



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan\*

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Volume 14, Issue No. 43 | Date: October 25, 2019

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

## PAKISTAN OVERVIEW

### Pakistan to Implement FATF Action Plan

Pakistan is committed to fully implementing its action plan to counter money laundering and terrorist financing by February next year and there is no disagreement among various government institutions on this matter, said Financial Adviser Abdul Hafeez Shaikh. A global watchdog for money laundering and terrorist financing, the Financial Action Task Force (FATF), gave Pakistan a four-month lifeline recently urging Islamabad to fulfil its commitments by February 2020.

### Banking Brief

**Bank Deposits** – As on October 18, 2019, the total bank deposits stood at Rs. 13,838.063 bn as compared to Rs. 13,878.866 bn on October 11, 2019, less by 0.29 pc.

**Bank Advances** – As on October 18, 2019, the total advances stood at Rs. 8,037.484 bn as against Rs. 8013.365 bn on October 11, 2019, a rise of 0.30 pc.

### Youth, Women Spur Social Business Growth in Pakistan

From turning organic waste into fertilizer to sharing farm equipment, new businesses seeking to address social problems in Pakistan have made the South Asian nation one of the best performers in the second global poll on social entrepreneurs. As the government struggles to find solutions for a nation affected by poverty, water scarcity, climate change and lack of sanitation, social startups are emerging to fill the gaps. Pakistan was one of the three countries, along with Australia and the Netherlands, whose overall ranking improved the most since the first Thomson Reuters Foundation experts' poll on the best countries for social entrepreneurs in 2016. The country advanced 18 spots to place 14th among the world's 45 biggest economies, seen as a nation where social entrepreneurs can make a living and attract good staff. "The landscape has changed tremendously in terms of openness and receptivity for entrepreneurship," said Shaista Ayesha, who heads product development at SEED Ventures, a business incubator based in Karachi. "Almost all universities have business incubation centers that are either working with the public or the private sectors to support home-grown enterprises. Interest of young people in the sector was seen as spurring growth, with a youth boom giving Pakistan one of the world's youngest populations, a trend seen continuing until at least 2050, according to the United Nations Development Program. About two-thirds of Pakistan's 210 mn people are younger than 30 with 29pc aged between 15 and 29.

### Tax Amnesty Drives Healthy Growth in Bank Deposits

Banking sector maintained its growth trajectory during the first half of 2019 on account of decent increase in deposits thanks to the amnesty scheme, according to the State Bank of Pakistan's (SBP) latest report. The SBP in its latest 'Mid-Year Performance Review of the Banking Sector, January-June 2019' publication reveals that deposits accelerated to 6.8pc during the reviewed period, up from 5.7pc in

## 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	13.29	13.54
ENDING	13.08	13.33
CHANGE	-0.21	-0.21

### FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 201.00	PKR 173.50	PKR 156.10
ENDING	PKR 201.50	PKR 174.00	PKR 156.10
CHANGE	+0.5	+0.5	0

### PAKISTAN STOCK EXCHANGE

#### 100 Index

STARTING	33,870
ENDING	33,657
CHANGE	-213

### GOLD RATE

(10 gm)

STARTING	PKR 74,588
ENDING	PKR 74,674
CHANGE	+86



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1HCY18. "A good portion of the inflows came during the month of June 2019, among others, under the government amnesty scheme," noted the document.

## EU to Help Boost Textile Exports

The European Union (EU) and local textile industry joined hands recently to work towards ensuring sustainable growth of the country's textile sector. Pakistan needs to prepare itself to meet the challenges of sustaining Generalized System of Preferences Plus (GSP+) status so as to avail the opportunities of increasing exports to the EU, the union's Ambassador-Designate to Pakistan Ms. Androulla Kaminara said while speaking at a meeting with the All Pakistan Textile Mills Association (APTMA). Since the grant of GSP+ status in 2014, the country's exports to the EU have increased by 62pc. In the early years of the facility, Pakistan's exports to the EU witnessed significant growth but later stagnated at €5.514 bn for the last three years.

