



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 14, Issue No. 16 | Date: April 19, 2019

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

PAKISTAN OVERVIEW

Pakistan's Economy to Weigh on Region's Growth: IMF Official

Pakistan's economy is projected to slow down significantly and weigh on the region's aggregate growth rate, says Jihad Azour, Director of the Middle East and Central Asia Department at the International Monetary Fund. At a recent talk on the economic outlook for the Middle East, North Africa, Afghanistan and Pakistan (MENAP) region, Azour argued that global economic headwinds were making policy efforts more urgent and challenging for MENAP. For oil importers in this region, growth is expected to ease to 3.6 pc this, from 4.2pc in 2018, in part due to weaker global economic environment.

Wheat Crop Target May be Missed Amid Rains

The country's economy, already walking a tightrope, faces a grim scenario as the government is unlikely to achieve the wheat production target of 25.51 mn tonnes this year — mainly because of extended spells of rain in Punjab and Khyber Pakhtunkhwa. "The westerly wave affecting upper parts of the country is likely to move eastward during the next 12 hours," said the Pakistan Meteorological Department (PMD) in its daily forecast. "This means the spell is over," a Met official said.

Govt Pays \$1 bn Against Eurobonds

Pakistan has paid \$1 bn of the total \$2 bn raised in 2014 through the issue of five-year and 10-year Eurobonds, the State Bank of Pakistan (SBP) announced recently. The issue, held in April 2014, was censured by independent economists who criticized the high rates offered to sell these bonds. The returns offered on the five-year bonds were at 7.25 pc and 10-year bonds at 8.25pc which were considered too high at the time reflective of the risks attached with Pakistan's economy.

Mega Low-Cost Housing Scheme Launched

Terming it an ambitious and difficult target, Prime Minister Imran Khan launched Naya Pakistan Housing Scheme, envisaging provision of low-cost housing units to the masses and new job opportunities. Under the scheme, 135,000 housing units would be constructed in the first phase across the country. In the initial phase of the scheme, 110,000 housing units will be constructed in Baluchistan for the fishermen and the government employees, whereas 25,000 units will be built in Islamabad and Rawalpindi at four sites for the government employees.

Govt Considers Shifting of Deposits to SBP

The government is examining a proposal to introduce the Treasury Single Account (TSA) to shift deposits of various government departments and organizations with the State Bank of Pakistan (SBP). "While the proposal to introduce TSA is being

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 185.50	PKR 159.00	PKR 141.50
ENDING	PKR 184.00	PKR 159.60	PKR 141.00
CHANGE	-1.5	+0.6	-0.5

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	37,337
ENDING	37,292
CHANGE	-45

GOLD RATE

	(10 gm)
STARTING	PKR 61,214
ENDING	PKR 60,014
CHANGE	-1200

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examined by the Government of Pakistan in consultation with the SBP as part of its agenda to reform public financial management, however, no decision has yet been made to implement the TSA," a press release issued by the SBP said recently. The SBP said that any decision in this regard will be taken after due consultation with all stakeholders and assessing its impact on the banking sector. However, the bankers expressed their disappointment over the proposal saying that the government wanted to reduce its net borrowing from the banking system.

Number of 3G, 4G Users Reaches 66.14 mn

The number of 3G and 4G users in Pakistan reached 66.14 mn by end-March 2019, said Pakistan Telecommunication Authority (PTA). Number of mobile phone users in Pakistan reached 159.024 mn by end-March compared to 156.92 mn by end-February, which registered an increase of 2.104 mn during the period under review.

