



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

Page No. 01

Volume 14, Issue No. 38 | Date: September 20, 2019

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

PAKISTAN OVERVIEW

State Bank Holds Policy Rate Steady at 13.25pc

The State Bank of Pakistan (SBP), in its monetary policy announced on September 16, kept the policy rate unchanged at 13.25pc, pointing to stable inflation. However, the central bank also warned that "fiscal slippage or other adverse developments" could cause inflation to start rising again.

Govt Rakes Up Rs. 467.4 bn From T-bill Auction

The Treasury bill auction on Wednesday attracted massive bids of about Rs. 1.65 tr but the auction result showed government borrowing less than the targeted amount. The auction reflected both government's need for and banking sector's willingness to park maximum liquidity in the risk-free high yielding papers. However, the government only raised Rs. 467.4 bn through the auction, much lower than investors' expectations while the amount was even lower than the auction target of Rs. 600 bn.

Islamic Banking Industry Briefs

- Assets of Islamic banking industry grew by 7.3pc to Rs. 202 bn during the quarter April to June, 2019 and stood at Rs. 2,992 bn by June 30, 2019.
- Similarly, deposits of Islamic banking industry witnessed growth of 9.8pc - Rs. 216 bn and reached to Rs. 2,415 bn by end June, 2019.
- Market share of Islamic banking assets and deposits in the overall banking industry was recorded at 14.4pc and 15.9pc, respectively by end June, 2019.
- Profit before tax of Islamic banking industry was recorded at Rs. 32 bn by end June, 2019.
- The network of Islamic banking industry consisted of 22 Islamic banking institutions; 5 full-fledged Islamic banks (IBs) and 17 conventional banks having standalone Islamic banking branches (IBBs) by end June, 2019.
- Branch network of Islamic banking industry was recorded at 2,913 (spread across 113 districts) by end June, 2019. More than 77pc of the branches were concentrated in Punjab and Sindh.
- The number of Islamic banking windows operated by conventional banks having standalone Islamic banking branches stood at 1,348.

FBR To Slash Duties on Import of Mobile Phones

The Federal Board of Revenue (FBR) has proposed to slash regulatory duty (RD) on import of mobile phones by up to 50pc in some cases, saying the move is aimed to provide relief to the common man and to support digitization endeavors. The move is expected to have no impact in overall collection of duties under this head, since the FBR believes it will lead to higher volume of imports. The sharpest reduction in RD will be on mobile handsets with a cost and freight value between \$100 and \$200, where the existing RD rate is Rs. 2,430 that the FBR is proposing to bring down to Rs.1,200.

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

MONETARY POLICY RATE

Effective from July 16, 2109 - 13.25pc

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	13.71	13.96
ENDING	13.66	13.91
CHANGE	-0.05	-0.05

FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 193.00	PKR 173.00	PKR 156.40
ENDING	PKR 195.50	PKR 173.50	PKR 156.30
CHANGE	+2.5	+0.5	-0.1

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	31,481
ENDING	32,111
CHANGE	+630

GOLD RATE

(10 gm)

STARTING	PKR 75,617
ENDING	PKR 74,803
CHANGE	-814



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Page No. 02

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Mobile Phones Existing Proposed

(C&F Values in USD) RD (Rs) RD (Rs)

Up to 30	165	165
Above 30 and upto 100	1,620	1,000
Above 100 and upto 200	2,430	1,200
Above 200 and upto 350	3,240	2,500
Above 350 and upto 500	9,450	5,000
Above 500	16,650	9,000

Source: FBR Summary

Pakistan Stock Exchange Data

The Securities and Exchange Commission of Pakistan (SECP) declared that it registered 1,187 new companies in August, taking the aggregate number of registered companies to 104,030. Compare that with a small number of companies — 558 to be precise that have offered shares to the public for trading. In a country of 207 mn people, the number of stock investors is just about 236,000, including high-net-worth individuals. Compare with that the number of equity investors in neighboring Iran or China that have 40 mn and over 100 mn people investing in stocks. In Turkey, every person who opens a bank account is automatically linked to the equity market.

