



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 14, Issue No. 27 | Date: July 05, 2019

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

PAKISTAN OVERVIEW

Amnesty Scheme Draws 137,000 Declarants, Rs. 3 tr in Assets

The government's finance team announced on Thursday that a total of 137,000 people have registered for the tax amnesty scheme and deposited a Rs. 70 bn in taxes until Wednesday (July 3). Addressing a press briefing Adviser to Prime Minister on Finance Dr. Hafeez Shaikh disclosed that assets worth over Rs. 3,000 bn had been declared under the scheme.

SBP Promulgates Assets Declaration Ordinance 2019

The State Bank of Pakistan (SBP) on June 26, 2019 promulgated Assets Declaration Ordinance 2019 to facilitate voluntary declaration of undisclosed assets. The ordinance has been introduced with a view to provide for voluntary declaration of undisclosed assets, sales and expenditures, for the purposes of allowing the non-documented economy's inclusion in the taxation system and encouraging a tax compliant culture. As per the ordinance, the declaration made will be valid if the foreign currency held in Pakistan is deposited into declarant's own foreign currency account at the time of disclosure and is retained in such account till June 30.

Priority Areas Briefs

- The government has lowered the growth target for the agriculture sector for 2019-20 owing to insufficient water and a drop in the fertilizer off-take.
- The growth target for the sector is now 3.5pc, which is based on the expected contribution from important crops (wheat, rice, sugar cane and maize) at 3.5pc, other crops 3.1pc, cotton ginned 2.5pc, livestock 3.7pc, fisheries 4pc and forestry 2pc.
- The sector's performance during the last two seasons (Rabi and Kharif) remained subdued. It grew 0.85pc, significantly lower than the target of 3.8pc.
- Targets for wheat and cotton will likely be achieved if the quality and quantity of inputs are ensured in addition to the consistent availability of water, certified seeds, fertilizers, pesticides and agriculture credit facilities.
- The National Agriculture Emergency Program aims to spend Rs. 290 bn in the next five years to boost the crop yield, develop fisheries and livestock and improve water conservation.
- The government is planning to rationalize the area under cultivation for wheat, rice and sugar cane. Pakistan is self-sufficient in these crops.
- Thus, the area under cultivation is going to be reduced to grow cotton, pulses, oilseeds and high-value horticultural crops to reduce their imports.

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	12.86	13.11
ENDING	12.88	13.13
CHANGE	+0.02	+0.02

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 204.50	PKR 184.50	PKR 163.50
ENDING	PKR 196.50	PKR 175.50	PKR 156.00
CHANGE	-8	-9	-7.5

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	33,901
ENDING	34,190
CHANGE	+289

GOLD RATE

	(10 gm)
STARTING	PKR 69,872
ENDING	PKR 67,387
CHANGE	-2485



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- The production targets for 2019 Kharif and 2020 Rabi seasons have been finalized. The wheat production target will be 25.55 mn tonnes, rice 7.4 mn tonnes, sugar cane 68.58 mn tonnes, cotton 15mn bales and maize 6.35 mn tonnes.
- As for minor crops, the target for gram is 550,000 tonnes, onion 2.23 mn tonnes, sunflower 200,000 tonnes and potato 4.2 mn tonnes.

SBP Reserves \$7.28 bn

Reserves held by the State Bank of Pakistan (SBP) amount to \$7.28 bn on the week ended June 21, said the bank in a notice issued recently. The rising level of foreign exchange reserves with the commercial banks' — at \$7.069 bn as of June 21 — indicates the interest among investors to buy greenback as the rupee continues to depreciate.

Pakistan to Get \$3bn in Deposits From Qatar

Qatar is making \$3 bn worth of new investments in Pakistan, in the form of deposits and direct investments as per recent report. The economic partnership between Qatar and Pakistan will reach \$9 bn, Qatar News Agency reported recently.

State Bank Discontinues Rs. 40,000 Prize Bonds

The State Bank of Pakistan (SBP) in a circular issued on Tuesday directed all commercial banks to stop selling Rs. 40,000 prize bonds from June 24 onwards. "National Prize Bonds of Rs. 40,000 denomination shall not be sold after June 24, and will not be encashed or redeemed after March 31, 2020," said the SBP. The government has decided to freeze sales of these instruments after it was alleged that huge amounts of black money was used to buy these bonds as they also offer prize money worth millions. However, bond holders will have the option to either replace them with Special Savings Certificates (SSC) or Defence Saving Certificates (DSC), premium prize bonds. The bonds will only be encashed by transferring the proceeds to the bond holder's bank account", said the SBP.

