



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

Page No. 01

Volume 15, Issue No. 06 | Date: February 07, 2020

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

PAKISTAN TIDINGS

SBP Takes Major Steps for Promoting Financial Inclusion

In order to further improve the digital payment services landscape in the country and promote financial inclusion, SBP has issued instructions to the banking industry for improving the acceptance of payment cards in the country. Specifically, SBP has taken three steps: one, the banks are now bound to offer the domestic payment scheme card, PayPak, to the customers as a first priority, whereas cards of international payment schemes like Visa, MasterCard and Union Pay may be issued on the request of the customer. Two, the merchant discount rate (MDR) i.e. the fee charged by banks to the merchants, will now be in the range of 1.5 to 2.5 pc. Earlier banks were allowed to charge any fee to the merchants. Three, the distribution of revenues generated from a merchant among the players including card issuer, card machine deploying entity and the payment scheme company, has also been rationalized to keep the incentives equitable among all the players. These measures are expected to increase payment card acceptance access points in the country and in turn will also help in digitizing the economy and promoting financial inclusion. (Note: Ref. SBP's Circular No. ERD/M&PRD/PR/01/2020-13 dated Feb 3, 2020)

Banking Briefs

Bank Deposits – As on January 24, 2020, the total bank deposits stood at Rs. 14,424.138 bn as compared to Rs. 14,401.273 bn on January 17, 2020, more by 0.16 pc. **Bank Advances** – As on January 24, the total bank advances stood at Rs. 8,143.763 bn as compared to Rs. 8,132.307 bn on January 17, 2020, more by 0.14 pc.

IMF Mission to Review Performance Under Bailout Package

A staff mission of the International Monetary Fund (IMF) is in town for an 11-day second review of Pakistan performance under the \$6 bn bailout package signed in July last year amid a massive revenue shortfall in the first seven months of the current fiscal year. The completion of the review against a significantly modified 39-month program in November last year will determine if the government would secure disbursement in March of another tranche of about \$450 mn direly needed to build market confidence and foreign exchange reserves. Pakistan has so far secured about \$1.44 bn through an upfront release of about \$991 mn in July and first installment of about \$452 mn in December last year. Of the total \$6 bn extended fund facility, Pakistan would actually receive net inflows of about \$1.65 bn until 2023 as it would be repaying about \$4.36 bn to the IMF during the same period.

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	13.19	13.44
ENDING	13.26	13.51
CHANGE	+0.07	+0.07

FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 204.00	PKR 171.75	PKR 155.05
ENDING	PKR 201.50	PKR 170.50	PKR 154.50
CHANGE	-2.5	-1.25	-0.55

PAKISTAN STOCK EXCHANGE

100 Index

STARTING	41,630
ENDING	40,143
CHANGE	-1487

GOLD RATE

(10 gm)

STARTING	PKR 78,446
ENDING	PKR 77,761
CHANGE	-685



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Page No. 02

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IT Exports Rise 19pc

Pakistan's telecommunication, computer and information services exports jumped 18.5 pc to \$517 mn during the first seven months of current fiscal year. The major chunk of that came under the software consultancy services as exports of the segment rose by 12pc to around \$159 mn during the period under review. Following closely behind software consultancy, exports of computer software also rose 8.17pc to \$129 mn, from \$119 mn during the same period last fiscal year. This clearly shows that IT and ITeS (information technology enabled services) is a sector which has continued to show impressive growth in exports year on year.

Built-up houses on instalments

For the first time, completely built houses and apartments will be sold by the private sector allowing buyers to pay back in instalments while residing in these units, chief of Pakistan Mortgage Refinance Company (PMRC) said recently. The model has been adopted in collaboration with private sector builders and developers, said PMRC Managing Director and CEO Mudassar H. Khan, adding that the government will also build 5 mn units under the same model. Traditionally, private sector constructs houses with buyers' money and takes minimum 4 to 8 years to give possession to buyers. The biggest benefit for a buyer under this new model is that he/she will pay what he or she has been paying as rent. The installments could be slightly higher or even lower than a house rent; it depends on area and the size of houses and apartments, Khan said. Another big step is that the PMRC has decided to cover risk up to 40 pc in case of default, he added. The company gets loans from the World Bank and lends it to banks which provide credit for housing projects at cheaper rates to the purchaser.

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 19 - JAN 20 _{PA}	DEC 2019	-
NATIONAL	6.8	11.1	12.6	-
URBAN	7.1	11.3	12.0	-
RURAL	6.3	12.0	13.6	-
FOOD INFLATION-URBAN/RURAL	4.6/4.8	14.5/16.3	16.7/19.7	-
	FY 2018	FY 2019 _P	Jul 2019 - 24 JAN 2020	-
CURRENCY IN CIRCULATION (IN BILLION RS.)	476.513	562.210	462.458	-
_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

CEO Standard Chartered Bank Elected OICCI President

Shazad Dada, Chief Executive Officer, Standard Chartered Bank was elected president of the Overseas Investors Chamber of Commerce and Industry (OICCI) for 2020 term.



