



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

Page No. 01

Volume 14, Issue No. 17 | Date: April 26, 2019

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

PAKISTAN OVERVIEW

Govt To Go Ahead With Tax Amnesty Scheme

Despite a change of command, the government's proposed amnesty scheme for asset declaration will go ahead without any major change and will come to an end before the International Monetary Fund's bailout program kicks in on July 1. This was the crux of a special meeting on the subject presided over by new Advisor to the Prime Minister on Finance, Dr. Abdul Hafeez Shaikh recently. "The tenure of the amnesty scheme cannot be allowed to go beyond June 30," a senior official told after the meeting when asked whether the business community's demand for a longer period would be accepted or it would be made more liberal.

Growing Number of Heavy Vehicles on Karachi's Roads

The number of heavy vehicles plying in the city has crossed the 100,000 mark, making it a serious challenge for the authorities to manage the movement of these vehicles as they pose a serious threat to other motorists. A report recently compiled by the municipal authorities regarding traffic situation in the city and number of vehicles moving on Karachi roads suggested how big the challenge was amid growing traffic, limited available space and insufficient number of traffic policemen. "The report says that the number of heavy vehicles in Karachi right now stands at 107,000. "Among them is the highest number of oil tankers which are 65,000 in total and then 13,000 10-wheeler trucks. There are some 10,000 long-haul or 22-wheeler trailers which are seen moving in the city; then there are 8,000 water tankers, 7,000 dumpers and 4,000 six-wheeler trucks."

Pakistan's CAD Lower Than Regional Average, but More Volatile: UNDP

Despite Pakistan's high current account deficit (CAD), it has remained below those of regional countries, however its volatility is higher than most states, says a report of United Nations Development Programme (UNDP) published recently. In its analysis on the development priorities of the country in 'Development Advocate Pakistan', UNDP says that Pakistan's current account deficit despite being higher than the regional average is still lower than that of Egypt (-3.7pc), Morocco (-5.4pc), Sri Lanka (-3.9pc) and Turkey (-4.8pc) while its volatility (2.5pc) is higher than majority, the report says.

Date Exports Fall After Indian Duties

The parliamentarians informed the National Assembly that the export of dates has declined sharply after India slapped a 200pc duty on Pakistan's exports. "It is an issue. The decline in exports of dry dates is directly linked to the Pulwama attack in February," Parliamentary Secretary for Commerce Shandana Gulzar Khan said in response to a calling attention notice in the NA session.

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	11.00	11.25
ENDING	10.99	11.24
CHANGE	-0.01	-0.01

FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 184.00	PKR 159.60	PKR 141.00
ENDING	PKR 183.00	PKR 158.00	PKR 141.00
CHANGE	-1.00	-1.6	0

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	37,292
ENDING	37,130
CHANGE	-162

GOLD RATE

	(10 gm)
STARTING	PKR 60,014
ENDING	PKR 59,071
CHANGE	-943

* An ISO 9001 : 2015 Certified Company



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Page No. 02

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Development Projects Signed with South Korea

Pakistan and Korea recently signed a \$500 mn Framework Arrangement 2018-20 for the execution of various development projects. The framework arrangement will enable Pakistan to seek financing from Korean Exim Bank for development of various infrastructure projects. Under the signed framework arrangement, the Republic of Korea will provide long-term concessional financing up to \$500 mn for execution of various development projects in health, information technology, communications, agriculture and energy sectors.

New FTA With China to Increase Exports

Adviser to PM on Commerce and Textile Abdul Razak Dawood said that under the new list of 313 items included in the second phase of China-Pakistan free trade agreement (FTA), the country's export earnings could increase by \$500 mn within a time span of 18 months. He said the new list is not limited to textile specific products but also includes textile goods, leather, engineering, chemicals, furniture, auto parts, plastic, rubber, paper board, ceramic, glass, surgical instruments, footwear, wood, articles of stones, sea food, meat, tractors, home appliances etc.

SBP's Forex Reserves

Reserves held by the State Bank of Pakistan (SBP) amounted to \$9.024 bn during the week ending on Apr 19. The SBP attributed this decline to external debt servicing and other official payments. Holdings of the commercial banks stood at \$6.97 bn while total liquid reserves of the country amounted to \$15.994bn during the period under review.

