



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan\*

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Volume 15, Issue No. 02 | Date: January 10, 2020

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

## PAKISTAN TIDINGS

### Banking Briefs

Total Deposits of all Scheduled Banks stood at Rs. 14,631.875 bn on December 27, 2019 as compared to Rs. 14,368.576 bn on December 20, 2019. An increase of 1.83pc. Total Advances stood at Rs. 8157.816 bn on December 27, 2019 as compared to Rs. 8,101.367 bn on December 20, 2019, more by 0.70pc.

### Major Crops-Expected Output Projection for 2020-2021

|            |                   |
|------------|-------------------|
| Cotton     | - 11-12 mn bales  |
| Rice       | - 7.5-8 mn tonnes |
| Sugar Cane | - 62-63 mn tonnes |
| Wheat      | - 27-28 mn tonnes |
| Maize      | - 7-7.5 mn tonnes |

### ECNEC Approves Rs. 216 bn Development Projects

The Executive Committee of the National Economic Council (ECNEC) approved six development projects with a total estimated cost of Rs. 216.4 bn, including a hefty 47pc increase in the cost of Tarbela- 4th Extension Project. The ECNEC meeting was presided over by Adviser to the Prime Minister on Finance Dr. Abdul Hafeez Shaikh. Majority of the projects approved by committee pertained to the World Bank funding. The meeting gave a go ahead for the Tarbela 4th Extension Hydropower Project with a revised total cost of Rs. 122.9 bn, according to an official statement.

### Exports Amount to \$ 1.99 bn in December 2019

Pakistan's exports of goods clocked in at \$1.99 bn in December, 2019. For the six-month period between July and December, exports rose up by 3.17pc to \$11.53 bn, as against \$11.18 bn in same half last year. The numbers are not commensurate with the level of cash support, concessions in utilities and multiple currency depreciations. The overall slowdown in the global markets has been pointed as one of the reasons behind lackluster increase in Pakistan's exports. The government projects exports during 2019-20 to reach \$26.187 bn, up from \$24.656 bn the fiscal year before. Data show that imports in the first half of 2019-20 came in at \$23.16 bn, dipping by 17.13pc over \$27.95 bn in same period last year period last year. Meanwhile, value of imported goods in December declined 10.33pc to \$3.95 bn as against \$4.40 bn over the corresponding month last year.

### Services Export Rise

Export of services grew by 2.95pc to \$2.165 bn in the first five months of current fiscal year against same period last year, data published by the Pakistan Bureau of Statistics showed recently. On the other hand, data for the month of November,

## MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

### MONETARY POLICY RATE

Effective from July 16, 2019 - 13.25pc

### KIBOR (6 MONTHS)

|          | Bid%  | offer% |
|----------|-------|--------|
| STARTING | 13.24 | 13.49  |
| ENDING   | 13.25 | 13.50  |
| CHANGE   | +0.01 | +0.01  |

### FOREIGN EXCHANGE RATES

|          | GBP (£)    | EURO (€)   | USD (\$)   |
|----------|------------|------------|------------|
| STARTING | PKR 204.50 | PKR 173.50 | PKR 155.10 |
| ENDING   | PKR 203.50 | PKR 172.20 | PKR 155.20 |
| CHANGE   | -1.00      | -1.3       | +0.1       |

### PAKISTAN STOCK EXCHANGE

|          | 100 Index |
|----------|-----------|
| STARTING | 42,323    |
| ENDING   | 43,207    |
| CHANGE   | +884      |

### GOLD RATE

|          | (10 gm)    |
|----------|------------|
| STARTING | PKR 75,703 |
| ENDING   | PKR 76,732 |
| CHANGE   | +1029      |



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2019 showed services exports jumped by 5.73pc to \$416.83 mn compared to \$394.26 mn in November, 2018. The services sector has emerged as the leading driver of economic growth as its share in the GDP increased from 56pc in 2005-06 to nearly 59pc in 2017-18. Its major sub-sectors include finance and insurance, transport and storage, wholesale and retail trade, public administration and defense. Pakistan has opened up its market to foreign services providers, particularly in banking, insurance, telecommunications and retail sectors.

## Banks to Submit Forex Cases Thru SBP Portal

In a move to digitalize the banking and business environment, the banks will have to submit foreign exchange related cases through SBP Online Portal. The State Bank of Pakistan (SBP) announced on January 7 that the portal is expected to be formally launched this month. In order to keep the clients updated about the status of cases submitted, an email containing system-generated unique case number will be sent to the clients on the email address provided by banks at the time of case submission. Awareness sessions were conducted by SBP at Lahore, Faisalabad, Gujranwala and Sialkot for creating awareness among the stakeholders about the foreign exchange operations and to apprise them about the key developments related to digitalization and ease of doing business.