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Page No. 03

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Pakistan Urged to Explore Gas Resources

Pakistan has resources of 164 million barrels of oil and 24.6 trillion cubic feet of natural gas, says a research paper published recently by a US think tank. The paper 'Geopolitics, Poverty and Climate Change in Pakistan' urges Islamabad to consider ways to enhance investment in domestic exploration and development of these resources to overcome its energy crisis. The author Robert F. Ichord, Jr. is a senior fellow at the Atlantic Council and a former deputy assistant secretary for Energy Transformation at the US Department of State's Energy Resources Bureau. The paper notes that Pakistan depends principally on oil and gas for over 70 pc of its primary energy and has become increasingly dependent on oil and gas imports. Although Pakistan produced about 90 thousand barrels of crude per day in 2018, this only accounts for 18pc of total oil consumption. The author shows how the growing oil import bill puts great pressure on budgets and reserves. The International Monetary Fund (IMF) estimates Pakistan's 2017-18 oil imports at \$14.6 bn, or about a quarter of total estimated current account imports.

Pakistan Needs More Vocational Training

The 2018 UNDP National Human Development Report (NHDR) shows that 64 pc of Pakistan's population is below 30 years of age, which makes it the youngest population in South Asia. It should use an effective development strategy for TVET to harness its young potential. There are a number of problems in the country's TVET. There are only 3,798 TVET institutes in Pakistan. They have a limited capacity as they can accommodate only half a million trainees. The annual increase in youth unemployment is estimated at 1.5 million. TVET institutes have obsolete curricula. The youth prefer general higher education to vocational education. Specialized and sophisticated skills are required for most jobs these days, but there is a lack of linkage between the industry and TVET institutes. Government departments and private organizations prefer to hire employees with higher education to TVET diploma holders. There is a dearth of government funding for TVET institutes. Women's participation is very limited. Another major issue is the shortage of good trainers. Developed economies such as Norway, Finland and Switzerland have transformed their economies by focusing on TVET. These countries lead the world in terms of technological advancement and workforce development.

Uncertainty Grows Around China Imports

Confusion and uncertainty are rising in the market as the Chinese New Year ends while the government there has extended the closure of business till Feb 12 according to some announcements. Every year the Chinese New Year celebrations bring supply chains to a halt as factories in China shut down and workers head home for the holidays. This year, however, the outbreak of the 2019 Novel Coronavirus during these holidays has disrupted movements, with the Chinese authorities extending the shutdown to Feb 12 in most provinces. Some traders and businessmen in Pakistan said that loading of goods in China has come to a halt while others believe that everything is going normal. Most industries that rely on raw materials imported from China usually build stocks to last them through the holiday closure, but in some cases at least those stocks are now running low and businesses are left wondering when normal imports might resume.

INTERNATIONAL SCENARIO

Amazon's Bezos Net Worth Rises to \$124.2 bn

Amazon.com billionaire Jeff Bezos's fortune swelled to \$124.2 bn on Friday last as shares of his technology company surged 7.4 pc. The jump in billionaire's net worth came a day after the largest US e-commerce company stunned investors with a fourth-quarter profit that far exceeded Wall Street estimates. Bezos' net worth climbed \$9.3 bn through the first month of the year, according to the Bloomberg Billionaires Index.

Climate Takes Centre Stage at Siemens Meet

Under fire from climate protesters over his company's part in a massive coal mine project, Siemens chief executive Joe Kaeser hammered home the group's green credentials at its annual general meeting on January 5. Siemens "did not see the whole picture correctly and in time" when agreeing to supply rail signalling equipment to the planned Carmichael mine in Australia, Kaeser told shareholders in Munich, as the chants of activists outside could be heard. Kaeser said the company would make one billion euros (\$1.1 bn) available between now and 2025 to identify and reduce greenhouse emissions in its supply chains.



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Tesla's Market Value

Tesla Inc.'s market value has climbed above Volkswagen AG's for the first time to more than \$100 bn, a threshold that will trigger a huge payout for Elon Musk if he can sustain the feat for months. The electric-car maker's shares soared as much as 8 pc recently to a new intraday high of \$594.50. At that price, Tesla's market capitalization was roughly \$107.2 bn, exceeding Volkswagen's \$99.4 bn and trailing only after Toyota Motor Corp.

