



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

Page No. 01

Volume 14, Issue No. 41 | Date: October 11, 2019

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

PAKISTAN OVERVIEW

GSP Plus: Beyond textiles

Pakistan can beef-up exports to the EU by 15 times and not just in textiles. In fact, textile is only one of the sectors that enjoy GSP Plus concessions to 28 European countries. Since Pakistan became a beneficiary in 2014, its exports to the EU have averaged 32pc, against 25pc in the period prior to signing the scheme. However, the potential is much greater. Current exports to European Union (EU) under the GSP plus status have been heavily concentrated in apparel and textiles products while other areas have not received the same attention. Textile products account for more than 70pc of the total exports to EU. A study by the Pakistan Business Council in 2013 identified 74 items at 6 digits HS Code that appear to have a high potential for imports by EU from Pakistan after the GSP plus status. Some of the more prominent product categories that benefit from tariff exemption under GSP plus include leather, cereals, surgical goods and edible fruits to name a few.

Happy Tidings from Software Sector

The country's software exports grew by 2.4pc to \$1.09 bn during 2018-19, from \$1.06bn in the last fiscal year, data released by the State Bank of Pakistan showed. With more than 5,000 IT companies providing services to entities in around 100 countries, Pakistan information communication technology (ICT) sector is undergoing a boom as more than 10,000 application developers, freelancers enter into the workforce each year. The export sector remains focused on animation, software development, gaming, systems integration, billing and telemarketing services. "Pakistan's total ICT revenues have reached \$4.1bn," a Pakistan Software Export Board official said. The PSEB official further said that the size of the country's total software sector is likely to grow further by more than 3pc during the next five years.

Targets For Rabi Crops Fixed

The Federal Committee on Agriculture (FCA) set a wheat production target of 27 mn tonnes for 2019-20 Rabi season from a projected crop sowing area of 9.2mn hectares. Last season the country produced 25.507m tonnes of the commodity from 8.833mn hectares. The committee also fixed production targets for other Rabi crops including gram, lentil, potatoes, onion and tomatoes. The output target for gram has been set at 525,500 tonnes; lentil 8,700 tonnes; onion 2.1mn tonnes; and tomatoes 600,000 tonnes. Gram is grown mainly in Thal and contributes about 80pc to the production. The committee proposed that provinces should focus on oilseeds and pulses cultivation in order to reduce the import bill. The committee reviewed the performance of kharif crops and was informed that sugarcane production for 2019-20 is estimated at 64.77mn tonnes from an area of 1.06mn hectares; rice at 7.7 mn tonnes over 3.36mn hectares; maize output at 6.9mn tonnes on 1.386mn hectares. Production achievements of major and minor

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	13.39	13.64
CHANGE	-0.62	-0.62

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 194.00	PKR 172.00	PKR 156.60
ENDING	PKR 195.50	PKR 172.50	PKR 156.30
CHANGE	+1.5	+0.5	-0.3

PAKISTAN STOCK EXCHANGE

100 Index

STARTING	33,033
ENDING	34,475
CHANGE	+1442

GOLD RATE

(10 gm)

STARTING	PKR 74,074
ENDING	PKR 74,228
CHANGE	+154



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Page No. 02

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crops like wheat, mung, mash, gram, potato, lentil, onion, tomato and chilies were also discussed during the meeting. During 2018-19, banks also managed to meet the agricultural lending target of Rs. 1.174tr, achieving Rs. 1.25tr. A total of 4.012mn borrowers were served during the period by 50 agriculture lending institutions including commercial, specialised, microfinance, Islamic banks and other microfinance.

Public Debt to be 47pc Over Next Five Years

The government recently projected the country's total public debt to increase by 47pc in five years to Rs. 45.57tr from Rs. 31tr at the end of FY19. In its Public Debt Management Plan for FY20-24, the Ministry of Finance also estimated the total external debt increasing by 80pc to Rs. 18.77tr in FY24 from Rs.10.446 tr at present. On the other hand, the plan estimates the total domestic debt to increase by over 30pc to reach Rs. 26.8tr by FY24 from Rs. 20.57tr at the end of FY19. However, despite the massive increase in public debt stock, the debt to GDP ratio is estimated to come down from 80.4pc at present to 66.5pc by FY24.

Balochistan Woos Pakistani Investors

The Balochistan government is trying to persuade large Pakistani investors to form a consortium to invest their money in the development of Reko Diq copper and gold mining project. "Our first priority is to convince Pakistani companies to invest in this project because neither the provincial nor the federal government has the finances for developing this resource that will prove a game changer for both Balochistan and the entire country," provincial chief minister Jam Kamal Khan said during an interaction with senior journalists at the Punjab Governor's House recently. "The development of the project [for commercial production] requires an initial investment of \$3-4 bn, which is in addition to the \$6bn awarded by the International Centre for Settlement of Investment Disputes (ICSID) in July against Pakistan for terminating agreement with the Tethyan Copper Company (TCC).

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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Page No. 03

Volume 14, Issue No. 41 | Date: October 11, 2019

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INTERNATIONAL VISTA

EU Removes UAE, Switzerland, Mauritius From Tax Haven Lists

European Union finance ministers agreed to remove the United Arab Emirates, Switzerland and Mauritius from the bloc's lists of countries deemed to be acting as tax havens, a move that activists called a "whitewash". The 28-nation EU set up a blacklist and a grey list of tax havens in December 2017 after revelations of widespread avoidance schemes used by corporations and wealthy individuals to lower their tax bills. Blacklisted states face reputational damage and stricter controls on transactions with the EU. As part of the regular review of the lists, the ministers decided to drop the UAE from the EU blacklist that covers jurisdictions that have failed to cooperate with the EU on tax matters. The Marshall Islands has also been removed from that list, which still includes nine extra-EU jurisdictions - mostly Pacific islands with few financial relations with the EU. The UAE, the largest financial center which was blacklisted, was removed because in September it adopted new rules on offshore structures.

