



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan\*

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Volume 15, Issue No. 08 | Date: February 21, 2020

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

## PAKISTAN TIDINGS

### Revenue From Oil, Gas Products Rises by 44pc

The government is estimated to have collected almost 43.7pc higher revenue on key oil and gas products during the first half of this fiscal year than the same period last year despite over 10pc drop in domestic production and 20pc fall in imports, it emerged on February 16. Data released by the finance ministry puts the total revenue collection from seven important oil and gas products at Rs. 205 bn in six months (July-December 2019) compared to Rs. 151 bn of the same period in 2018, showing about 35pc increase. In addition, energy ministry officials put another Rs.160 bn collection as General Sales Tax (GST) on oil products in the first half of the current fiscal year compared to Rs. 103 bn of the same period last year, showing an increase of over 55pc.

### ECC Bans Onion Export, Sets Wheat Procurement Target at 8.25 mn Tonnes

The government recently banned export of onions and set a target of wheat procurement for coming season on federal and provincial levels at 8.25 mn tonnes at a minimum price of Rs. 1,365 per 40 kg. The decisions were taken at a meeting of the Economic Coordination Committee (ECC) of the Cabinet, presided over by Finance Adviser, which stopped short of banning export of chilies and sounded a warning to the market by announcing that 500,000 tonnes of wheat could be imported in case of any shortage during the year.

### SBP Reserves Reach \$12.5 bn

Foreign exchange reserves of the country further increased by \$12 mn to \$18.747 bn at the end of the week on Feb 14. The holdings of the State Bank significantly increased by \$74 mn to \$12.504 bn during the week under review. However, the holdings of the commercial banks witnessed a decline of \$62 mn to drop the total at \$6.242 bn.

### Banking Briefs

Deposits of all scheduled banks as on February 7, 2020 stood at Rs. 14,415.838 bn when compared to the position as on January 31, 2020, the deposits amounted to Rs. 14,672.801 bn, less by 1.75pc. Gross Advances of all scheduled banks amounted to Rs. 8127.233 bn as on February 7, 2020, when compared to the position on January 31, 2020, the same amounted to Rs. 8,164.047 bn, less by 0.45pc.

### Female Labor Force Share on the Rise in Pakistan, Unlike India

While female labor force participation in both Pakistan and India is below 30pc (half of the global average), the two neighboring countries seem to be heading

FOR UPCOMING TRAINING PROGRAMS OF IBP, PLEASE SEE THE LAST PAGE.

## 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	13.23	13.48
CHANGE	-0.01	-0.01

### FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 201.00	PKR 168.50	PKR 154.60
ENDING	PKR 201.00	PKR 166.70	PKR 154.30
CHANGE	0	-1.8	-0.3

### PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	40,243
ENDING	40,249
CHANGE	+6

### GOLD RATE

	(10 gm)
STARTING	PKR 77,718
ENDING	PKR 79,304
CHANGE	+1586



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in different directions, with Delhi recording an average decrease of 1pc and Islamabad witnessing 2pc rise in female labor force participation in recent decades. These findings were part of an International Monetary Fund's (IMF) study titled 'Women in the Labor Force: The Role of Fiscal Policies'. According to the IMF staff report, women in most countries do not have same opportunities as men have, to participate in economic activities. Although the gender gap in labor force participation has declined substantially over the past 30 years, average female labor force participation remains well below the male rate.

## Cotton Production Falls to 8.6 mn Bales

Cotton production fell by 20.12pc to 8.6 mn bales till January 15, this season against 10.7 mn bales in the same period last year, the Pakistan Cotton Ginners Association (PCGA) said recently. In its fortnightly report, the PCGA noted that the production of cotton bales went down by 2.153 mn in the current season. The country is likely to miss the target of 9.5 mn bales.

## China to Help Fight Locusts as Major Crops Face Danger

China is sending a team of technical experts to Pakistan to deliberate on the aerial management of locust swarms in the country. The locust swarm invaded the country last year and has devastated the cotton crop in the last planting season and is already threatening the country's wheat crop. The swarm arrived last summer, but has grown to threatening proportions since November 2019 when the Food and Agriculture Organization (FAO) issued a warning that the swarm has started to leave its reproducing grounds in the deserts from Cholistan to Tharparkar. The federal government has declared an emergency this month but is struggling to figure out a robust response.

## Poultry Farm Industry Providing Employment to 1.5 mn People

Punjab Minister for Livestock and Dairy Development Sardar Hasnain Dreshak has said that the poultry industry is providing employment/business opportunities to 1.5 mn people and this is a major source of provision of food and nutrition to the public.