Tackling Poverty Through Higher Agri Credit

Banks have increased their agricultural lending; but whether higher lending has had any impact on rural poverty remains debatable. Just consider this: 17,998 big landlords got agricultural credit worth Rs129.5 bn in FY17. Against this, 1.64 mn small farmers got just Rs158.4bn. A little more than 116,464 midsized landowners received Rs67.9bn, according to revised data by the SBP. Statistics for FY18 have not yet been released. Also consider this: As per SBP data, during July-Dec 2018, 84.8pc of the total credit offered by banks went to Punjab; 12pc went to Sindh; 2.4pc to Khyber Pukhtunkhwa; 0.3pc to Azad Jammu and Kashmir; and 0.2pc

each to Baluchistan and Gilgit- Baltistan. More recent figures are awaited.

SBP Increases LTFF Financing Limit

The State Bank of Pakistan (SBP) in a circular issued on April 25, 2019, notified all banks and development finance institutions that the financing limit for a project under the Long-Term Financing Facility (LTFF) and Islamic Long-Term Financing Facility (ILTFF) has been increased from Rs1.5 bn to Rs2.5bn. The decision has been taken to promote investment in the export-oriented projects, said the bank's press release. Under the LTFF, financial institutions can provide long-term currency finance for imported and locally manufactured plant and machinery to be used in the export-oriented projects. The financial institutions can charge a maximum spread of 1.5 per cent, 2.5pc and 3pc per annum for financing up to three, five and ten years respectively. The core sectors eligible to avail LTFF include textile and garments, rice processing, leather and leather products, sports goods, carpets, wool and surgical instruments.

BRIEFS

- Pakistan's major industrial sectors attracted considerably high foreign direct investments (FDI) during the current financial year indicating an attraction for industrial growth in near future. The country's key industries such as textile, chemicals, pharmaceuticals and electrical machinery saw their inflows jumping by 50-800pc.
- The highest inflows were recorded in electrical machinery, which attracted \$126.6 mn during 9MFY19 as against \$13.8 mn in corresponding period last year, reflecting an increase of 813pc.
- Similarly, inflows in chemicals soared by 322pc to \$113.9 mn during 9MFY19 versus \$27.6 mn in same period of 2017-18 while those in pharmaceutical rose 274pc to \$55 mn from \$14.7 mn.
- The FDI in textile sector clocked in at \$54 mn during the nine-month period, up 50pc over \$36.6 mn in corresponding months of FY18. The sector earns over 60pc of all export proceeds for the country.



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Page No. 03

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INTERNATIONAL VISTA

Switzerland to Join BRI

A decision by Switzerland to join the China-proposed Belt and Road Initiative (BRI) has garnered much praise in China, where analysts call the move a crucial step that will open up massive possibilities for cooperation and strengthen bilateral trade and economic ties. Switzerland is set to join a growing number of countries signing up for the BRI, injecting fresh momentum to the joint development of the bold economic program aimed at connecting economies from Asia to Africa to Europe. In a statement released recently the Swiss Federal Department of Finance announced President Ueli Maurer will pay a state visit to China from April 22 to 30, during which the two countries will sign a memorandum of understanding on cooperation in third markets under the BRI.

WTO Favours US in Grain Dispute with China

The WTO largely sided with the US in its Obama-era case against Beijing over Chinese restrictions on imports of American grain. The WTO decision was the second in as many months to favor Washington's position on trade with China in grain. Back in December 2016, Washington filed a complaint with the global trade body over what it claimed were illegal Chinese restrictions on imports of American rice, wheat and corn, describing China's use of the so-called tariff-rate quota (TRQ) system as "opaque and unpredictable". Washington estimated at the time that American farmers could have exported some \$3.5 bn more of such crops to China if the system had been used properly, and charged that Beijing had violated its commitments under international trade rules.

Netherlands Could Play Bigger Role in BRI

Companies from the Netherlands see great potential in the Chinese market and are actively exploring business opportunities in a wide range of sectors from logistics to technologies, as the two countries have decided to strengthen bilateral cooperation, executives said recently. The Netherlands has signed an agreement with China to explore opportunities in third markets under the Belt and Road Initiative (BRI). With

its geopolitical and economic advantages, the country could play a much bigger role in the initiative to expand markets for its businesses, an analyst noted.

