



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 14, Issue No. 15 | Date: April 12, 2019

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

PAKISTAN OVERVIEW

Trade Deficit Dips 14pc to \$23.4 bn in Nine Months

The government's battle against bloated trade deficit is finally bearing fruit as it shrank by 14pc to \$23.45 bn in the first nine months of the current fiscal year from \$27.29 bn in the corresponding period last year. The decline in deficit — down \$3.84 bn in the July-March period — is estimated to be in the range of \$5-6 bn at the end of ongoing fiscal year. This contraction is mainly attributable to a steep fall in overall import bill even though export proceeds posted a mixed trend during the period under review. On a month-on-month basis, the trade deficit fell by 37.74pc to \$1.93 bn in March from \$3.1 bn over the corresponding month last year.

Remittances Soar to \$16.1 bn

The country received \$16.096 bn in remittances during the first nine months of this fiscal year, higher by 8.7pc, from \$14.80 bn in same period last year, reported the State Bank of Pakistan. This marks an improvement from FY18 when remittances had grown by 4.95pc during July-March over \$14.1 bn in 9MFY17.

135,000 Apartments to be Built in First Phase of Naya Pakistan Housing Project

The federal cabinet has decided to kick start the Naya Pakistan Housing Authority project with the construction of 135,000 apartments, Information Minister Fawad Chaudhry said recently. The information minister was addressing the media in Islamabad after a cabinet meeting. He said that Prime Minister Imran Khan will launch the project on April 17 in the capital where 25,000 apartments will be built for federal government employees. The remaining 110,000 apartments will be built in Baluchistan, Chaudhry said. He added that the project includes a housing society for the fishermen in Gwadar.

Without Reforms, Pakistan's Growth Rate to Remain at 2.5pc till 2024

As Finance Minister leads a delegation to Washington to finalize a three-year bailout program, the International Monetary Fund (IMF) forecast Pakistan's growth to fall to 2.9pc and 2.8pc during the current and next fiscal year unless its program was accepted. The fund attributed negative outlook to fuel prices and macroeconomic challenges and the impact of the slowdown in global economy. The fund projected consumer price index in Pakistan at 7.6pc during the current fiscal year, slowing down to 7pc next fiscal year and then stabilizing to 5pc by 2024.

Islamic Banking Profit Soars 48pc

Profits of the Islamic banking industry increased by 48pc during the quarter Oct-Dec 2018, a report issued by the State Bank said on Monday. "Profit before

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	11.00	11.25
ENDING	11.00	11.25
CHANGE	0	0

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 189.00	PKR 161.50	PKR 142.00
ENDING	PKR 185.50	PKR 159.00	PKR 141.50
CHANGE	-3.5	-2.5	-0.5

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	37,521
ENDING	37,337
CHANGE	-184

GOLD RATE

	(10 gm)
STARTING	PKR 61,728
ENDING	PKR 61,214
CHANGE	-514

* An ISO 9001 : 2015 Certified Company



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tax of Islamic banking industry was recorded at Rs. 34 bn by end December, 2018 compared to Rs. 23 bn in the same quarter last year," according to SBP's Islamic Banking Bulletin. The report added that profitability ratios like return on assets and return on equity were recorded at 1.4pc and 22.3pc, respectively by end Dec 2018. During the period operating expense to gross income ratio witnessed improvement and was recorded at 62.9pc, compared to 65.1pc in the previous quarter.

Govt to Amend Foreign Exchange Regulations Act 1947

The government is planning to amend Foreign Exchange Regulations Act (Fera) 1947 to regulate outflow of funds through foreign currency accounts and local transportation of foreign exchange through greater clarity to the legal system. "The proposed amendment has been approved by the Federal Cabinet and transmitted to parliament for enactment", said the finance ministry adding the measure was part of the government's efforts to enhance transparency of financial transactions. "The amendments would substantially strengthen the State Bank of Pakistan's (SBP) powers to issue necessary regulations/instructions relating to inland movement of foreign currency and enable it to monitor such movement", the ministry said in a statement.