## SECP to Introduce Major Amendments to Companies Act

The Securities and Exchange Commission of Pakistan (SECP) will introduce major amendments to the Companies Act to provide an enabling regulatory framework to facilitate startups in Pakistan. According to the SECP's plan for facilitation of startups, with the objective to promote growth in the startups sector of Pakistan, it is necessary to make relevant changes in Company Law to facilitate the incorporation process for the startups and provide

## PAKISTAN'S MAJOR ECONOMIC INDICATORS

| REAL SECTOR (GROWTH IN %)                         | FY 2018 <sub>R</sub>  | FY 2019 <sub>P</sub>       | FY 2020 <sub>T</sub> | -                     |
|---|-----------------------|----------------------------|----------------------|-----------------------|
| REAL GDP  | 5.5                   | 3.3                        | 4.0                  | -                     |
| AGRICULTURE SECTOR                                | 3.9                   | 0.8                        | 3.5                  | -                     |
| INDUSTRIAL SECTOR                                 | 4.9                   | 1.4                        | 2.3                  | -                     |
| SERVICES SECTOR                                   | 6.2                   | 4.7                        | 4.8                  | -                     |
| CPI INFLATION (YoY%)                              | FY 2019 <sub>PA</sub> | JUL-NOV FY20 <sub>PA</sub> | NOV 2019             | DEC 2019 <sub>T</sub> |
| NATIONAL  | 6.8                   | 10.8                       | 12.7                 | 12.6                  |
| URBAN   | 7.1                   | 10.8                       | 12.1                 | 12.0                  |
| RURAL   | 6.3                   | 10.8                       | 13.6                 | 13.6                  |
| FOOD INFLATION-URBAN/RURAL                        | 4.7/4.8               | 13.0/14.2                  | 16.6/19.3            | 16.7/19.7             |
|   | FY 2018               | FY 2019 <sub>P</sub>       | Jul - DEC 19         | -                     |
| CURRENCY IN CIRCULATION (IN BILLION RS.)          | 476.5                 | 562.2                      | 440.826              | -                     |
| <sup>P</sup> PROVISIONAL                          | -                     | -                          | -                    | -                     |
| <sup>PA</sup> PERIOD AVERAGE                      | -                     | -                          | -                    | -                     |
| <sup>T</sup> Target from Annual plan 2018-19- PBS | -                     | -                          | -                    | -                     |
| <sup>R</sup> Revised                              | -                     | -                          | -                    | -                     |

Data Sources: Planning Commission- PBS/ STATISTICS-SBP NEWS/ PROVISIONAL DATA



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a conducive regulatory environment.

Proposed changes in the Parent legislation (Companies Act):  
Definition of Startups: In the Third Schedule to the Companies Act, the following category is proposed to be added: An entity shall be considered as a Startup, up to a period of 10 years from the date of incorporation/registration; turnover of the entity for any of the financial years since incorporation/registration is not greater than 100 Million Rupees; entity is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation

## NA Passes Crucial Bill

The National Assembly on January 6, 2019, passed a crucial bill — The Mutual Legal Assistance (Criminal Matters) Bill, 2019 for exchange of information and criminals with countries to meet a requirement of the Financial Action Task Force (FATF) and for providing legal support to the requesting state (foreign country) by executing necessary actions on its territory in criminal cases warranting shared assistance.

## BoD and General Meetings

The State Bank of Pakistan (SBP) has asked financial institutions to ensure accurate recording of minutes of Board of Directors (BoD) and general meetings reflecting the key deliberations, rationale for each decision made and any significant concerns or dissenting views. The SBP has always stressed upon proper and detailed recording of minutes of the Board of Directors and general meetings so as to reflect a comprehensive picture of the deliberations held and decisions taken during these meetings.

## Economic Recovery & Job Creation in 2020

The government is expecting 2020 to be the year of economic recovery and job creation with the support of higher development spending, beginning of the second phase of the China-Pakistan Economic Corridor (CPEC) and revival of investor confidence. The second phase of CPEC will kick off during this year. 2020 will be year where the benefits of CPEC will start to trickle down through productive sectors of the economy, including industry and agriculture.

The first phase of CPEC (early-harvest projects) addressed key infrastructure gaps in the economy with focus on energy and transport bottlenecks. The second phase will build on the success of early-harvest projects and in 2020 resources will be focused towards generating greater economic activity and creating jobs. CPEC's second phase is focused on industrialization, socio-economic development, agriculture modernization and tourism promotion.