Russia's ExpoBank Keen to Invest in Financial Sector

Russian ExpoBank Chairman Igor Vladimirovich recently expressed keen interest to invest in Pakistan's financial sector. He expressed his interest while meeting with Federal Minister for Privatization Muhammad Mian Soomro and Board of Investment (BoI) Chairman Zubair Gilani. Kim said that his team would analyze opportunities of acquiring public sector entities which were being offered for privatization soon. While briefing about his organization's strength, he said that his fund ExpoCapital had heavily invested in international production of a new generation of energy efficient electro bikes, and his company OCSiA was an international developer and producer of signal walled carbon nanotubes for global industry. He also offered to invest in the country's manufacturing sector by introducing innovative technologies such as AI to help boost exports to the global market.

Pakistan's Major Economic Indicators - FY 2018 & FY 2019

REAL SECTOR (GROWTH IN %)	FY 2018	FY 2019 _p	-	-
REAL GDP	5.5	3.3	-	-
AGRICULTURE SECTOR	3.9	0.9	-	-
INDUSTRIAL SECTOR	4.9	1.4	-	-
SERVICES SECTOR	6.2	4.7	-	-
CPI INFLATION (YoY%)	FY 2019 _{pa}	JUL - AUG 19 _{pa}	June 2019	AUG 2019
NATIONAL	6.8	9.4	8.4	10.5
URBAN	7.1	9.7	8.7	10.6
RURAL	6.3	9.1	7.9	10.3
FOOD INFLATION-URBAN/RURAL	4.7/4.8	9.9/11.0	7.9/9.3	11.9/12.6
MONETARY SECTOR (IN BILLION RS.)	FY 2018	FY 2019 _p	AUG 2019 _R	-
CURRENCY IN CIRCULATION	476.5 BN	562.2 BN	447.1	-
TOTAL DEPOSITS	935.5 BN	1232.4 BN	-773.1	-
_p PROVISIONAL	-	-	-	-
_{pa} PERIOD AVERAGE	-	-	-	-
_R Revised	-	-	-	-

SOURCES: PBS/ STATISTICS DEPT. SBP (Sep 2019)



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Page No. 03

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INTERNATIONAL VISTA

GM Workers Strike Over Pay Dispute

Almost 50,00 US auto workers went on strike recently in a pay dispute with General Motors, the largest industrial action to hit the car-maker in more than a decade. More than 46,000 workers from 31 plants opted to walk out after talks between the company and the United Auto Workers Union hit an impasse as they tried to negotiate a replacement agreement when the manufacturer's four-year contract with workers expired. (Note: General Motors is an American multinational corporation headquartered in Detroit that manufactures vehicles. It is the largest American automobile manufacturer. As of 2018, General Motors is ranked #10 on the Fortune 500 rankings of the largest United States corporations by total revenue. General Motors manufactures vehicles in 37 countries; its core automobile brands include Chevrolet, Buick, GMC, and Cadillac).

Egyptian Start-Up Expands Further into Pakistan

Egyptian transport technology start-up Swvl will expand into two more cities in Pakistan — Islamabad and Rawalpindi in the next two weeks, according to its chief executive. The international firm operates buses along fixed routes and allows customers to reserve and pay for them using an app, its co-founder and CEO Mostafa Kandil said. According to him, the company is also opening an engineering office in Karachi to have a full-fledged engineering team based there and is currently recruiting for multiple engineering positions, including head of engineering. Founded in 2017, Swvl is seeking to raise more than \$100 mn in a financing round in the first half of next year, and is targeting a \$1 bn valuation in the next five years. It has secured the biggest round of funding for a tech start-up in Egypt.

Oil Surges as Saudi Attack Focuses Market on Supply Risks

Oil prices soared on Monday, with Brent crude posting its biggest intra-day percentage gain since the start of the Gulf War in 1991, after an attack on Saudi Arabian oil facilities on Sept 14, shut in the equivalent of 5pc of global supply. Benchmark Brent crude futures rose by as much as 19.5pc to \$71.95 per barrel, the biggest intra-day jump since Jan.

14, 1991. The front-month contract was at \$66.20 per barrel, up \$5.98, or 9.9pc, from their previous close.

Saudi, Gulf Stocks Fall After Attack Oil Plants

Saudi stocks plunged 2.3pc as the market opened (September 15, 2019) after attacks on its two plants at the heart of the kingdom's oil industry a day earlier knocked out more than half of Saudi crude output. Sunday's decline extended a losing spree for Saudi stocks, which in recent weeks have been hit by expensive valuations, weak oil prices and concerns about the economic outlook. Other Gulf markets also reacted negatively to the attacks, with Kuwait's premier index down 1.1pc and Dubai stocks falling 0.8pc.

