



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 15, Issue No. 04 | Date: January 24, 2020

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

PAKISTAN TIDINGS

Six-month FDI Rises 68.3pc

The inflows of foreign direct investment (FDI) jumped 68.3 pc to \$1.34 bn during the first half of the current fiscal year compared to \$796.8 mn in the same period last year. The major chunk of these investments was concentrated in the telecommunication, power and electrical machinery sectors with China and Norway emerging as the top investors. The SBP figures showed surprise addition of Malta which invested \$111.1 mn during the July-December period of 2019-20. The jump in the cumulative FDI numbers came following a one-off payment made by the telecommunication companies Telenor, Warid and Zong for license renewal. Country-wise, China retained its top position with total investment including direct and portfolio of \$422.3 mn. The data further showed Norway as the second leading investor in the country pouring \$288.5 mn during the period under review. The tally includes license renewal fee paid by the Norwegian telecom firm and injection of \$70 mn capital in Telenor Microfinance Bank.

Banking Briefs

Deposits of all scheduled banks as on January 3, 2020 stood at Rs. 14,709.363 bn when compared to the position as on December 27, 2019, the deposits amounted to Rs. 14,631.875 bn, an increase by 0.53 pc. **Gross Advances** of all scheduled banks amounted to Rs. 8,170.986 bn as on January 3, 2020, when compared to the position as on December 27, 2019, the same amounted to Rs. 8,157.816 bn, more by 0.16 pc.

Oil Import Bill Falls by 20 pc

Pakistan's oil import bill and local production of petroleum products declined by almost 20pc and 12pc, respectively, during first half of the current fiscal year. According to data released by the Federal Bureau of Statistics (PBS), the oil import bill during the first six months (July-December 2019) fell by 19.87pc in Dollar terms as compared to the same period last year despite higher oil prices in the international market. Total oil imports amounted to \$6.14 bn during first half of the current year, compared to \$7.66 bn during the same period last year.

Hyundai-Nishat Begins Truck Production

Hyundai-Nishat Motor Company recently started commercial production of light trucks at its assembly plant in Faisalabad. This news comes at a time when automobile sales in the country are rapidly plummeting amid stabilization policies being pursued by the government under the \$6 bn International Monetary Fund program. The company, which plans to launch three locally assembled Hyundai passenger cars, each every six months from June, expects to run one shift over the next few months in view of the depressed domestic auto sales, rolling out only 20-25 units of its light trucks a day.

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	13.22	13.47
CHANGE	-0.02	-0.02

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 202.50	PKR 172.50	PKR 155.20
ENDING	PKR 203.50	PKR 172.00	PKR 154.80
CHANGE	+1.00	-0.5	-0.4

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	43,167
ENDING	42,633
CHANGE	-534

GOLD RATE

(10 gm)

STARTING	PKR 76,732
ENDING	PKR 77,390
CHANGE	+658



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Govt to Screen Rs. 4.03 tr Investments in Savings Schemes

The government has decided to initiate screening of Rs. 4.038 tr investments in National Savings' schemes of more than 7 mn investors to stop any ill-gotten money to become part of the financial system and to safeguard valued investors from the menace of money laundering and terror financing. The decision came as part of compliance with Financial Action Task Force (FATF) recommendations. The Asia Pacific Group in its recently published Mutual Evaluation Report has pointed out a number of deficiencies on the part of Central Directorate of National Savings (CDNS), which has negatively affected the overall grading of different recommendations.

CAD shrinks 66.5pc

The current account deficit fell by 66.5pc in first half of the current fiscal year. The impressive reduction in deficit during the last six months is likely to bring down the current account into net positive by the end of this fiscal year. The SBP data showed the deficit during July-December was \$2.153 bn compared to \$8.614 bn in the same period last year. The major reason for the fall in current account deficit was the sharp decline in import bill which declined to \$22.209 bn in the last six months compared to \$28.063 bn last year. If the current pace of decline continues, there is a high probability that the current account would end in surplus by the end of this fiscal year. The deficit in December was \$367 mn, slightly higher than \$364 mn in November. However, the current account posted a surplus in October.

