week's figure of Rs. 17,121.040 bn, less by 1.59pc.

Pakistan Has Come Out of Financial Crisis: SBP Governor

Governor of the State Bank of Pakistan Tariq Bajwa has said the country has come out of the financial crisis with the help of friendly countries and the economy has been set on the right path. Speaking at a private university in Lahore recently, he said uncertainty in the economy had ended. The government, he said, was on the right path and it was capable of meeting all economic challenges. The governor spoke about the current account deficit, which had hit the economy badly during the current financial year. The current account deficit was the real cause of concern for the new government. Mr Bajwa said a plan had been prepared to eliminate the current account deficit and the work in this regard was in progress.

HBFC to Get Rs. 3.6 bn for Low-Cost Housing

Pakistan Mortgage Refinance Company (PMRC) will provide Rs. 3.6 bn to House Building Finance Company (HBFC) for the provision of low-cost housing in the country. The PMRC, which gets cheaper loans from World Bank, signed an agreement with the HBFC at the central bank. The signing ceremony was chaired by the Governor State Bank Tariq Bajwa, while high officials of PMRC and HBFC were also present at the occasion. Under the agreement, PMRC will provide long-term fixed rate funding of up to Rs. 3.6 bn to HBFC for providing home mortgage loans to end consumers. The Governor State Bank said that housing finance is very limited in Pakistan with a very low GDP-to-mortgage ratio of 0.2 – 0.3pc as compared to regional countries.

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

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

FOREIGN EXCHANGE RATES			
	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 178.40	PKR 156.50	PKR 138.10
ENDING	PKR 179.50	PKR 156.30	PKR 138.00
CHANGE	+1.1	-0.2	-0.1

PAKISTAN STOCK EXCHANGE	
100 Index	
STARTING	40,486
ENDING	40,016
CHANGE	-470

GOLD RATE	
(10 gm)	
STARTING	PKR 58,085
ENDING	PKR 59,242
CHANGE	+1157

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SME Financing Rise Record Rs. 500 bn

Banks have provided record financing to the Small and Medium Enterprises (SMEs) in the calendar 2018 crossing the Rs. 500 bn mark, according to data released by the State Bank of Pakistan (SBP) recently. The report highlighted that SME finance up 14pc to Rs. 513 bn compared to Rs. 450 bn in 2017. The growth was more prominent during the July-Dec period wherein it registered an increase of 25pc. SMEs' contribute around 30pc towards country's total gross domestic product, providing employment opportunities to more than 80pc of non-agricultural workforce and generate 25pc export earnings.

Roadmap for \$21 bn Saudi Investment Finalized

Pakistan is expecting \$21 bn worth of seven memorandums of understanding (MoUs) signed with Saudi Arabia to come to fruition in three phases over the next six years. The two sides have set up two major follow-up forums to ensure timely completion of feasibility studies and project implementation including the top level Saudi-Pakistan Joint Supreme Coordination Council (SPJSCC) and a Joint Working Group (JWG).

KATI Brief

According to the President of Korangi Association of Trade & Industry, there are 4,500 units in Korangi and Landhi and it is the biggest industrial zone of the country which contributed about Rs. 500 mn to the national exchequer in the form of taxes on a daily basis.

Oil Imports Surge to \$8.7 bn in Seven Months

The country's oil import bill soared 10pc year-on-year to \$8.68 bn during the first seven months of this fiscal year, according to data released by the Pakistan Bureau of Statistics (PBS). Contrary to this, barring agriculture products and textile group, imports from almost all of the groups including machinery-related items contracted during the period under review.

SBP Reserves Up By \$38 mn

The State Bank of Pakistan's (SBP) total liquid foreign exchange reserves increased to \$8.192 bn as of Feb 1, up by \$38.2 mn, according to latest data released by the central bank. Moreover, the reserves with the commercial banks also increased by \$44.4m taking the total reserves of the country to \$14.885bn up 0.56pc.

12 Hybrid Rice Varieties to Be Available

At least twelve new hybrid rice varieties will be available to farmers for cultivation during the next Kharif crop season starting in July. The new varieties were approved by the Variety Evaluation Committee of Pakistan Agriculture Council (PARC) in Islamabad recently after reviewing twenty-six proposals. Research on these varieties was carried out at the rice research laboratory of National Agriculture Research Centre. A senior official of NARC said that following the approval by the committee, the new hybrids of rice can now be imported from China. So far, 130 different varieties of rice have been developed of which at least twelve varieties are currently sown by farmers in rice growing areas of the country.

Chinese Embassy Refutes Misleading Reports that Pakistan Owes \$40 bn to China

The Chinese Embassy in Pakistan has refuted misleading media reports that Pakistan has to pay \$40 bn to China in the next 20 years, stating that Islamabad only needs to pay \$6.017 bn to Beijing for relevant projects under the China-Pakistan Economic Corridor (CPEC). The embassy pointed out that 22 projects under CPEC have been preliminarily finished or are under construction with a gross investment of \$18.9 bn.

Belarus Keen to Produce Farm Machinery in Pakistan

Belarus is willing to support the joint production of tractors in Pakistan along with other farm machinery, said Belarus' Deputy Minister Dmitry Korchik recently. He said that Belarus needs support to find new partners for production of Belarusian tractors to broaden its agro-machinery partnership in Pakistan. He acknowledged that the South Asian country has enormous potential in the agriculture sector as it can benefit from modernizing unmanned harvesting patterns.

SPOTLIGHT

Imports of raw cotton increased from 450,000 tonnes in 2012-13 to 610,000 tonnes in 2017-18 as local production failed to meet the textile industry's demand.