Labour Force Survey 2017-18

- There are a total of 8.78 mn people in Pakistan who are 20 or above and hold at least bachelor's degrees, according to the survey. These people can be divided into two main categories: first, holders of bachelor's, master's and

MPhil/PhD degrees in engineering, medicine and computer; and second, holders of bachelor's, master's and MPhil/PhD degrees in social sciences.

- Around 5.97 mn of the 8.78 mn people are economically active while 0.97 mn are unemployed. This means the educated unemployment rate is 16.2pc, which is much higher than the national unemployment rate of 5.8pc.
- Most of these 0.97 mn people are holders of bachelor's degrees in social sciences (0.57 mn), followed by the holders of master's degrees (0.29 mn) and MPhil/PhD degrees (15,860).
- A significant gender gap also exists: only 1.59 mn (27pc) women are economically active as opposed to 4.38 mn (73pc) men. About 41pc of women with bachelor's degrees or higher are unemployed as opposed to only 7.3pc of men.
- The survey also tells us that a majority (56pc) of these unemployed individuals would prefer to work within their vicinity. About 82pc of such individuals were women.
- About 14pc of these educated unemployed individuals indicated that they would be available for work within their home district while close to 11pc said they would work anywhere in their province of residence. Close to 8pc of them showed willingness to work anywhere within Pakistan.

Pakistan, Three Other Countries Got Highest G20 Coal Subsidies

Pakistan is one of four countries which received highest amount of G20 international public finance for coal-fired power plants in 2016-17, according to a report issued by a London-based think tank recently. Despite promising a decade ago to phase out fossil fuel subsidies, the world's leading economies more than doubled subsidies to coal-fired power plants over three years, putting climate goals at risk, said the report by the Overseas Development Institute. Between 2014 and 2017, G20 governments more than halved direct support for coal mining, from \$22 bn to about \$10 bn on average each year.



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INTERNATIONAL VISTA

India to Add 500GW Renewable Energy

India plans to add 500 gigawatts (GW) of renewable energy to its electricity grid by 2030 in a bid to clean up air in its cities and lessen the rapidly growing economy's dependence on coal, the government said recently. "By 2030 India plans to establish 500GW of Renewable Energy capacity," Anand Kumar, senior official at India's renewable energy ministry, said in a statement.

Bikes in India to Go Electric

India's federal think-tank has asked two-wheeler manufacturers to draw up a plan to switch to electric vehicles, days after opposing the government's proposals saying they would disrupt the sector, two sources said recently. Niti Aayog officials met with executives from companies including Bajaj Auto, Hero MotoCorp and TVS, giving them two weeks to come up with the plan.

Japan's Kansai Manufacturers Aim to Solve Global Issues With Homegrown Tech

In the Kansai region, where the Group of 20 summit meeting will be held, there are a large number of manufacturing companies with unique technologies that can contribute to solving global issues. The combined gross regional product of Osaka Prefecture and seven nearby prefectures in the region is about ¥80 tr (about \$730 bn), comparable to the gross domestic product of the Netherlands. Local companies hope the summit in Osaka will be an opportunity to herald their technological strengths to the world. In the food industry, Fuji Oil Holdings Inc., based in Osaka, produces foods that taste like dairy products, such as whipped cream made from soy milk, as well as butter-like and cheese-like products. The company also produces soy meat, which tastes like real meat. "Foods made from plants will solve the possible global food shortage in the future," Fuji Oil President and CEO Hiroshi Shimizu said, expressing the company's intention to contribute to achieve the United Nations' sustainable development goals, one of which is the Zero Hunger challenge.

EU, Vietnam Sign Free Trade Agreement

Vietnam and the European Union signed a free trade agreement recently, opening opportunities to further boost trade between the Euro bloc and one of Southeast Asia's biggest manufacturing nations. The agreement will eliminate almost all tariffs for goods traded between Vietnam and the EU's 28 member countries. Once the deal takes effect, the EU will lift 85pc of its tariffs on Vietnamese goods, gradually cutting the rest over the following seven years. Meanwhile, Vietnam will lift 49pc of its import duties on EU exports when the agreement is started. The rest will be phased out over 10 years. Vietnam, with a population of 95 mn, is one of the world's fastest-growing economies, and the agreement is expected to accelerate greater trade volume and create vast opportunities for businesses and consumers on both sides.

