



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 14, Issue No. 50 | Date: December 13, 2019

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

PAKISTAN OVERVIEW

NBP Received £190 mn Settlement From UK, Confirms SBP

The State Bank of Pakistan (SBP) confirmed that 190 mn Pounds from the UK's National Crime Agency (NCA) had been received by the National Bank of Pakistan (NBP) on account of a settlement with property tycoon Malik Riaz Hussain's family, but declined to share details. Testifying before the Senate Standing Committee on Finance and Revenue, SBP's Deputy Governor Jameel Ahmad said: "The payment has been received by the National Bank of Pakistan, but the question about the account in which it has been kept should be addressed to the government of Pakistan."

Agreement to Develop Rashakai Economic Zone on Cards

The Economic Zones Development and Management Company is in contact with the China Road and Bridge Corporation for the early finalization of an agreement to develop the Rashakai Special Economic Zone, said officials recently. The officials told a meeting chaired by Chief Minister Mahmood Khan here that the CRBC team was likely to visit Islamabad later this month to finalize the revised development agreement for the Rashakai Special Economic Zone. The Rashakai SEZ was one of the nine economic zones being set up across the country under the China-Pakistan Economic Corridor project. Located in Nowshera district, the proposed industrial zone will be spread over 778 acres of land and will be developed in three phases over six years.

Pakistan's Remittances Rise

Overseas Pakistani workers remitted US\$ 9,298.57 mn in the first five months (July to November) of FY20, compared with US\$ 9,281.94 mn received during the same period in the preceding year. During November 2019, the inflow of workers' remittances amounted to US\$ 1,819.66 mn, which is 9.05pc lower than October 2019 and 9.35pc higher than November 2018. The country wise details for the month of November 2019 show that inflows from Saudi Arabia, UAE, USA, UK, GCC countries (including Bahrain, Kuwait, Qatar and Oman) and EU countries amounted to US\$ 407.48 mn, US\$ 383.77 mn, US\$ 298.64 mn, US\$ 285.56 mn, US\$ 172.25 mn and US\$ 52.76 mn respectively compared with the inflow of US\$ 395.12 mn, US\$ 350.35 mn, US\$ 268.32 mn, US\$ 246.78 mn, US\$ 153.51 mn and US\$ 42.22 mn respectively in November 2018. Remittances received from Malaysia, Norway, Switzerland, Australia, Canada, Japan and other countries during November 2019 amounted to US\$ 219.19 mn together as against US\$ 207.74 mn received in November 2018.

Sustaining Food Exports' Growth

During the first four months of this fiscal year, food exports grew to \$1.36 bn from \$1.17 bn in July-October last year. The increase came primarily from larger shipments

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	13.25	13.50
ENDING	13.24	13.49
CHANGE	-0.01	-0.01

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 203.00	PKR 171.70	PKR 155.10
ENDING	PKR 204.00	PKR 172.50	PKR 154.70
CHANGE	+1.00	+0.8	-0.4

PAKISTAN STOCK EXCHANGE

100 Index

STARTING	40,732
ENDING	40,916
CHANGE	+184

GOLD RATE

(10 gm)

STARTING	PKR 73,174
ENDING	PKR 72,488
CHANGE	-686



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of rice, fish and other seafood, meat and meat products and sugar besides a rise in export prices of fruits and vegetables. Pakistan's food export earnings have never crossed \$5 bn. They peaked at \$4.8 bn in 2017-18 before slipping to \$4.6 bn in 2018-19. It seems food exports in 2019-20 will remain below \$5 bn.

Increase in Wheat Support Price

The government has finally increased the support price of wheat to Rs. 1,365 per 40 kilograms from Rs. 1,300. The rise is significant as it came after a gap of five years. While farmers wanted a bigger increase, the federal government has rejected the possibility of a further jump in prices. And both sides have their reasons. The government factored in the global wheat situation, import-export parity, cost of production and domestic producer prices while increasing the wheat price. Moreover, the food circular debt has already reached an unmanageable level of Rs. 775 bn, and millions of rupees are required daily to service the debt. A further increase in the support price could only exacerbate the situation. This year the Federal Government has fixed a wheat production target of 27 mn tonnes.

Cement Sales Rise

Cement sales have risen by 5.8pc to 20.5 mn tonnes during the Jul-Nov period. Of the total sales, domestic sales increased 3pc to 16.9 mn tonnes while exports jump 21.5pc to 3.6 mn tonnes.