## Agriculture: Low Cotton Production

The rural economy is set to suffer losses worth billions of rupees because of the low cotton crop yield, leading to an increase in poverty. The Pakistan Cotton Crop Assessment Committee (PCCC) in its first estimate of the current crop season predicts that only 10 mn bales will be produced against the target of 15 mn bales this year. Some quarters fear that the yield loss will be more than 7 mn bales with each bale weighing at least 155 kgs. Since cotton and textiles accounts for about 60pc of the country's exports, this will adversely impact the economy. But the women working in this sector will be hit the hardest. Around 80pc of the country's cotton is produced in Punjab. It provides employment opportunities to rural womenfolk of the cotton belt from sowing till harvesting.

## Reserves Up

Reserves held by the State Bank of Pakistan increased by \$79 mn to \$7.893 bn during the week ended on Oct 18. Holdings of the commercial banks amounted to \$7.294 bn while total liquid reserves of the country stood at \$15.187 bn.

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

REAL SECTOR (GROWTH IN %)	FY 2018	FY 2019 <sub>p</sub>	-	-
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 <sub>pa</sub>	JUL-SEP FY 20 <sub>pa</sub>	AUG 2019	SEP 2019
NATIONAL	6.8	10.1	10.5	11.4
URBAN	7.1	10.3	10.6	11.6
RURAL	6.3	9.7	10.3	11.1
FOOD INFLATION-URBAN/RURAL	4.7/4.8	11.6/12.3	11.9/12.6	15.0/15.0
MONETARY SECTOR (IN BILLION Rs.)	FY 2018	FY 2019 <sub>p</sub>	SEP 2019 <sub>#</sub>	-
CURRENCY IN CIRCULATION	476.5 BN	562.2 BN	321.4	-
<sub>p</sub> PROVISIONAL	-	-	-	-
<sub>pa</sub> PERIOD AVERAGE	-	-	-	-
<sub>#</sub> Last weekend of the month	-	-	-	-

SOURCES: PBS STATISTICS DEPT. SBP NEWS - October 2019



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## INTERNATIONAL VISTA

### China Grants TESLA Car Manufacturing Certificate, Says Industry Ministry

China's industry ministry recently announced it has added Tesla Inc. to a government list of approved automotive manufacturers, granting the manufacturing certificate that the electric vehicle maker needs to start production in the country. The list was published by China's Ministry of Industry and Information Technology.

### Uber Turns to Developing States as Losses Mount

The head of Uber said recently that the global ride services firm was counting on India, Africa and the Middle East for future growth amid investor fears about mounting losses and a slump in its share price. Uber has exited several markets including China and Southeast Asia to pare back losses, and is in fierce competition with rival Ola in India, a market estimated to be worth \$7 bn a year. Since its public offering in May, Uber's share price has tumbled some 30pc, while the company lost \$5.2 bn in the second quarter. "India is a fundamental part of Uber's growth going forward... it is a top 10 market for us," chief executive Dara Khosrowshahi said.

### US Imposes Tariffs on EU Goods

The United States imposed tariffs on a record \$7.5 bn worth of European Union goods, despite threats of retaliation, with Airbus, French wine and Scottish whiskies among the high-profile targets. The tariffs, which took effect just after midnight in Washington, came after talks between European officials and US trade representatives failed to win a last-minute reprieve. The WTO-endorsed onslaught from US President Trump also comes as Washington is mired in a trade war with China and could risk destabilizing the global economy further. In the line of fire are civilian aircraft from Britain, France, Germany and Spain, the countries that formed Airbus, which will now cost 10pc more when imported to the US. But the tariffs also target consumer products such as French wine. Wine from France, Spain and Germany will now face 25pc tariffs.

### Huawei in Early Talks With US Firms to License 5G Platform

Chinese telecoms equipment giant Huawei is in early-stage talks with some US telecoms companies about licensing its 5G network technology to them, a Huawei executive told recently. Vincent Pang, senior vice president at the company said some firms had expressed interest in both a long-term deal or a one-off transfer, declining to name or quantify the companies. "There are some companies talking to us, but it would take a long journey to really finalize everything," Pang explained on a visit to Washington this week. "They have shown interest," he added, saying conversations are only a couple of weeks old and not at a detailed level yet. The US government, fearing Huawei equipment could be used to spy on customers, has led a campaign to convince allies to bar it from their 5G networks. Huawei has repeatedly denied the claim.

