



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 14, Issue No. 40 | Date: October 04, 2019

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

PAKISTAN OVERVIEW

SBP Grants In-principle Approval to NayaPay to Operate as EMI

The State Bank of Pakistan granted an in-principle approval to NayaPay to operate as an Electronic Money Institution (EMI) in Pakistan, a press release issued by the company said recently. The approval will enable the company to "commence pilot phase of transactions in a controlled environment and under the SBP's supervision to seek approval for the commercial launch of its services", according to the press release. With NayaPay, customers will be able to open e-money accounts as well as carry out "hassle-free" digital transactions. Users will also be able to withdraw cash through the NayaPay app and the associated debit card, which will be acceptable at any ATM, as well as pay bills. Customers will also be able to transfer money through mobile by using a secure EMVCo. QR code.

Pakistan Needs to Boost Savings Rate: SBP Governor

Low savings rate is one of the main reasons for low domestic investments in the country, said State Bank of Pakistan (SBP) Governor Dr. Baqir Reza, while speaking at the Institute of Business Administration recently. The governor shared the status of economy and elaborated on the actions taken by the SBP to improve the situation. He said the public sector should be a model to promote savings in the private sector. He also emphasized on the need to improve savings to increase domestic investments while adding that both, foreign and domestic investors are so far not taking interest in the economy. He said that the country has been facing serious challenge of twin deficits; current account and fiscal. However, he also pointed the improvement in current account deficit, which has fallen significantly from \$2 bn per month - highest ever in the country's history. The governor talked in detail over the issue of inflation and interest rate. He said the SBP's policy rate is a tool to control inflation and future decision on the rate will be taken after considering inflation.

Gwadar Port Ready for Transit Trade

Gwadar Port has been opened for transit trade and the first ship in this regard is set to arrive next week, a sub-committee of the Senate Standing Committee on Maritime Affairs was informed recently. Officials of the Ministry of Maritime Affairs briefed the sub-committee regarding transit trade and transshipment. The body was informed that the Afghan Trade Transit (ATT) Module required some changes that have been applied and after initial testing it is ready for application. The officials acknowledged that Gwadar Port's main competitors would be Singapore and Dubai ports, since incentives such as no cargo demurrage charges and three months' storage facility would surely divert business to Gwadar. The matter is being handled by PTCL and China Overseas Ports Holding Company Pakistan (Pvt.) Ltd. (COPHC) and the members noted that distance from the gate to the pole was around 3 kilometers, as opposed to 6.4 km that have been quoted.

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

MONETARY POLICY RATE

Effective from July 16, 2109 - 13.25pc

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	13.65	13.90
ENDING	13.65	13.90
CHANGE	0	0

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 194.00	PKR 171.00	PKR 156.40
ENDING	PKR 194.00	PKR 172.00	PKR 156.60
CHANGE	0	+1.00	+0.2

PAKISTAN STOCK EXCHANGE

100 Index

STARTING	32,070
ENDING	33,033
CHANGE	+963

GOLD RATE

(10 gm)

STARTING	PKR 74,931
ENDING	PKR 74,074
CHANGE	-857



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Cement Exports Jump 11.5pc

The country's total cement despatches during 1QFY20 went up by 2.56pc to 11.133 mn tonnes. Out of total sales, local despatches rose to 9.116 mn tonnes from 9.063 mn tonnes while exports grew by 12.54pc to 2.017 mn tonnes from 1.792 mn in 1QFY19. In September, total despatches increased by 11.51pc to 4.270 mn tonnes compared to the corresponding period last year following rise in both local consumption and exports. During the month, domestic consumption reached 3.472 mn tonnes from 3.114 mn tonnes during the same month last year. Exports rose to 0.798 mn tonnes last month as compared to 0.715 mn tonnes in September 2018, up by 11.66pc.