Moody's Upgrades Outlook for Five Banks to 'Stable'

Moody's Investors Service recently changed the outlook of five leading banks from 'negative' to 'stable' and affirmed their existing B3 long-term local currency deposit ratings. The banks include Allied Bank Ltd (ABL), Habib Bank Ltd (HBL), MCB Bank Ltd, National Bank of Pakistan (NBP) and United Bank Ltd (UBL), according to an announcement by the New York-based rating agency. The rating actions follow Moody's decision on Dec 2 to affirm B3 rating for the Government of Pakistan and change the outlook on the sovereign rating to stable from negative and reflect reduced external vulnerability risks and ongoing fiscal reforms.

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

REAL SECTOR (GROWTH IN %)	FY 2018	FY 2019 _p	FY 2019 _†	-
REAL GDP	5.5	3.3	6.2	-
AGRICULTURE SECTOR	3.9	0.8	3.8	-
INDUSTRIAL SECTOR	4.9	1.4	7.6	-
SERVICES SECTOR	6.2	4.7	6.5	-
CPI INFLATION (YoY%)	FY 2019 _{pa}	JUL-OCT FY20 _{pa}	SEP 2019	OCT 2019
NATIONAL	6.8	10.3	11.4	11.0
URBAN	7.1	10.4	11.6	10.9
RURAL	6.3	10.1	11.1	11.3
FOOD INFLATION-URBAN/RURAL	4.6/4.8	12.1/12.9	15.0/15.0	13.7/14.6
MONETARY SECTOR (IN BILLION Rs.)	FY 2018	FY 2019 _p	Jul - OCT 19 _#	-
CURRENCY IN CIRCULATION	476.5	562.2	381.1	-
_p PROVISIONAL	-	-	-	-
_{pa} PERIOD AVERAGE	-	-	-	-
_† Target from Annual plan 2018-19- PBS	-	-	-	-
_# Last weekend of the month	-	-	-	-

SOURCES: PBS/ STATISTICS-SBP NEWS November 19/PROVISIONAL DATA



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Trade Gap Narrows by 33pc

The country's trade deficit dipped by 33.04 pc in the first five months of current fiscal year from a year ago, data released by the Pakistan Bureau of Statistics (PBS) showed recently. The decline is mainly due to a double-digit fall in imports along with a nominal increase in export proceeds. Moreover, the government's corrective measures to slow down imports in order to reduce pressures on foreign exchange reserves and slump in overall demand. In absolute terms, the trade gap narrowed to \$9.66 bn in July-November from \$14.43 bn over the corresponding months last year. On a monthly basis, the deficit fell by 29.65pc to \$1.92 bn in November from \$2.74 bn over the corresponding month last year.

INTERNATIONAL VISTA

ECB Chief Faces Slow Growth, Dissent

Mario Draghi took over as head of the European Central Bank eight years ago amid market speculation that the Euro currency union might break up. Christine Lagarde succeeds him with a little more breathing room but facing serious challenges from a weak economy, policy differences among her own officials and questions about how much more central banks can do to help. Analysts do not expect Lagarde to announce any changes in the bank's interest rates and bond-purchase stimulus program when she holds her first rate-setting meeting and news conference. The bank enacted a stimulus package in September to nudge the economy along in the face of headwinds like the US-China trade conflict and Britain's departure from the European Union. It is the first chance to hear how Lagarde communicates with markets and the public, a chief task for the head of an institution that affects the lives of 342 mn people. That is not an easy task; the bank's policy to keep one of its key interest rates below zero has come under criticism from Germany news media as penalizing savers.

US Offers China Tariff Rate Cut

The US has offered to cut existing tariffs on Chinese goods by as much as 50 pc and suspend new tariffs expected to

go into effect soon in an attempt to secure a Phase One trade deal. U.S. negotiators have offered to reduce tariffs on about \$375 bn in Chinese goods by 50 pc across the board, people familiar with the negotiations said recently, and suspend tariffs on \$160 bn in goods scheduled for Dec 15.