Rise in Non-textile Exports

Exports of non-textile products went up nearly 2pc year-on-year to \$4.63 bn during July-December period mainly due to a double-digit growth in eatables. The upward trend in non-textile products shows exports from these sectors have rebounded in the ongoing fiscal year. This may be due to highest-ever depreciation of the Rupee, which was highly concentrated in few textile-based products. Under various subsidy schemes, the government had extended cash support to leather, footwear, sports goods, surgical, engineering, furniture, meat and meat products, fish

PAKISTAN'S MAJOR ECONOMIC INDICATORS

REAL SECTOR (GROWTH IN %)	FY 2018 _R	FY 2019 _P	FY 2020 _T	-
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 _{PA}	JUL-DEC 2019 _{PA}	DEC 2019	-
NATIONAL	6.8	11.1	12.6	-
URBAN	7.1	11.0	12.0	-
RURAL	6.3	11.3	13.6	-
FOOD INFLATION-URBAN/RURAL	4.6/4.8	13.7/15.1	16.7/19.7	-
	FY 2018	FY 2019 _P	Jul 19 - 10 JAN 2020	-
CURRENCY IN CIRCULATION (IN BILLION RS.)	476.5	562.2	526.158	-
^P PROVISIONAL	-	-	-	-
^{PA} PERIOD AVERAGE	-	-	-	-
^T Target from Annual plan 2018-19- PBS	-	-	-	-
^R Revised	-	-	-	-

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



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products and cutlery manufacturers in a bid to increase non-textile exports.

Foreign Investment in Treasury Bills Reaches Record \$2.2 bn

Pakistan received a record foreign investment of \$2.225 bn in treasury bills during the current fiscal year. The latest T-bills auction held on Jan 15, yielded \$537.9 mn, the highest amount for a single auction which was also confirmed by the State Bank of Pakistan. The government had during the Jan 15 auction received Rs. 1.1 tr, but raised Rs. 274 bn in T-bills. The data issued by the State Bank recently showed that over 95 pc investment in T-bills came from the UK. Out of the total investment of \$537.9 mn, \$456.7 mn came from the UK and \$80.2 mn from the USA.

INTERNATIONAL SCENARIO

World Economic Forum Sounds Alarm Over Climate Crisis

The Global Risks Report 2020 published recently by the World Economic Forum says economic and political polarization will rise this year, while collaboration between world leaders, businesses and policy-makers is needed more than ever to stop several threats to climate, environment, public health and technology systems. There is a clear need for a multi-stakeholder approach to mitigating risk at a time when the world cannot wait for the fog of geopolitical disorder to lift, according to findings of this year's report released ahead of the World Economic Forum meeting which opened in Davos, Switzerland on January 21. The report forecasts a year of increased domestic and international divisions and economic slowdown. Geopolitical turbulence is propelling towards an unsettled unilateral world of great power rivalries at a time when business and government leaders must focus urgently on working together to tackle shared risks.

EU's €1 tr Plan to Support Green Deal

The European Union plans to dedicate a quarter of its budget to tackling climate change and to help shift 1 tr

Euros (\$1.1 tr) in investment towards making the economy more environmentally friendly over the next 10 years. The Europe Investment Plan unveiled recently will be funded by the EU budget and the private sector. It aims to deliver on European Commission President Ursula Von Der Leyen's Green Deal to make the bloc the world's first carbon-neutral continent by 2050. The plan includes a mechanism designed to help the regions that would be most disrupted economically by the transition to cleaner industries. It does not depend on any further approval from EU countries. Von Der Leyen, who took office in December, has made the fight against climate change the priority of her mandate.