FRUITFUL

- The country is exporting larger quantity of fruits and vegetables, in eight months of this fiscal year – July 2018-February 2019 – forex earnings totalled \$479 mn.
- In the same period, last year it was \$387 mn. Between July-Feb FY19, Pakistan's exports of fruits and vegetables stood in excess of 1.165mn tonnes.
- In other words, supplies to local markets shrank by no less than 149,000 tonnes which can be seen in higher prices of almost all fruits and a number of vegetables minus potatoes.
- Pakistan's export potential of fruits and vegetables is huge, by some estimates up to \$ 5 bn a year. But the reason why the country manages to earn less than \$1 bn is that despite an increase in volumes of bank credit to the agriculture sector as a whole, the share of horticulture is fractional — less than 5pc.
- During the last season, Pakistan sold kinnow mostly to Afghanistan, Indonesia, Philippines, Russia, Saudi Arabia, Ukraine and Uzbekistan.

INTERNATIONAL VISTA

Uber Acquires Careem

Uber — the biggest brand in ride-hailing services across the world — recently announced the acquisition of another big name in the sector, Careem. With ride-hailing services already having devoured market share away from conventional taxis in all major cities, millions of subscribers of both Careem and Uber in Pakistan are curious (and concerned) about the impact of the deal, which could result in a ride hailing monopoly dominating the sector. The yet-to-be-materialized deal, which is pending the approval of regulators in many countries, will see Uber acquire Careem operations in 90 cities, primarily in the Middle East, with 1 mn drivers and around 30 mn users.

Some Features

Uber has announced the acquisition of Careem for \$3.1 bn.

- Under the deal, Uber will pay \$1.4 bn in cash and the rest in notes convertible to Uber shares.
- Uber CEO Dara Khosrowshahi says the company "intends to operate Careem independently".
- Careem's co-founder and current CEO Mudassir Sheikha will continue to lead the company under the umbrella of Uber.

Malaysia Revived China-Backed Railway

Malaysia would have faced a \$5 bn penalty if a China-backed rail project was axed, the prime minister said recently, after a deal was reached to revive the controversial scheme. Last week, Malaysia and China agreed to push ahead with the railway at a 30 pc lower cost, lifting a suspension slapped on the project when a corruption-plagued regime lost power in Malaysia last year.

EU Agrees to Begin Trade Talks with Washington

European Union countries recently overruled France and gave the green light for Brussels to open trade talks with Washington as soon as possible and defuse trans-Atlantic tensions. The EU's 28 member states had struggled for months to agree on



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a mandate to open the talks, with some fearing the delay would restart a trade war with US President Donald Trump. But EU ministers meeting in Luxembourg approved a mandate to negotiate “an agreement limited to the elimination of tariffs for industrial goods only” and another accord designed to remove non-tariff barriers.

China Extends Zero Rate Access to More Goods

The Chinese government has finally offered Pakistan market access similar to that offered to countries of Association of South East Asian Nations (ASEAN) after seven years of negotiations. According to Secretary Finance Mohammad Younus Dagha, the Chinese government has agreed to immediately reduce duties to zero pc on 313 tariff lines. He led the technical team in the negotiations in his previous assignment as commerce secretary and says he sought to secure market access to China on the pattern of the ASEAN economies. (FTA refers to Free Trade Agreement).

Turkey's Unemployment Rate Rises

Turkey's unemployment rate surged to 14.7 pc in the December-February period, its highest level in nearly a decade according to official data, as the effects of last year's currency crisis continued to weigh on workers. The jobless rate was up from 13.5 pc in the previous period ending in January, and it included a jump in youth unemployment to its highest level since at least 2005. The Turkish economy contracted a sharper than expected 3 pc in the fourth quarter of 2018, its worst performance in nearly a decade, indicating that last year's near 30 pc slide in the lira had tipped it into recession. Inflation has slipped from last year's high but remains elevated, and the country's current account deficit has narrowed sharply. However, the number of people registered as unemployed rose to 4.67 mn in the three months to February, a surge of more than 1 mn from a year earlier, data from the Turkish Statistics Institute showed.