## 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 19 - JAN 20 <sub>PA</sub>	JAN 2020	-
NATIONAL	6.8	11.6	14.6	-
URBAN	7.1	11.3	13.4	-
RURAL	6.3	12.0	16.3	-
FOOD INFLATION-URBAN/RURAL	4.6/4.8	14.5/16.3	19.5/23.8	-
	FY 2018	FY 2019 <sub>P</sub>	Jul 2019 - 7 FEB 2020	-
CURRENCY IN CIRCULATION (IN BILLION RUPEES)	476.513	562.210	545.333	-
<sub>P</sub> PROVISIONAL	-	-	-	-
<sub>PA</sub> PERIOD AVERAGE				
<sub>T</sub> Target from Annual plan 2018-19- PBS				
<sub>R</sub> Revised				

\*As on February 04, 2020

Data Sources: The State of Pakistan's economy - 1<sup>st</sup> Quarterly Report 2019 - 2020. Real Sector



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## Jul-Jan FDI Posts 66pc Growth

Foreign Direct Investment (FDI) maintained upward momentum and registered some 66pc growth during first seven months of this fiscal year (FY20), supported by massive inflows in telecom and power sector. The State Bank of Pakistan (SBP) recently reported that Pakistan fetched FDI amounting to \$1.564 bn during July-Jan of FY20 compared to \$943.6 mn in the same period of FY19, showing an increase of 65.7pc or \$ 620 mn. During the period under review FDI inflows stood at \$2.028 bn against the outflow of \$ 464 mn. The detailed analysis revealed that some five sectors, including communication, power, financial business, oil & gas and electrical machinery contributed some 84pc to overall FDI.

## Textile Exports Up 3.7pc

Textile and clothing exports increased 3.68pc year-on-year to \$8.099 bn during the first seven months of 2019-20, from \$7.812 bn in same period last year, showed Pakistan Bureau of Statistics data recently. The July-January figures showed marginal growth in textile and clothing exports emanated from the value-added sector. This uptick in the value-added sector helped raise the overall exports by 2.2pc year-on-year to \$13.05 bn in 7MFY20, from \$13.215 bn in corresponding months the year before. In January, textile and clothing export proceeds were recorded at \$1.19 bn, higher by 2.25pc, from \$1.16 bn over similar month of 2019. Product-wise details reveal exports of knitwear increased by 6.27pc in value and 4.57pc in quantity, followed by 2.77pc and 9.78pc in bedwear, respectively. Foreign sales of readymade garments rose by 10.84pc in value and 20.99pc in volume while those from towels dipped by 0.52pc in value but were up 6.3pc in quantity. Export of cotton yarn inched up 0.78pc during the period under review.

## INTERNATIONAL SCENARIO

### Cayman Islands Tops Ranking of Money Hideouts

British overseas territory the Cayman Islands, the United States and Switzerland do most to help the globe's richest citizens hide and launder money, according to a ranking published on February 18, by a group pushing for reform. The study by the Tax Justice Network tests how much countries'

legal and financial systems enable the hiding of wealth by checking, for example, on money-laundering laws, controls and the amount of financial activity in a country. The research comes amid a renewed debate around financial reform, following scandals in Europe involving Russian money using the Baltics as a stepping stone to the western world. Alex Cobham, chief executive of the Tax Justice Network, said the "Anglo-American axis of secrecy" was exacerbating corruption and tax abuse. In its analysis, the study's authors said the Cayman Islands was part of what it dubbed Britain's 'spider web' of satellites, where London influences laws and the appointment of officials.

### HSBC to Slash Investment Bank, 35,000 Jobs

HSBC Holdings PLC said recently it would shed \$100 bn in assets, shrink its investment bank and revamp its U.S. and European businesses in a drastic overhaul that will mean 35,000 jobs cut over three years.

### China to Waive Tariffs on US Medical Imports

China will waive trade-war tariffs on imports of selected US medical equipment from March 2, the government said recently, as the country battles to contain the new coronavirus epidemic. The move comes as doctors and nurses treating virus patients in China's overstretched hospitals struggle to deal with the health crisis amid a shortage of basic medical items.

### EU Threatens Tougher Rules on Hate Speech After Facebook Meeting

A top EU official for digital policy warned recently that big tech companies could face tougher rules and penalties in Europe if they failed to adequately curb hate speech and disinformation. European Industry Commissioner Thierry Breton's remarks followed talks with Facebook boss Mark Zuckerberg, who was in Brussels urging officials to not go too far in punishing platforms for carrying hate speech. "If all the platforms operating on the European continent do not respect the conditions that I have just outlined, yes, we will be forced to intervene in a stricter way," Breton said.

