

Friday, May 24th 2018

Dear Chris,

Honking, halting, dodging around other cars and swerving past jaywalking pedestrians, we make our way down the old McLeod Road (now I.I. Chundrigar Rd.) – the Wall street of Karachi and the financial hub of Pakistan.

Towards the end of the road and on the left hand side rises a red-stone Greco-Roman building, a former branch of the Imperial Bank of India (IBI). The IBI, founded in 1921, was envisioned by JM Keynes, on his stint as an Indian currency expert on the Chamberlain Commission. It was an aggregation of three banks: the Bank of Calcutta, the Bank of Madras, and the Bank of Bombay. The IBIs' descendants are the State Bank of India and State Bank of Pakistan (SBP) which is still located in Karachi – a metropolis of 23m and that contributes more than 50% of the national tax revenue to the federal treasury.

The SBP's mission statement is financial stability and economic growth and a quick glance on its balance sheet reflects how it achieves this. It is through an ever increasing issuance of currency to purchase government bonds, as the government runs a continual budget deficit.

Given that there is a lack of investment alternatives, all this newly printed money ends up in a handful of assets – government bonds, the stock market, and the property market. With the arrival of the Chinese, there is now a

Chris Andrew

Clarmond Wealth

1 Holbein Place

London, SW1W 8NS



competition for owning equities and real estate. An example being the Chinese purchase of the venerable Karachi Stock Exchange, which is now rebranded as the Pakistan Stock Exchange. We can see this Chinese branding all over the city, as Chinese banks like ICBC stamp their logos on iconic Karachi landmarks.

As I drive around the city, it is clear that land is now becoming a limited asset, and a redevelopment of older areas is afoot with demolishment of tired buildings and the introduction of road overpasses and underpasses that is causing traffic chaos...and there was plenty of chaos to start with. In five years this city's landscape will be unrecognisable to its old residents, but given the majority of the population is mostly under 30, it shall be a non-event.

The State Bank of Pakistan's colonial heritage has well prepared it for its new eastern imperial partner – a partner demanding stability and growth, but not necessarily control. The role of this red sandstone building will be critical to this transition.

Sorry to miss you on this trip – see you in Sloane Square on my return – Mustafa.