Global Value Chains Can Spur Growth

The 'World Development Report 2020' released by the World Bank has shown its optimism that developing countries can achieve better outcomes for their citizens through reforms which boost their participation in global value chains. These reforms can help them expand from commodity exports to basic manufacturing, while ensuring that economic benefits are shared more widely across society, says the report released recently. According to the publication, global value chains (GVCs) can continue to boost growth, create better jobs, and reduce poverty, provided that developing countries undertake deeper reforms and industrial countries pursue open, predictable policies. Technological change is likely to be more of a boon than a curse for trade and GVCs. The benefits of GVC participation can be widely shared and sustained if all countries enhance social and environmental protection. The report says GVCs promote productivity and growth and a 1pc increase in participation is estimated to boost per capita income levels by more than 1pc - about

twice as much as standard trade. GVCs help reduce poverty since gains in growth from global value chains are larger than from trade in final products, their impact on poverty reduction is also larger. These deliver better jobs as firms in global value chains draw people into more productive manufacturing and services activities and tend to

Non-Tariff Barriers Hurting Trade In Asia-Pacific

While applied tariffs in the Asia-Pacific region have halved over the past two decades, the number of non-tariff measures (NTMs) has risen significantly, according to a new United Nations report. The 'Asia-Pacific Trade and Development Report 2019' finds that NTMs are now affecting around 58pc of trade in Asia and the Pacific. One reason for the rise of NTMs is their growing popularity as weapons of trade policy in regional and global trade tensions. The report has been launched by UN Economic and Social Commission for Asia and the Pacific (UN-ESCAP). This can include government procurement limitations, subsidies to export and import restrictions as well as import and export bans through unilateral or multilateral sanctions. Meeting these complex and often opaque rules can require significant resources, affecting in particular SMEs, it says.

China, Locked In Trade War With US, Agrees To Tackle India's Trade Deficit

Chinese President Xi Jinping and Indian Prime Minister Narendra Modi agreed at a summit recently to set up a high-level group to tackle India's galloping trade deficit with the world's second-biggest economy, a top Indian diplomat said. Xi and Modi held nearly six hours of talks in an Indian seaside town in their second annual summit designed to break through decades of distrust over border disputes and trade rows. There was a good conversation on trade, an issue of concern; President Xi said China is ready to take sincere action in this regard and discuss in a concrete way how to reduce the deficit," he said. Bilateral trade between China and India reached \$95.54 bn in 2018, with the trade deficit at \$53 bn in China's favour, the biggest India has with any country.



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Page No. 04

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MANAGEMENT OUTLOOK

Try This Exercise to Think Like Your Company's Competitors

Sometimes a company's strengths can quickly turn into weaknesses. For example, a small and seemingly unimportant rival might figure out how to use your firm's size against you. Here is an exercise to help you look for threats and opportunities where you had not realized they exist. First, divide your employees into two teams. Ask team A to list your company's strengths and team B to list its weaknesses. Then have the teams swap lists. Ask team B to argue that the strengths are actually threats to the organization's future, and team A to argue that the weaknesses are opportunities. Next, do an external analysis: ask team A to list the strengths it sees in your competition, and team B the weaknesses. Again, have the teams swap lists and make the counterarguments. The goal of this exercise is to open your, and your employees', eyes to new possibilities — and guard against sudden changes that could mean trouble for your company.

(This tip is adapted from *Are Your Company's Strengths Really Weaknesses?* by Adam Brandenburger-HBR.)

Invest in Work Relationships That Help You Feel Fulfilled

Relationships are a big part of being happy at work. Whether your job is demanding or mundane, you are more likely to feel fulfilled if you regularly spend time with colleagues who support you and help you create a sense of purpose. Think through your values (who you are) and objectives (what you want to do). Then review your calendar for the coming month, and consider which events, lunches and coffee meetings bring you closer to your objectives and which do not. Do you thrive when interacting with people who are upbeat? Analytical? Calm? Ambitious? Are you collaborating with people who share your values? Of course, you can't control every facet of

your schedule, but when possible, prioritize working and spending time with colleagues who help you feel fulfilled — and minimize interactions with people you find depleting. Keep thinking about how you can make small adjustments to your calendar so that you're investing in the right relationships.

(This tip is adapted from *To Be Happier at Work, Invest More in Your Relationships*, by Rob Cross-HBR.)

Ask Three Questions Before Taking On A New Project

Being proactive at work is generally a good thing. But if your initiative is not channelled in the right way, it can backfire — squandering resources and even damaging your reputation. That's why it's important to think carefully before taking on a project. Ask yourself three questions to help. First, "am I the right person to lead this?" Consider whether you have the personal interest and professional expertise needed, as well as whether you can commit enough time and resources. Remember, not every problem is yours to solve. Second, "whose support will I need?" Consider who will be affected by the project and who you'll need on board for it to succeed. Make sure you'll be able to get the blessing of key stakeholders. Last, "do I understand how important this project is, or isn't, to the company?" If an idea doesn't align with your goals or the organization's mission, pursuing it is likely to be a waste of time.

(This tip is adapted from *When to Take Initiative at Work, and When Not To*, by Sharon K. Parker and Ying "Lena" Wang-HBR.)

SNIPS

The Fight Goes On

The World Economic Forum estimates that it could take 202 years to close the gender pay gap.

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