Demand for Electricity Shrinks Amid Indian Economic Slowdown

India's annual electricity demand in 2019 grew at its slowest pace in six years with December marking a fifth straight month of decline, government data showed, amid a broader economic slowdown that led to a drop in sales of everything from cars to cookies and also to factories cutting jobs. Electricity demand is seen as an important indicator of industrial output in the country and a sustained decline could mean a further slowdown in the economy. India's power demand grew at 1.1pc in 2019, data from the Central Electricity Authority showed, the slowest pace of growth since a 1pc rise seen in 2013. The power demand growth slowdown in 2013 was preceded by three strong years of consumption growth of 8pc or more.

Malaysia to Buy Sugar from India

MSM Malaysia Holdings Berhad will buy 130,000 tonnes of raw sugar from India worth 200 mn ringgit (\$49.20 mn) in the first quarter, the company told recently. It bought around 88,000 tonnes of raw sugar from India in 2019. MSM is the sugar refining arm of the world's largest palm oil producer, FGV Holdings, which is a unit of Malaysian state-owned Federal Land Development Authority or FELDA.

Trump Revives Trade Battle With Europe

US President Donald Trump, fresh from calling a trade truce with China, threatened on Wednesday to impose crippling tariffs on European autos unless the EU budges on a transatlantic deal. The European Union talked up hopes for such an accord, while France signaled progress in a row over a new tax that



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seeks a fairer share of the titanic profits amassed by US tech companies. Britain, however, vowed to press ahead with its own digital tax targeting the likes of Amazon, Facebook and Google, despite the potential impact on its hopes of forging a trade deal with the United States as it exits the EU.

MANAGEMENT VIEWS

TIPS

Managers: Take Responsibility for Employee Burnout

No manager wants a stressed-out team. And while employees have some responsibility to monitor their stress levels, leaders need to play a critical role in preventing and remedying burnout. Start with curiosity. Ask yourself: What is making my staff so unhealthy? How can I help them flourish? Then, gather data by asking your team what causes them to feel motivated or frustrated. Employees may not have a silver-bullet solution, but they can most certainly tell you what is not working, and that is often very helpful data. Then, ask your team what they need. Think about small changes, for example, asking: If we had this much budget and could spend it on X many items in our department, what would be the first priority? Have the team vote anonymously, and then share the data with everyone. Discuss what was prioritized and why, and then start working down the list, performing small pilots and assessing what works. The good news is that burnout is preventable, and these low-risk and inexpensive experiments will give you useful information about what you need to change in your work environment. (This tip is adapted from *Burnout Is About Your Workplace, Not Your People*, by Jennifer Moss-HBR.)

Should You Disagree in a Job Interview?

When you express your honest opinion during an interview, you present yourself as you are, not as who you think the

employer wants you to be. But disagreeing with an interviewer is not always easy because of the imbalance of power. Navigate the potential downsides by doing a few things before and during the interview. First, research the company. Is the culture one where people are receptive to new ideas? Are the organization and its founders known for inclusion and open-mindedness, or do they have a slow-moving, legacy mindset? During the meeting, if the interviewer asks a question that gives you pause, resist the urge to answer immediately. Take time to formulate a thoughtful response. And ask for permission to provide a different viewpoint. Say something like: "I see this differently. May I share my perspective with you?" Of course, follow your gut. If you think disagreeing would not be well received, then bite your tongue. If the interviewer made you uncomfortable — if you felt dismissed or unheard — trust your instincts. When expressing differing opinions is not welcomed in an interview, it probably would not be encouraged once you are part of the company. (This tip is adapted from *How to Tactfully Disagree in a Job Interview*, by Caroline Stokes-HBR.)

SNIPS

Degrees of Separation

According to a survey from CareerBuilder, 27 pc employers in the United States now require master's degrees for roles in which historically undergraduate degrees sufficed.

It Takes a Village

In a 2019 survey, software comparison site GetApp found that 97pc of project managers use more than one digital tool for project management purposes.

Reducing Impact

Amazon announced in September 2019 that it will be carbon neutral by 2040.

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