Chinese Exporters Shift Production to Low-cost Nations

Pressured by rising wages in China, Shu Ke'an, whose company supplies bulletproof vests, rifle bags and other tactical gear to the United States is shifting to Myanmar. Shu has now decided to start making vests for his US clients in Myanmar instead. Since then, the Trump administration has further hiked tariffs on Chinese imports, raising the US taxes on Shu's Guangzhou-made bulletproof vests to 42.6pc. With more than half of his company's income reliant on orders from the United States, Shu was happy with his Myanmar decision.

World's Scariest Bridge

The Eshima Ohashi bridge in Japan is the third largest bridge in the world and has perhaps the steepest scariest slope any bridge could ever have. It is almost perpendicular to the ground. The bridge, built over Lake Nakaumi, has two lanes and links the city of Matsue to Sakaiminato. Built of concrete, it is about a mile long and is nearly 12 meters wide. It is built in such a way that it allows ships to pass through from under it making it the largest rigid frame bridge in Japan.



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MANAGEMENT OUTLOOK

Facebook's Crypto Faces Pre-G20 Examination

Heading in to the G20 summit, Facebook is on notice from powerful regulators including the Fed chief that its plans for a global cryptocurrency face piercing scrutiny. The Libra coin is endorsed by a heavyweight consortium of companies, and could see Facebook leverage its two billion-plus users to bring virtual money out of the shadows and into the mainstream. But Federal Reserve chairman Jerome Powell, addressing the launch for the first time, added his considerable voice to warnings heard already from regulators in Europe and from US lawmakers. Facebook promises the new currency, launching next year, will slash transaction costs and bring more services to people without access to the banking system. But for regulators, Libra is potentially a loose cannon in the armory of international finance, and Powell was not alone this week in starting to erect his defenses as the G20 leaders prepare to meet in Japan this weekend.

Hackers Using Telecoms Like 'Global Spy System': Report

An ambitious group of state-backed hackers has been burrowing into telecommunications companies in order to spy on high-profile targets across the world, a US cybersecurity firm said in a report published recently. Boston-based Cybereason said the tactic gave hackers sweeping access to VIPs' call records, location data and device information effectively turning the targets' cellular providers against them. Cybereason Chief Executive Lior Div said that because customers were not directly targeted, they might never discover their every movement was being monitored by a hostile power.

In Hectic Times, Use Habits to Stay Grounded

When your life is disrupted by a big life event — a job change, a relative's illness — how do you maintain your

focus and well-being? Add some stability to an unstable time by making sure you have habits that align with your long-term goals. Think about the five to 10 things you need to do every week to keep your life on track, and write a list of them. Many critical habits fall into one of four areas: personal reflection, professional reflection, relationships and health (both physical and mental). You should also think about how you will create accountability for yourself. Will you post the list where you will see it often? Use an app to set reminders? Check in with a friend each week? Creating and reinforcing habits this way can assure you that you are doing what you need to — no matter how many things you are juggling.

(Adapted from *When Life Gets Busy, Focus on a Few Key Habits*, by Jackie Coleman and John Coleman-HBR.)

Give New Hires an Onboarding 'Buddy'

There is a lot of information that new hires need, from how to work the coffee maker to what the company's strategy is. That is why you should consider assigning your next hire an onboarding 'buddy' during their first few months on the job. Having a buddy can help the new person start being productive sooner and feel more satisfied in the role. Choose someone who has been with the company long enough to know what the new hire will not find in the employee handbook, such as key stakeholders and cultural norms. Explain what the goals are for the relationship, and encourage the hire and the buddy to meet at regular intervals to check in. It is also important to consider the buddy's workload: you may need to reset his or her priorities so that the person can be available. And do not forget to remind the buddy of the benefits for him. This relationship is a chance to show his communication and leadership skills.

(Adapted from *Every New Employee Needs an Onboarding 'Buddy'*, by Dawn Klinghoffer et al-HBR.)

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