Briefs

- The Indus River Authority expects a water shortfall of 14pc in early *Kharif* and 6pc shortfall in later season while July-August will see no shortage at all.
- *Kharif* means autumn—the sowing season of *Kharif* crops is generally longer. It starts in February for sugarcane, March-May for cotton, June-July for rice and July-August for maize crop.
- Domestic gold rate on Tuesday hits an all-time high peak of Rs. 71,200 per tola and Rs. 61,043 per 10 gram according to All Sindh Jewellers' Association.
- South Asia is a main tourist attraction, however, Pakistan lags behind its neighbors substantially. Indian tourism revenues

have nearly doubled since 2010 to \$28 bn in 2017 whereas Pakistan's revenues have remained stagnant during this period.

- India has nearly 70pc share of South Asian tourism market of over \$40 bn followed by Sri Lanka and Maldives. Despite its amazing diversity and attractions, Pakistan has only 0.2pc share of South Asian tourism and almost non-existent share of global tourism with receipts of only \$875 mn in 2017.

Rice for All Seasons

In Pakistan's context, rice statistics are pretty impressive. Sown on 2.89 mn hectares (about 10pc of total cropping area), it earned \$2 bn (around 8pc of export income) for the country. Put it in the agricultural context, it is second to wheat in acreage and, in economic terms, only second to cotton (and its allied products as per Pakistan Bureau of Statistics data) in export earnings. It accounts for 3.1pc of value-addition in the agriculture sector and varyingly contributes 1.3–1.6pc to the GDP.

World Bank Appreciates Reform Process

World Bank (WB) President David Malpass has appreciated the reform process the Pakistani government had initiated in the country and assured continued support from the bank. He was talking to Finance Minister Asad Umar during a meeting in Washington, said a press statement received on Thursday. During the meeting, the Finance Minister apprised the WB President of the macroeconomic situation in the country and discussed continuation of Pakistan's ongoing engagement with the Bank. The Finance Minister also met with the First Deputy Managing Director International Monetary Fund (IMF), David Lipton and talked about the ongoing negotiations with the fund. The Finance Minister also had a business roundtable with members of the US Pakistan Business Council, the statement added. The companies present on the occasion included PepsiCo, Coca Cola, Procter & Gamble, Uber and Facebook. The companies expressed their strong interest in Pakistan's market and shared their future plans as well as issues where they needed support from the government.



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INTERNATIONAL VISTA

IMF Cuts Global Growth Outlook

The International Monetary Fund (IMF) has warned that global economic growth was slowing more than expected and that a sharp downturn could require world leaders to coordinate stimulus measures. The global lender cut its global economic growth forecasts for 2019 and said key risks included a United States-China trade war and a potentially disorderly British exit from the European Union. The IMF said it still expects that a sharp slowdown in Europe and some emerging market economies will give way to a general re-acceleration in the second half of 2019.

US Sets Sights on China in New Electric Vehicle Push

US government officials plan to meet with executives from automakers and lithium miners in early May as part of a first-of-its-kind effort to launch a national electric vehicle supply chain strategy, according to the sources familiar with the matter. While Volkswagen AG, Tesla Inc. and other electric-focused automakers and battery manufacturers are expanding in the US and investing billions in new technology, they are reliant on mineral imports without a major push to develop more domestic mines and processing facilities. China already dominates the electric vehicle supply chain. It produces nearly two-thirds of the world's lithium-ion batteries — compared to 5pc for the US — and controls most of the world's lithium processing facilities, according to data from Benchmark Minerals Intelligence, which tracks prices for lithium and other commodities.

May Signals She Would Accept EU Offer of Longer BREXIT Delay

The British Prime Minister Theresa May has signaled that she would accept the EU's likely offer of a lengthy BREXIT delay at a summit of leaders as the UK would still be able to leave when the withdrawal agreement is approved. Arriving in Brussels, the prime minister said it would still be possible for Britain to quit by 22 May if the Commons chose to approve her BREXIT deal in the coming weeks. May is expected to have her request for a limited extension to 30 June rejected by the EU27 in favor of a longer potential

delay to BREXIT of up to a year. The EU is split 50:50 on whether to offer an extension to the end of the year or 31 March 2020. The prime minister has previously said that she could not countenance the UK remaining an EU member state after 30 June, and had wanted to keep pressure on MPs to back her deal by creating another cliff-edge date.