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INTERNATIONAL VISTA

Trump Exempts Hundreds of Companies From Steel Tariff

Despite President Trump's tough talk on trade, his administration has granted hundreds of companies permission to import millions of tonnes of steel made in China, Japan and other countries without paying the hefty tariff he put in place to protect US manufacturers and jobs, according to an analysis. Behind the scenes, however, his Commerce Department approved tariff exemption requests from 370 companies for up to 4.1 mn tonnes of foreign steel, with roughly 8pc of the total coming from China and close to 30pc from Japan, according to AP's review of thousands of applications for relief from the import tax on steel. Many recipients of the waivers are subsidiaries of foreign-owned businesses. The waivers from the import tax show how pliable his protectionist policies can be.

North Korea to Copy Vietnamese Economic Reform

North Korea, which suffers from poverty and isolation partly due to international sanctions imposed against the country for its nuclear tests, has proclaimed a shift in national focus from nuclear weapons development to economic development. North Korea has done a lot of case studies on economic development plans that brought rapid growth to other countries. Vietnam is one of them. Its biggest concern is how to open its doors with Kim's regime remaining intact. In other words, how to control its people while allowing them to set up private businesses. North Korean Foreign Minister visited Hanoi at the end of November 2018 to study the Doi Moi Policy, an economic reform policy Vietnam adopted in 1986 after realizing its socialist model was about to collapse.

ARAMCO's New Tangent More Rational

ARAMCO is heading off on another tangent. Saudi Arabia's national oil champion is shifting its strategy from focusing solely on domestic oil and gas exploration projects to

developing business overseas as well, its Chairman Khalid al-Falih revealed in an interview published recently. That is a relatively rational strategy camouflaged as a loopy one. Admittedly, it is quite a good disguise. The kingdom's Vision 2030 strategy hinges on shifting the domestic economy away from a reliance on oil and gas revenues.

Global Unemployment Down, But Too Many Workers Remain Poor: UN

The global unemployment rate inched down last year, the UN said recently, warning though that jobs often failed to guarantee decent living, with some 700 mn workers wallowing in poverty. Unemployment around the world fell last year to 5.0pc from 5.1pc in 2017 for the first time dropping to the level seen before the global financial crisis hit in 2008, the International Labour Organization said.

India Central Bank Cuts Rates

India's central bank cut interest rates on February 7, 2019. The cut in borrowing costs in Asia's third-biggest economy comes as the economy stutters and other central banks, most notably the Federal Reserve, have sounded increasingly cautious about the global outlook. The Reserve Bank of India (RBI) said the benchmark repo rate — the level at which it lends to commercial banks — would be reduced by 25 basis points to 6.25pc.

National Australia Bank CEO/Chairman Resign

National Australia Bank (NAB) recently announced its chairman and chief executive were stepping down just days after a major inquiry into the country's scandal-plagued finance sector singled out the bank's leadership for criticism. NAB chair Ken Henry said he would soon retire, while CEO Andrew Thorburn announced his resignation, both saying they were "deeply sorry" in the wake of a damning report detailing rampant customer abuse in the industry. "As CEO, I understand accountability. I have always sought to act in the best interests of the bank and customers and I know that I have always acted with integrity," Thorburn, who will leave at the end of the month, said in a statement.



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MANAGEMENT OUTLOOK

TIPS

To Build an Inclusive Culture, Understand Who Your Employees Really Are

When employees feel free to be themselves at work — when they do not think they have to hide their religion or sexual orientation, for example — they are much more likely to be happy in their jobs. One way to encourage this kind of openness is to build an inclusive culture, which starts with knowing who your employees truly are. Conducting an employee engagement survey can be an effective way to find out. Segment the data you collect by criteria — such as gender, ethnicity, and age — to help you identify and address issues among different groups of employees. Focus groups are another way to gain insight. They are best facilitated by a third party so that employees can speak freely. The most powerful way to learn about your employees, however, is one-on-one discussions. For these conversations to be effective, you need to have an open-door policy and a “tell me anything” persona. Being honest about your thoughts and feelings will build trust and show people that you are human, too.

(Adapted from *To Retain Employees, Focus on Inclusion — Not Just Diversity*, by Karen Brown-HBR.)

To Run a Good Meeting, Get the Basics Right

Plenty of meetings are a waste of time. They are unfocused, badly run and way too long. But improving your meetings is not rocket science — work on getting the basics right. When planning a meeting, know why you are scheduling it in the first place. Having a specific goal in mind will help you create a useful agenda. Next, decide who truly needs to be there, considering the key decision-makers,

influencers and stakeholders. If certain people should be in the loop but do not need to attend, you can ask for their input beforehand and update them afterward. Open the meeting by clearly laying out its purpose and focusing people on the task at hand. As the facilitator, your role is to get attendees to feel committed to the outcome. When the meeting is over, take a few minutes to reflect. Did everyone participate? Were people distracted? What worked well, and what did not? Use your reflections (ask others for their thoughts, too) to keep improving for next time.

(Adapted from *Why Your Meetings Stink — and What to Do About It*, by Steven G. Rogelberg-HBR)

To Cultivate Creativity, Set the Conditions

There is no such thing as a ‘creative personality’; anybody can be creative, given the right opportunities and context. So if you need more creativity on your team, do not just hire more people — develop the ones who already work for you. Research has found that expertise in a certain field is a key ingredient for producing creative work, so offer your team coaching to help them master the skills your organization needs. Practicing is another path to expertise. Find ways for employees to use new skills again and again, and give them feedback so that they keep improving. It is also important to encourage exploration. Set aside time for employees to play around with new ideas and follow inspiration wherever it leads, even when there is not an obvious connection to their jobs. Finally, reward persistence. Ideas often need time to develop — lots of it — and someone’s passion project could turn out to be your company’s next big innovation.

(Adapted from *Set the Conditions for Anyone on Your Team to Be Creative*, by Greg Satell-HBR.)

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