E-commerce Policy Approved

The Federal Cabinet recently approved the much-awaited first-ever e-commerce policy framework. While approving the framework at the cabinet meeting, Prime Minister Imran Khan remarked that e-commerce will add synergy to Pakistan's Kamyab Jawan Programme and One-Woman, One-Bank Account initiative, while proving to be a driver of youth empowerment and employment generation through digital connectivity. The current size of the local e-commerce industry seems to have no ballpark number. The only barometer to quantify is from sales proceeds. As per statistics, e-commerce sales in 2017 were Rs. 20.7 bn, which grew by 93.7pc to Rs. 40.1 bn in 2018. Compared to this, the e-commerce sales in India is \$33 bn, while in China it stood at \$1,526 bn. The e-commerce sales are very high in developed countries. Under the policy, there is a gradual shift of cash-on-delivery (CoD) payment method to digital payments, with a time line of September 2022 for payments beyond Rs. 10,000. Furthermore, efforts will be made to convert all CoD payments into digital payments preferably within 10 years (2029). Currently, 60pc e-commerce transactions by value are post-paid CoD transactions.

Pakistan's Major Economic Indicators - FY 2018 & FY 2019

REAL SECTOR (GROWTH IN %)	FY 2018	FY 2019 _p	-	-
REAL GDP	5.5	3.3	-	-
AGRICULTURE SECTOR	3.9	0.9	-	-
INDUSTRIAL SECTOR	4.9	1.4	-	-
SERVICES SECTOR	6.2	4.7	-	-
CPI INFLATION (YoY%)	FY 2019 _{pa}	JUL - AUG 19 _{pa}	JUN 2019	AUG 2019
NATIONAL	6.8	9.4	8.4	10.5
URBAN	7.1	9.7	8.7	10.6
RURAL	6.3	9.1	7.9	10.3
FOOD INFLATION-URBAN/RURAL	4.7/4.8	9.9/11.0	7.9/9.3	11.9/12.6
MONETARY SECTOR (IN BILLION Rs.)	FY 2018	FY 2019 _p	AUG 2019 _R	-
CURRENCY IN CIRCULATION	476.5 BN	562.2 BN	447.1	-
TOTAL DEPOSITS	935.5 BN	1232.4 BN	-773.1	-
_P PROVISIONAL	-	-	-	-
_{PA} PERIOD AVERAGE	-	-	-	-
_R Revised	-	-	-	-

SOURCES: PBS/ STATISTICS DEPT. SBP (Sep 2019)



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INTERNATIONAL VISTA

US Manufacturing Dives to 10-year Low

US manufacturing activity tumbled to a more than 10-year low in September as lingering trade tensions weighed on exports, further heightening financial market fears of a sharp slowdown in economic growth in the third quarter. The survey from the Institute for Supply Management (ISM) came on the heels of data last week showing a cooling in consumer spending in August. The economy's fading fortunes have been attributed to the Trump administration's 15-month trade war with China, which has sapped business confidence and undermined manufacturing. Ironically, manufacturing has borne the brunt of the trade tariffs, which the White House says are necessary to protect industries from what it says is unfair foreign competition. The ISM said its index of national factory activity dropped 1.3 points to a reading of 47.8 last month, the lowest level since June 2009, when the Great Recession was ending. A reading below 50 indicates contraction in the manufacturing sector, which accounts for about 11pc of the US economy.

WTO Slashes Forecast for Trade Growth

The World Trade Organization cut its forecast for growth in global trade this year by more than half on October 1, 2019 and said further rounds of tariffs and retaliation, a slowing economy and a disorderly BREXIT could squeeze it even more. The WTO said it now expected global merchandise trade to increase by 1.2pc this year, compared with its April estimate of 2.6pc. That growth was 3.0pc in 2018. For 2020, growth 2.7pc is forecast, down from a previous estimate of 3pc. The Geneva-based body said its reduced forecasts reflected estimates for slower expansion of the global economy, partly due to trade tensions, but also because of cyclical and structural factors and, in Europe, BREXIT-related uncertainty. The WTO gave a forecast range for trade growth this year of 0.5pc to 1.6pc and for 2020 of 1.7pc to 3.7pc, with the upper end of the ranges reachable if trade tensions eased. The United States and China have been locked in a trade war for over a year. They have levied punitive duties on hundreds of billions of dollars of each other's goods, roiling financial markets and threatening global growth.