### Japan in Worst Economic Slump in 5 Years

Japan has suffered its worst quarterly GDP contraction in more than five years, with a tax hike and a deadly typhoon



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taking a toll on the world's third-largest economy. The nation's gross domestic product in the three months to December shrank 1.6pc from the previous quarter, even before the novel coronavirus outbreak in China hit Japan, according to official data published on February 17. The quarter was marked by a rise in consumption tax from 8pc to 10pc, as well as Typhoon Hagibis, which killed more than 100 people and caused widespread flooding. Monday's data snapped four quarters of growth and was the biggest contraction since the second quarter of 2014 when the economy shrank 1.9pc.

## UK Household Finances Hit Record High

A gauge of how Britons feel about their household finances hit its highest level on record this month, the latest sign of a confidence bounce since Prime Minister Boris Johnson's decisive election win in December. The IHS Markit Household Finance Index jumped to 47.6 in February from 44.6 in January, the highest index reading since the survey began 11 years ago. The latest Household Finance report signals a number of developments that should keep the Bank of England doves at bay and build optimism towards the UK's immediate economic prospects according to Joe Hayes, an economist at IHS Markit.

## MANAGEMENT VISTA

### TIPS

#### Learn to Pronounce Your Colleagues' Names Correctly

Learning to pronounce a colleague's name is not just a common courtesy, but an important effort in creating an inclusive workplace. When you are unfamiliar with how to say someone's name, ask how to pronounce it. Listen carefully to where the person puts emphasis and where the inflections are. Repeat after them once or twice, not more. If you know you will interact with your colleague often, make a note on

how to phonetically pronounce that person's name. Once you have heard the correct pronunciation, thank the person and move on. Do not spend a long time talking about how unfamiliar you are with the name. If you realize that you have been saying a colleague's name wrong, apologize and ask for the correct pronunciation. A good rule of thumb is to say, "I am sorry I mispronounced that. Could you please repeat your name for me?" And if you hear a co-worker mispronounce someone's name when that person is not around, step in and correct the co-worker gently. A simple statement like "I think it is pronounced ..." will save everyone potential discomfort later on. (This tip is adapted from *If You Don't Know How to Say Someone's Name, Just Ask*, by Ruchika Tulshyan-HBR.)

#### Managers: Do Not Emotionally Overextend Yourselves

Leaders are often approached by employees for help with personal problems and many are happy to oblige. But new research shows that providing emotional support to direct reports can be taxing and negatively impact your mood and performance. What does this mean for managers who want to help? First, recognize that helping employees with their personal issues may put you in a bad mood. This does not mean you should not, of course, but be aware of the potential impact. And because negative emotions are sticky, the impact may bleed into your personal life as well. If you do offer assistance, follow up by asking if your help was beneficial. Knowing that you helped may protect and even improve your mood. You should refer employees in particularly distressing situations to professional counsellors in the company or outside, especially if you do not feel qualified to help. Both you and your employees may be better off in the long run. (This tip is adapted from *The Costs of Being a Caring Manager*, by Klodiana Lanaj and Remy E. Jennings-HBR.)

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## KARACHI

	WORKSHOP	FACILITATOR	FEE*	TIMINGS
25-FEBRUARY TUESDAY	Consumer Mortgage Finance - A Technical Finance (Housing Finance)	Murtaza Rizvi	PKR 12,500	9 am - 5 pm
26-FEBRUARY WEDNESDAY	Data Analytics & Business Intelligence	Rahim Zulfiqar Ali	PKR 12,500	9 am - 5 pm
29-FEBRUARY SATURDAY	Risk Based Approaches in International Trade	Aqeel Muslim	PKR 12,500	9 am - 5 pm
10-MARCH TUESDAY	Compliance of Regulatory Instructions While Dealing With Foreign Exchange Operations	Zaheer Ahmed	PKR 12,500	9 am - 5 pm
11-MARCH WEDNESDAY	Advance Credit Risk Administration & Collateral Management - Risk & Challenges	Murtaza Rizvi	PKR 12,500	9 am - 5 pm

## LAHORE

	WORKSHOP	FACILITATOR	FEE	TIMINGS
26-FEBRUARY WEDNESDAY	Cyber Crimes Preventive Methods & Strategies	Arshid Rathor	PKR 12,500	9 am - 5 pm

## ISLAMABAD

	WORKSHOP	FACILITATOR	FEE	TIMINGS
11-MARCH WEDNESDAY	Trade Based Money Laundering & FATF Sanctions	M. Junaid Younas Ghori	PKR 12,500	9 am - 5 pm

## GUJRANWALA

	WORKSHOP	FACILITATOR	FEE	TIMINGS
26-FEBRUARY WEDNESDAY	SBP Guidelines on Payment & Collection of Cheques - Fraud & Forgery Measures to Mitigate Risk in Payment	Hafiz Riaz Ahmad	PKR 12,500	9 am - 5 pm

\*per participant

\*\*To be announced

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