Visa, Master Card Could be the Next \$1 tr Companies

Tech and internet giants were the first to reach \$1 tr in stock market value, but the next US companies that could do so are better known for their plastic. Soaring stock prices are propelling credit and debit card companies Visa and Master Card up the market value charts, where they currently rank 7th and 11th among companies in the benchmark S&P 500 index. The stock prices of both Visa and Master Card have gained roughly 50pc in the past year. While the stocks may not keep up that torrid pace, Visa and Master Card would each be worth over \$1tr by 2023 if their average annual gains of the past three years were to continue, surging past the likes of Facebook and Berkshire Hathaway, if they also maintain their recent pace. Fueling their rise is a shift towards cashless financial transactions spurred by a rise in online shopping. Visa had a market value of \$449 bn and Master Card's stood at about \$324 bn as of January 30 close. The \$1 tr club currently includes Apple, Microsoft and Google-parent Alphabet. Amazon.com stood at \$927 bn, though the e-commerce leader's shares jumped on the heels of its earnings report after the bell, putting it in position to crack \$1 tr, as it did briefly in September 2018.

India Relaxes Fiscal Deficit Target, Cuts Taxes to Spur Growth

India relaxed its fiscal deficit target on February 2, 2020 raising spending and slashing taxes as it seeks to attract foreign investment and increase consumption in the wake of a prolonged economic slowdown. The Finance Minister announced the changes as part of the country's annual budget in parliament, a day after official data showed that Asia's third-largest economy grew 5pc last year, its slowest expansion since the 2008 global financial crisis. The fiscal deficit target for the current

financial year was now 3.8pc of GDP, up from an earlier 3.3pc. It will edge down to 3.5pc next year, she added. The government has been trying desperately to revive the economy, which has flagged for several quarters, with per capita consumption falling for the first time in four decades. The finance minister said Indians earning under 1.5 million rupees (\$21,000) a year could pay lower taxes if they agreed to forego existing exemptions, with a view to raising their purchasing power. Indian taxpayers are allowed to claim exemptions for a range of expenses, from medical insurance to vacation spending, under a labyrinthine tax regime that the government has vowed to simplify.

EU-UK Trade Talks to be Complicated

The long drawn-out battle over the UK's departure from the European Union was indeed painful, but one must see what comes next. While Britain formally left the EU at 11 pm local time last Friday, the hard work of building a new economic relationship between the bloc and its ex-member has just begun. There are difficult negotiations ahead as the UK goes its own way while trying to preserve links with its biggest trading partner, covering everything from tariffs and product standards to British industry's ability to recruit foreign workers and the EU's access to UK fishing grounds. There is a massive agenda to be agreed: trade in goods, trade in services, data protection, security cooperation, aviation, road haulage, fishing, you know the list is endless," said Jill Rutter, a senior research fellow at UK in a Changing Europe, a think tank that studies Britain's relations with the now 27-nation bloc.

SNIPS

The Cost of Leadership Training

Companies around the world invest an estimated total of \$356 billion in developing the skills of their leaders.

Active Members of the Community

Fitbit's user community has over 25 million members who take advantage of the features in the mobile app feed.

Talent Drain

The cost of employee turnover in 2018 was \$600 billion.



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Page No. 05

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MANAGEMENT VIEWS

TIPS

Freelancers, Build a Rapport with Potential Clients

From the initial conversation to the moment you seal a deal, success for independent contractors hinges on the client's decision to invest in and engage with you. Many freelancers focus on the business aspect of the interaction, but relationships and authentic connections drive business, so tell your story. Begin with an idea that explains your passion and approach. For example, if your expertise is public relations, you could say, "To me, PR is about understanding an audience and giving them a good story." Then, help your potential client understand your expertise, including relevant details about your career path. Finally, rather than ending on something about yourself, connect it back to them. For example, you might say: "The story you have is something people need to hear, and I can see it making an impact in a publication like Time." Also, pay attention during small talk. Whether you are talking about your rescue dogs or your shared sports fandom, you are building a rapport that signals: "We are cut from the same cloth. Your goals are my goals."

(This tip is adapted from *How to Negotiate as a Freelancer*, by Andres Lares-HBR.)

How to Ask for – and Get – an Email Introduction

Requesting an email introduction from a current contact can be a big ask. Busy people may get multiple similar requests each week, so it is important to do what you can to reduce their burden. One option is to provide them with a forwardable email that they can pass on to the target contact. Make sure you include a relevant – and brief – summary of your experience. Show that you have thoroughly researched the third party by including a few specific lines about how you

think the new contact can help you. Avoid using vague reasons like, "I want to expand my network." When the connection is made, make it easy for the person to connect with you. Offer several options for meeting times and send a calendar invite with the dial-in information. Most importantly, thank your current contact for the introduction and let them know how it went. They are more likely to make another one if they know you appreciated it and see that it led to new opportunities.