## SEZs

Central to this phase is the development of three special economic zones (SEZs) on a priority basis, namely Rashakai (Nowshera), Allama Iqbal (Faisalabad) and Dhabeji (Thatta). Growth recovery and job creation will be supported by higher government Public Sector Development Program (PSDP) spending in 2020. The government has allocated Rs1.6 tr in PSDP spending in 2020, an increase of 33pc from Rs1.2tr in the 2018-19 fiscal year. The SEZs will help attract large FDI into Pakistan and help to reverse the tide of de-industrialization over the last 10 years. The government has announced incentives including tax holidays to attract Chinese business to make investments in Pakistan through joint ventures with local industry.

## Pakistan Makes It to Forbes List of Best Places to Visit in 2020

It is official. Pakistan is all set to become a must-visit destination for travelers and tourists looking for something new, something different in 2020. A recent Forbes article includes Pakistan in its The Not Hot List: 10 Best Under-the-Radar Trips for 2020. Pakistan is perhaps the ultimate adventure travel destination," says Jonny, founder of Wild Frontiers. "It offers ancient Indus civilizations stretching back 4,000 years, and exciting cities like Lahore with its forts, mosques and palaces. But most of all, it offers incredible scenery, particularly in the north where the three greatest mountain ranges collide. Pakistan is great for trekking, mountain biking or just cultural tourism. The infrastructure has also improved, with resurfaced roads and new tunnels cutting down travel time, new luxury hotels are opening up in the region." Just last month, Pakistan made it to Condé Nast Traveler's list of best holiday destinations for 2020. And while it is clear that an improved security situation has



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revived the tourism industry, it is really the country's natural beauty and diverse cultures that attract local and foreign tourists alike. In addition, British Backpackers Society (BBS) had declared Pakistan as the world's third-highest potential adventure destination for 2020.

## INTERNATIONAL SCENARIO

### **Musk Hands Over Made-in-China TESLAS to Early Buyers in Shanghai**

TESLA CEO Elon Musk presented the first batch of made-in-China cars to ordinary buyers recently in a milestone for the company's new Shanghai giga-factory, but which comes as sales decelerate in the world's largest electric-vehicle market. The eccentric entrepreneur danced awkwardly, gave out high-fives, and mugged on a stage as sleek Model 3 sedans, the company's mid-price, mass-market offer, were driven up one by one and presented to buyers who jumped into the back seats before being driven away at the plant.

### **CEO Tim Cook Sees Pay Plummet Along with Apple Performance**

Apple chief Tim Cook saw his annual pay slip to \$11.6 mn in 2019 after the company registered a weaker financial performance compared with the previous year, according to documents filed recently. Cook, who took home \$15.7 mn in 2018, is paid a base salary of \$3 mn, in addition to a bonus and various compensations. His 2019 incentive bonus, which is tied to Apple's performance, tallied about \$7.7 mn, and was calculated based on the fact that Apple exceeded its sales target by only 28pc. That compared with \$12 mn in 2018, based on the company exceeding its sales target by 100pc, the filing with the Securities and Exchange Commission said.

### **Russia Resumes Limited Oil Supplies to Belarus**

Belarus has reached an agreement with Russia for limited oil supplies after Moscow earlier this week stopped supplying crude amid stalled talks on strengthening economic ties

between the neighboring countries. Belarusian state-run oil company Belneftkhim said that the country's refineries started receiving the first batch of crude oil, sufficient to ensure non-stop operation of the country's refineries in January 2020. Russian pipeline operator Transneft confirmed earlier that it would transfer 133,000 tonnes of oil to Belarus. According to a statement from Belneftkhim, the oil would come at a discounted price while negotiations for resuming regular imports continue.

### **US Farmers See Another Bleak Year**

Across snow-covered North Dakota, US farmers are stuck with fields full of weather-damaged corn, a crop they planted after the US-China trade war killed their soybean market. Many do not know yet what crops they will plant next season among a host of dicey options. In Texas, Kansas and Colorado, farmers are weighing whether they should plant fewer acres of corn and more sorghum, even though China has stopped buying it. That is because sorghum costs about half as much as corn to plant, which appeals to farmers wary of investing too much for an uncertain return. As the US farm economy reels from the worst harvest in decades after nearly two years of the trade war, US grain growers are struggling to decide what crops might keep them in business. US President announced last month that China had agreed to double its pre-trade war purchases of US agricultural products over the next two years as part of a Phase 1 trade deal. That brought little comfort to US farmers because China still has not confirmed the commitment or signed any deal. Many US farmers have tried shifting crops to dodge the economic fallout from losing such a crucial export market. They planted 76.5 mn acres of soybeans in 2019, 14.3pc fewer than the previous year, according to the latest US Department of Agriculture data. US plantings of sorghum, used in livestock feed and the fiery Chinese liquor baijiu dipped about 7.5pc in 2019, to 5.3mn acres. Plantings of cotton have dropped, too, as China pulled back on purchases.

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