US, Canada and Mexico to Replace NAFTA

Canada, Mexico and the United States have agreed to a fresh overhaul of their quarter century-old regional trade pact after negotiators approved changes to a preliminary deal struck last year and officials will sign the new agreement soon. The deal, which still needs the approval of lawmakers in all three countries, adds more stringent oversight of the pact's labor provisions demanded by US Democrats, changes that Speaker of the House Nancy Pelosi said made it an 'infinitely better' deal than the one struck between the Trump administration, Canada and Mexico in 2018. The United States, Mexico, Canada Trade Agreement, or USMCA, would replace the North American Free Trade Agreement (NAFTA), a regional pact in place since 1994 that encompasses \$1.2 tr in annual trade across the continent. Its backers say it is responsible for 12 mn US jobs and a third of all US agricultural exports.

Huawei to Shift Research to Canada

Chinese tech giant Huawei, facing US economic sanctions, is planning to relocate its telecommunications research from the United States to Canada, founder Ren Zhengfei said in an interview published recently. Speaking with the Globe and Mail newspaper at Huawei's headquarters in Shenzhen, Ren said the company is also considering building new factories in Europe to make fifth-generation or 5G equipment. The pivot comes as Washington steps up pressure on allies to ban Huawei components from 5G networks, warning that it may be used by Beijing for spying or hacking. Canada is reviewing the technology but has not announced a decision.

Saudi Arabia Listing ARAMCO

Saudi oil giant ARAMCO has raised \$25.6 bn in the world's biggest initial public offering, sources said. The oil-rich kingdom has put a value of \$1.7 tr on ARAMCO as it prepares to sell 1.5pc of the company to fund its 'Vision 2030' economic transformation plan. But why is Saudi



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Arabia, which has reaped trillions of dollars from its vast energy deposits, having to sell off a piece of its economic crown jewel to position itself for a post-oil future? Despite its almost unimaginable oil wealth, Saudi Arabia's finances have sagged along with the price of crude, causing its budget deficit to balloon. It still has around \$500 bn in fiscal reserves run by the country's central bank and some \$250 bn managed by the Public Investment Fund (PIF), the kingdom's main investment vehicle. "It is a fact that Saudi Arabia is gradually running out of money," General David Petraeus, who is currently chair of the KKR Global Institute, said in a recent television interview in Abu Dhabi. "The bottom line is that they need the money, they need that outside investment that is crucial to delivering 'Vision 2030'."

MANAGEMENT OUTLOOK

TIPS

Bouncing Back When You Do Not Land Your Dream Job

It is common to get your hopes up about a job that seems perfect and to feel defeated if it does not come through. Taking a moment to wallow is natural. But one of the best ways to overcome the disappointment is to take action. Start by putting your rejection into context. Look back on some of your past disappointments, we have all got them and reflect on how they made other things possible for you. Then, channel your frustration into motivation. For example, if you were turned down because you lacked certain skills or experience, learn that computer language or get the certification. You can also think about alternate ways to achieve your goal. Is there a competitor who recruits for similar positions? Are there adjacent roles that might still be a fit? Also, make sure to stay on the company's radar. Join their mailing lists or set up a news alert so you know about company events or other job openings. And make it clear to

your contact that you remain interested in the company. You never know when a different role might open up. (This tip is adapted from *You Did Not Land Your Dream Job. Now What?*, by Dorie Clark-HBR.)

SNIPS

Women at Work

According to data from the US Bureau of Labor Statistics, women account for 94pc of secretaries and administrative assistants.

Award-winning Innovations

Fourteen people have won Nobel Prizes for their work at AT&T's Bell Labs, a global scientific organization.

In the Know

In a survey, only about 40pc of respondents said that they were knowledgeable about their companies' goals and strategies.

Get Noticed by Upper Management

What do you do when you are ready for a new challenge, but you are not getting the opportunities you want and you do not want to go over your boss's head? Your first move should be to demonstrate your commitment to the company. Tell your boss that you are interested in taking on special projects, ones that will both help the company reach its goals and provide you with an opportunity to stretch yourself. Another option is to look for opportunities to collaborate across the organization. When you build connections, you expand your network of allies and increase your visibility and influence. And do not be afraid to ask directly for opportunities. While you do not want to push too hard, showing initiative is usually seen as a good thing. Explain why you believe you can make a valuable contribution, as well as what you will gain from the opportunity. Ultimately management will want to put you in a spot where you can do the most. Sometimes you have got to identify where that is and ask for it. (This tip is adapted from *How to Get Noticed by Your Boss's Boss*, by Melissa Raffoni-HBR.)

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