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EU Adopts Copyright Reforms

European Union countries recently adopted copyright reforms championed by news publishers and the media business, but opposed by US tech giants and internet freedom activists who worry it could chill the sharing of information. The overhaul had triggered unprecedented lobbying from supporters, and opponents like Google, which makes huge profits from the advertising generated alongside the content it hosts. Romania, which currently holds the rotating EU presidency, said the “balanced text” adopted by ministers meeting in Luxembourg was a “milestone” toward building the bloc's digital single market. EU sources said Italy, Finland, Sweden, Luxembourg, the Netherlands and Poland voted against the controversial legislation. Belgium, Estonia and Slovenia abstained. But the opposition was not enough to block the overhaul.

Toyota Sells Electric Vehicle Technology to Chinese Startup Singulato

Toyota Motor Corp has agreed to sell electric car technology to Singulato, its first deal with a Chinese electric vehicle startup, allowing the fledgling firm to speed up development of a planned mini EV. In return, Toyota will have preferential rights to purchase green-car credits that Singulato will generate under China's new quota system for all-electric and plug-in hybrid vehicles. It will also gain a bird's-eye view into how Chinese EV startups operate and the strategies they pursue in a fast-changing marketplace, said Singulato Chief Executive Shen Haiyin and sources at the Japanese automaker.

UK Employment Hits Record High

British employment has reached a record-high level, shaking off stubborn uncertainty surrounding the UK's departure from the European Union, official data showed recently.



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“The level of employment in the UK increased by 179,000 to a record high of 32.72 mn people in the three months to February,” the Office for National Statistics said in a statement. That was the highest level since records began in 1971, according to the ONS. The unemployment rate remained at 3.9 pc, the lowest level since 1975.

PPL Drills Oil Well in Iraq

Pakistan Petroleum Ltd (PPL) company has drilled its first international exploration well at Block 8 in Madain-1, Iraq. In a notice to the Pakistan Stock Exchange, the company said the block is located in Mesopotamian basin and is surrounded by areas that have several large oil and gas fields. The well is being drilled on an integrated project management basis by a Chinese drilling contractor ZEPEC. Analysts said the project would be wholly owned by the government of Iraq while PPL would draw remunerations out of revenues, based on contractual terms signed with the Iraqi government.

Alibaba's Freshippo Stores Under Fire

Alibaba's Freshippo offshoot, a brick-and-mortar supermarket chain, has apologized after an advertising campaign triggered uproar for inviting consumers to buy their products at prices in 1948, a period of galloping inflation in China. The company said it has removed all the ads and has ordered those involved in the marketing stunt to review the history 100 times. An advertising poster for the store, also known as Hema Fresh, contained the slogan "Going back to the history of the old market, let our prices return to 1948." Many Chinese netizens expressed doubt about the intentions behind the poster. Some believed that it reveals a lack of historical knowledge among young people in China.

MANAGEMENT OUTLOOK

An Exercise to Make Conflict Feel More Comfortable (and Less Scary)

A healthy work culture requires healthy conflict. But it is hard to have constructive disagreements if people view conflict as only an interpersonal problem. Help your team understand that there should be a certain amount of tension between different roles at work. This exercise can help: Draw a circle and divide it into wedges, one for each role. With your team, discuss: What is each job's unique value? Which stakeholders does this role serve? What tensions does this job's responsibilities put on other people? Write the answers inside the wedges, and then use them to talk about why different roles naturally come into conflict with each other — and why that is OK. For example, there probably should be tension between sales and operations, because sales looks for new customer solutions while operations tries to create consistency and efficiency. Your team will start to see that the conflict they have viewed as interpersonal friction is actually healthy, role-based tension. (Adapted from *An Exercise to Help Your Team Feel More Comfortable with Conflict*, by Liane Davey-HBR.)

SNIPS

Think Like a Designer

IBM has spent more than \$100 mn on projects led by its design team to promote experimentation and adaptation of design thinking.

Bouncing Back

A study from CEO Genome found that 68 pc of leaders who are fired from their roles will take an average of six months to find new employment.

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