China Warns About US Investment Curbs

China warned the US against trying to limit investment ties between the two countries, even as the Trump administration contradicted a report that Washington might be considering removing Chinese companies from American stock exchanges. The foreign ministry appealed to Washington to "meet us halfway" and resolve disputes amid a tariff war that threatens to depress global economic growth. China's warning comes two days after a US official tweeted a Treasury Department statement saying the administration "is not contemplating blocking Chinese companies from listing shares on the US stock exchanges at this time." Stock markets slid after Bloomberg News reported last week that US officials were considering restricting investment ties with China. It said other options including banning investments in Chinese companies by government pension funds.

India's Auto Sector: Slowdown Blamed on Millennials

India's Finance Minister recently claimed that a preference by millennials for ride-hailing apps was contributing to a painful slump in car sales, which sparked an online backlash. While data shows firms such as Uber and Ola are popular with younger consumers more comfortable with shared mobility and digital trends, analysts say the auto industry's problems run deeper than that and it is facing more serious bumps in the road. With a population of 1.3 bn people, India is the world's fourth-largest car market and one where owning a vehicle is as much a status symbol as a means of transport. But the country's once-booming auto sector, seen as an important barometer of overall economic health, is in the slow lane, with sales slumping for the 10th-straight month in August. The people are preferring ride-sharing apps. Uber and Ola reportedly facilitate some 3.65 mn daily rides. Still, Avanteum Advisors managing partner Ramakrishnan said the key reason for the drop in car purchases was economic. Banks are also more reluctant to lend owing to a liquidity crunch caused by the near-collapse a year ago of IL&FS, one of India's biggest shadow banks - finance houses responsible for significant consumer lending.



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MANAGEMENT OUTLOOK

How to Answer One of the Hardest Job Interview Questions

“So ... tell me about yourself.” Although this job interview question seems simple, answering it is anything but. Should you share your life story? Your job history? It’s tempting to turn your LinkedIn page into a monologue, but do not — the interviewer already has your résumé. Instead, talk about what the company really needs from the role you are vying for. Before the interview, scrutinize the job description for phrases like “required,” “must have” and “highly desired.” Go to the About Us section of the company’s website and read up on the corporate culture and core values. Then think about how to connect your background and interests to what the company is looking for. Practice your response so that you are ready when you walk into the interview room. You want to sound like your career has been building to this role and you are the best person to fill it.

(This tip is adapted from *How to Respond to “So, Tell Me About Yourself” in a Job Interview*, by Joel Schwartzberg-HBR.)

3 Questions to Ask Before Starting An Innovation Lab

Opening an innovation lab (also known as a business incubator or a research and development hub) can be a good way for your company to develop new products and ideas. But research shows many of these labs do not deliver on their potential — and the majority fail outright. Before you make such a large investment, ask yourself a few questions. First, what is the vision for the lab? Unless the incubator has a clear, well-defined goal, measuring success will be difficult. Second, what happens when an idea born in the lab needs to be developed further? Maybe the project will go back into the core business, or get passed on to an accelerator — it does not necessarily matter as long as everyone knows

the process. Third, how will you staff the lab? The best R&D hubs have both new talent from outside the company and insiders who know how the firm works. That mix of skills and knowledge will help ideas come to life and keep growing beyond the lab’s walls.

(This tip is adapted from *Why Innovation Labs Fail, and How to Ensure Yours Doesn’t*, by Simone Bhan Ahuja-HBR.)

SNIPS

All in The Family

More than 90pc of businesses in Asian, Middle Eastern and Latin American countries are family-owned.

A Billionaire’s Life

Business Insider reported last year that Jeff Bezos earned \$4,474,885 per hour.

Uber Makes History

Ride-hailing company Uber Technologies Inc. is taking to the air in New York City where users with a little cash to spare will be able to book helicopter flights to John F. Kennedy International airport through their apps. The company announced its Uber Copter offer recently, saying flights to and from Lower Manhattan would be available to all Uber users. Uber made the feature available to its premium members in June. The roughly eight-minute flight will cost between \$200 and \$225 per person and include ground transportation on either side of the trip. Passengers can bring along a small suitcase and have to watch a safety video before takeoff, similar to that on an airplane. The flights are operated by HeliFlite Shares, a licensed company, and Uber’s prices roughly compare to those of competitors offering helicopter rides to JFK.

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