As Trade War Deepens, an Insurer in China Helps

As the US-China trade war intensifies, an insurance company run by the Chinese government is stepping in to support Chinese exporters, providing low cost coverage and chasing down US importers unwilling or unable to pay mounting tariffs. China Export & Credit Insurance Corp, known as Sinosure, has aggressively increased its insurance of Chinese exporters since last year, according to company sources and public data. The government-led aid is being carefully watched by trade experts who say the practice may run afoul of World Trade Organization (WTO) commitments or be challenged by the administration of US President Donald Trump, who has railed against what he says are China's unfair trade practices.

Protests Against German Car Industry

Environmental campaigners plan to disrupt the Frankfurt motor show this weekend as Germany's car industry comes under increasing pressure to go green and abandon internal combustion engines. "The car industry has cheated on diesel and is contributing to the worsening climate crisis," said Gerald Neubauer, a spokesman for the campaign group Campact, which is co-organizing a demonstration at Frankfurt's biennial International Motor Show (IAA). The combination of protests and civil disobedience aimed at Germany's car industry shows the sector no longer enjoys the untouchable status it once held as a key driver in Europe's biggest economy. Germany's auto industry has reached a crossroads as it struggles to adapt to the trend of electric cars.



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Page No. 04

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MANAGEMENT OUTLOOK

Make Sure Your Employees Have Time and Space to Focus

Between scanning our inboxes, checking our phones and feeling overwhelmed by our workloads, it is a wonder anyone can get work done. To help your employees focus and stay productive, you need to counterbalance these distractions. First, make sure the office has designated spaces where employees can disconnect. You do not have to install nap pods like Google, you can set aside a corner with comfy chairs or rooms where people can close the door and work. Second, encourage employees to block out chunks of “focus time” on their calendars. Tell them it is okay to ignore email or slack for a few hours; have them use an automated reply to let people know they are unavailable. (“I am stepping away from my email to finish this project. I will be back in one hour.”) And set policies around how quickly employees have to respond to messages. The more time they are spending on “urgent” emails, the less time they are spending on deep work. (This tip is adapted from *4 Ways to Help Your Team Avoid Digital Distractions*, by Amy Blankson-HBR.)

When Your Meeting Should Not Have an Agenda Ahead of Time

You have probably heard this meeting advice before: set an agenda and send it out ahead of time. But if the purpose of your meeting is to tackle a complicated problem, it is better to have the group decide on the agenda together. Plan to spend 10pc to 15pc of your meeting time to get the agenda right: a half hour for a half-day meeting, a couple of hours for a two-day meeting. Start with individual brainstorming so that people can form opinions on what the group should cover. Then have them anonymously post their ideas on sticky notes for others to see. Next, everyone should identify themes and cluster similar ideas together. Once you have a good list of possible topics, ask the group to make final

decisions about what should be on the agenda. This process can be time-consuming, but going through it together will ensure that participants are engaged and feel ownership over the process — and the outcome. (This tip is adapted from *Don't Set an Agenda Before Important Meetings*, by David Komlos and David Benjamin-HBR.)

SNIPS

Flow of Information

Research conducted on an American restaurant chain found that the company saved \$1.6 mn after making it easier for managers to communicate their ideas and concerns with senior leadership.

The Future of Work

An estimated 5pc of all jobs can be replaced by automation, according to research from McKinsey & Company.

Decreasing the Bias in Your Hiring Decisions

Humans are hard-wired to prefer people who are like us, which is one reason bias creeps into hiring decisions. Diversity initiatives and process audits can help, but for hiring to improve meaningfully, individual managers have to recognize and address their personal biases. The first step is to accept that you have biases. Think about why you might feel drawn to some job candidates more than others, and what biases or preferences might be involved. Consider how factors such as race, gender, education, socioeconomic background and even height might influence you. Aim to go into hiring decisions with an awareness of how they might go astray. Then, when you are actually evaluating a candidate, keep asking yourself: “Where could bias show up in this decision?” You should also form your own opinion of the candidate before comparing notes with your colleagues, so you are not influenced by others’ views. (This tip is adapted from *How to Reduce Personal Bias When Hiring*, by Ruchika Tulshyan-HBR.)

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