Financial Inclusion in India

The Financial Inclusion policies helped bring 345 million people into the banking system in India, in just four years, according to the World Bank. But many of India's villages still lack bank branches or ATMs, 15pc of new accounts still have no money in them and the pace of building new financial infrastructure has slowed.

China Lowers Tariffs On Computers, Bikes, Other Goods

China recently announced it will lower tariffs on some consumer goods ranging from computers to furniture and bicycles as Beijing faces worldwide scrutiny over its trade practices. Beijing and Washington have slapped tariffs on more than \$360 bn in two-way trade in their simmering trade spat while Europe has recently indicated it will take China to task for alleged unfair trade policies. China's tariff rate on imported goods like books, computers, food, furniture and medicines will drop to 13pc starting Tuesday, the State Council's tariff commission announced. The goods had been taxed at a 15pc rate, official news agency Xinhua reported.

SNIPS

Schools Out for Climate Protest

About 1.6 mn young climate activists skipped class and joined street protests on March 15 in cities around the world to call for action on climate change.

Inequality at Home

In the Netherlands, men are accountable for 33pc of household and caregiver tasks, while women are accountable for 67pc of them.



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MANAGEMENT OUTLOOK

South Korea Becomes First Provider of 5G Technology

South Korea launched the world's first nationwide 5G mobile networks two days early, its top mobile carriers said recently, in a late-night scramble to be the first providers of the super-fast wireless technology. Three top telecom providers — SK Telecom, KT and LG Uplus — began their 5G services at 11 pm local time on April 3, despite previously announcing the launch date would be April 5. Hyper-wired South Korea has long had a reputation for technical prowess and Seoul had made the 5G rollout a priority as it seeks to stimulate stuttering economic growth.

Take One for the Team

When networking with social media, be polite and get to the point. Social media is an effective tool for expanding your network, but reaching out to people you do not know can be awkward. You will have a better chance of success if you prioritize people who are close to your level in their careers. This network will grow in seniority with you and can connect you with opportunities down the line — and peers are more likely to respond than someone in the C-suite anyway. Make sure your initial message is brief and personal; approach it as you would a handwritten note. Think of the three points you want to convey and let your natural voice come through. If you and the person have something in common, like a shared interest or mutual friend, mention it. It is also a good idea to be direct (and polite) about what you are looking for. If you are seeking advice, for example, you can say, "I'm struggling with a business problem and would love to find out what you think. Can I buy you coffee?" (Adapted from *The Best Ways to Use Social Media to Expand Your Network*, by Doug Camplejohn-HBR.)

Get Your Time Back by Getting Your Inbox Under Control

Email can be a black hole that swallows productivity, but a few changes to your inbox habits can help you take back your time. First, do not let yourself check email more often than once per hour, and turn off any notifications that tempt you. Most people do not expect you to respond immediately, and doing so keeps you from concentrating on other tasks. Second, move emails out of your inbox the first time you read them, so you do not waste time by having to read them again later. Put messages into two folders: one for those that require a response and one for those that do not. Many of us use lots of folders, thinking it is better to file email in specific places, but having more choices slows us down and drains our decision-making energy. Third, take the time to set up automated filtering. Move the messages you need, delete the ones you do not, and block the spam that is left over. (Adapted from *How to Spend Way Less Time on Email Every Day*, by Matt Plummer-HBR.)

Create Community at Work by Checking in With Your Colleagues

We all want to feel that we belong at work, but many people feel physically and emotionally isolated. To remedy this problem, we need to create a real sense of community, and one way to do that is to make sure we are checking in with our co-workers. A simple "How are you doing?" in the morning, or a "How can I help you?" after a tough day, can go a long way toward helping colleagues feel connected to each other. Find out how the people on your team like to talk — some may prefer email or a digital chat, for example, while others prefer to speak in person — and then create a habit of building relationships. Whether you talk about work or your personal lives, be present, be curious and ask questions that show you are listening. Find ways to show your co-workers that you value and care about them. (Adapted from *The Surprising Power of Simply Asking Co-Workers How They're Doing*, by Karyn Twaronite-HBR.)

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