### China Confident of Trade Deal with EU

China's foreign minister said recently that he was confident of an investment deal being clinched with the European Union, while pressing for talks "as soon as possible" on a free trade accord. Wang Yi said the list of sectors China still refuses access to is shrinking, and the country is opening up more and more, thus "creating favorable conditions for the conclusion of a bilateral investment accord." "We are very confident about the conclusion of this agreement," with Europe, said Wang, adding negotiations were "progressing well". "During this year's (EU-China) summit, leaders on both sides agreed that the negotiations will lead to decisive progress by the end of the year, allowing a high-quality agreement to be concluded in 2020," he said.

### Honda to Electrify Car Models in Europe

Japanese car-making giant Honda announced recently, it will speed up plans to have electric options for all new car models for the European market by 2022, as it launched its latest hybrid. But the world's seventh-largest car maker said there were no current plans to build any new models in Europe, following its announcement in February that it was closing its UK-based plant in Swindon. "Our full line-up will be electrified by 2022," said Tom Gardner, Honda's senior vice president in Europe.



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## MANAGEMENT OUTLOOK

### TIPS

#### **Prioritize Work that Gives You a Sense of Meaning**

We all want meaningful work, but meaning is rarely handed to us. It is up to you to connect what you do every day to what you value — and that takes self-reflection and deliberate effort. Keep a journal of your tasks and projects, noting which ones you find deeply satisfying (and which are gratifying only in the short term). For example, do you feel fulfilled when making presentations to clients? Are you energized when mentoring and coaching junior employees? Then, as much as possible, prioritize work that aligns with your values. If helping others grow is part of your professional identity, make coaching one of your weekly activities. If self-development is a core value, make listening to podcasts or taking an online course a daily ritual. And talk with colleagues about how you are prioritizing meaningful work. Hearing about others' efforts will help everyone focus on what matters most. (This tip is adapted from *Why You Should Stop Trying to Be Happy at Work*, by Susan Peppercorn-HBR.)

#### **Can Everyone Speak Up in Your Meetings?**

If you want your culture to be more inclusive, start with the way you run meetings. Some employees do not feel comfortable speaking up in meetings, or they are likely to get interrupted when they do. That is why leaders need to make sure everyone feels welcome. Send an email before the meeting that invites all attendees to be ready to share as well as listen. As people arrive, welcome them by name and make sure everyone has a (literal) seat at the table. Let people know they can speak honestly and offer dissenting opinions without fear of retribution. During the meeting, keep track of who is talking — and who is not. If someone has not offered his or her thoughts, call on him and ask what he thinks about the topic at hand. And if someone is interrupted, step in quickly: "wait a minute, I want to hear more of what Alejandra

has to say." Leading meetings this way creates room for everyone to contribute and sets a standard for respect across the group. (This tip is adapted from *To Build an Inclusive Culture, Start With Inclusive Meetings*, by Kathryn Heath and Brenda F. Wensil-HBR.)

#### **Coaching Employees to Solve Problems in New Ways**

Sometimes employees get stuck while solving a problem. They try once and, when they fail, either give up or try again with the same method. You can help a direct report expand his or her set of tools and consider new approaches with coaching. Start off by asking a few questions: what problem are you solving? What concerns you about it? What frustrates other people about it? Your goal is to get people thinking about why their efforts are not working. Repeat their answers back to them. Once they understand why their plan of action is flawed, ask what else they might try, based on what they know about the problem. Encourage them to think about what type of solution would make sense for this type of problem. Remember, your role here is not to provide answers. It is to clarify the questions your employees are trying to answer, push them to consider new perspectives and help them reflect on what they've learned. (This tip is adapted from *To Coach Junior Employees, Start With 4 Conversations*, by Jerry Connor-HBR.)

### SNIPS

#### **Full Inbox**

It is estimated that about 10pc of the time people spend on email is taken up by organizing messages into folders.

#### **Tools of the Trade**

Fewer than 5pc of young Americans train as apprentices. In Germany, around 60pc of young people participate in apprenticeship programs.

#### **Sustainability Rules**

From 2013 to 2018, half of the growth in the consumer packaged goods industry was attributed to sustainable products, according to research from New York University.

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