(This tip is adapted from *How to Ask for an Email Introduction*, by Ruchika Tulshyan-HBR.)

Break Out of Your Post-holiday Funk

Many of us begin a new year reflecting on the past and feeling bad about what we have not accomplished. Instead of ruminating on the previous year, focus on the future. Treat what you want to accomplish as a new challenge. Set specific goals and develop a realistic plan to get there. It is natural to compare yourself to others, so use that instinct to your advantage. For example, identify a close rival, someone whose performance is similar to your own but may be slightly better in an area you want to improve – and figure out what you could do to get to his or her level. Or compare your current self to your past self and use the recognition of your own trajectory to spur you to reach new heights. No one wants to start the new year in a rut, but with some small changes in your perspective you can hit the ground running.

(This tip is adapted from *The Post-Holiday Funk Is Real*, by Art Markman-HBR.)

SNIPS

Mentors in Demand

More than half the working population, 54pc, does not have a professional mentor.

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General Disclaimer: Data used in the Economic Letter is based on government sources besides recognised representative private sector trade bodies as reported in the print media. They are cross-checked before release. Yet an error or two may creep in, regrettable as they may be as part of human nature. Reporting is unopinionated. The Institute of Bankers Pakistan stands totally absolved of any error contained in the Economic Letter, either in reporting or composing.

KARACHI

	WORKSHOP	FACILITATOR	FEE*	TIMINGS
11-FEBRUARY TUESDAY	FATF and the AML Requirements in Pakistan	Samina Chaghani	PKR 12,500	9 am - 5 pm
17-FEBRUARY MONDAY	Internal and External Frauds - Tools for Fraud Investigation and Reporting	Naveed Elahi Malik	PKR 12,500	9 am - 5 pm
20-FEBRUARY THURSDAY	Enterprise Technology Governance and Risk Management	Syed M. Ali Naqvi	PKR 12,500	9 am - 5 pm
22-FEBRUARY SATURDAY	Risk Mitigation Measures for Financial Crimes	Naveed Elahi Malik	PKR 12,500	9 am - 5 pm
22-FEBRUARY SATURDAY	Customer Complaint Handling Skills	Ayesha Bela	PKR 12,500	9 am - 5 pm
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

LAHORE

	WORKSHOP	FACILITATOR	FEE	TIMINGS
14-FEBRUARY FRIDAY	SBP Inspection, Regulatory Compliance and Banks' Operational Issues	Mudayyar Naqvi	PKR 12,500	9 am - 5 pm
20-FEBRUARY THURSDAY	Trade Based Money Laundering & FATF Sanctions	Omer Zaheer Meer	PKR 12,500	9 am - 5 pm
21-FEBRUARY FRIDAY	AML/CFT - SBP Framework for Exchange Companies with Latest Updates and International AML Paradigm	Rizwan Khaleel Shamsi	PKR 12,500	9 am - 5 pm
26-FEBRUARY WEDNESDAY	Cyber Crimes Preventive Methods & Strategies	Arshid Rathor	PKR 12,500	9 am - 5 pm

ISLAMABAD

	WORKSHOP	FACILITATOR	FEE	TIMINGS
14-FEBRUARY FRIDAY	SBP Currency Management Strategy & Penalty Structure - Latest Updates	Rizwan Khaleel Shamsi	PKR 12,500	9 am - 5 pm
18-FEBRUARY TUESDAY	Processing Effective Credit Proposal & Risk Analysis	Imran Ali Soomro	PKR 12,500	9 am - 5 pm

*per participant

MULTAN

WORKSHOP

FACILITATOR

FEE

TIMINGS

20-FEBRUARY
THURSDAY

Processing Effective Credit Proposal & Risk Analysis

Mughees Raza Malik

PKR 12,500

9 am - 5 pm

HYDERABAD

WORKSHOP

FACILITATOR

FEE

TIMINGS

21-FEBRUARY
FRIDAY

AML 360°

Sehba Ehsan

PKR 12,500

9 am - 5 pm

PESHAWAR

WORKSHOP

FACILITATOR

FEE

TIMINGS

13-FEBRUARY
THURSDAY

SBP Inspection, Regulatory Compliance and
Banks' Operational Issues

Mudayyar Naqvi

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

QUETTA

WORKSHOP

FACILITATOR

FEE

TIMINGS

18-FEBRUARY
TUESDAY

SBP Guidelines on Payment & Collection of Cheques -
Fraud & Forgery Measures to Mitigate Risk in Payment

TBA*

PKR 12,500

9 am - 5 pm