New Industries at Forefront of BRI

Hundreds of agreements between Chinese and foreign firms have been signed during the CEO Conference of the Second Belt and Road Forum (BRF) for International Cooperation, with deals or statements of intent being reached on cooperation, not only in traditional sectors such as trade, but also newly emerging industries such as cloud services and new energy. The CEO Conference, which took place at the China National Convention Center in Beijing, is the first of its kind. Entrepreneurs from 88 different countries and regions along the Belt and Road routes gathered for the forum, which is aimed at bridging the interests of companies in different countries along the Belt and Road Initiative (BRI) and facilitating pragmatic cooperation.

Ghana Eyes World Record

Ghana launched a fleet of drones recently to carry medical supplies to remote areas, with President Nana Akufo-Addo declaring it would become the "world's largest drone delivery service." The craft are part of an ambitious plan to leapfrog problems of medical access in a country with poor roads. "No one in Ghana should die because they can't access the medicine they need in an emergency," Akufo-Addo said in a statement to mark the launch. "That's why Ghana is launching the world's largest drone delivery service," Akufo-Addo said. "It represents a major step towards giving everyone in this country universal access to lifesaving medicine." The drones have been flying test runs with blood and vaccines, but the project was officially inaugurated Wednesday at the main drone base in Omenako, 70 kilometres (40 miles) north of Accra.

1 mn Species Risk Extinction Due To Humans

Up to 1 million species face extinction due to human influence, according to a draft UN report that painstakingly catalogues how humanity has undermined the natural resources upon which its very survival depends. The accelerating loss of clean air, drinkable water, CO2-absorbing forests, pollinating insects, protein-rich fish and storm-blocking mangroves — to name but a few of the dwindling



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Page No. 04

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services rendered by Nature — poses no less of a threat than climate change, says the report, set to be unveiled on May 6, 'Mass Extinction Event'. The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) report warns of “an imminent rapid acceleration in the global rate of species extinction.” The pace of loss “is already tens to hundreds of times higher than it has been, on average, over the last 10 million years,” it notes. “Half-a-million to a million species are projected to be threatened with extinction, many within decades.” Many experts think a so-called “mass extinction event” — only the sixth in the last half-billion years — is already under way.

MANAGEMENT OUTLOOK

To Help Your Team with Stress and Burnout, Encourage Healthy Habits

As a manager, it is your job to support your team through intense work periods. The first step to take care of yourself: Eat nutritious food, exercise, get plenty of sleep and find a friend to vent to when you need it. These things are not luxuries — a healthy mind and body will help you lead well. When you turn your attention to your team, think about how you can be compassionate, be a source of optimism and set a good example. Show your employees that, whatever the stressful situation, you are all in it together. Talk about how you cope with stress, and encourage people to take breaks, improve their work-life balance, and maintain a healthy attitude toward daily work and deadlines. It can also be useful to remind people why their work is important to the company and to customers. Renewing your sense of purpose is a good way to fight the drain of burnout.

(Adapted from *How to Help Your Team With Burnout When You're Burned Out Yourself* by Rebecca Knight-HBR.)

Leading a Big Team is Different From Leading a Small One

As your team grows in size, your leadership style needs to adapt — and you will probably find that it becomes more indirect. For example, on a five-person team, you can develop a close relationship with each individual; on a 30-person team, that is nearly impossible. Since you cannot give everyone the attention they deserve, it is important to hire or develop other leaders to manage the people you cannot. You should also accept that prioritizing and delegating are the new normal. The more you look after, the more likely it is that some projects will not be going as well as they could. Figure out where you really need to spend your time, and get used to trusting your team to handle things without your direct involvement. Some decisions will be made without your input, and tasks may be done with a method different from yours. That is OK. A big part of managing at scale is learning to find the right balance in these types of situations.

(Adapted from *As Your Team Gets Bigger, Your Leadership Style Has to Adapt*, by Julie Zhuo-HBR.)

SNIPS

Big Potential

American corporations, from General Electric to Google, invest more than \$1 bn per year in executive coaching.

Investing in Women

Female leaders make up about 4pc of the top positions in the investment industry, which includes mutual organizations, hedge funds and private equity firms.

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