



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 14, Issue No. 20 | Date: May 17, 2019

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

PAKISTAN OVERVIEW

First Tax Amnesty Scheme Announced

After much deliberation, the government has announced its tax amnesty scheme — Asset Declaration Scheme — after it was approved by the cabinet on May 14, 2019. Adviser to the Prime Minister on Finance Dr. Abdul Hafeez Shaikh briefed the media on the scheme. "We have tried to make this scheme very easy to understand and implement," the adviser said at the news conference, adding that the scheme has realistic targets with low rates. Under the scheme, the finance adviser revealed, assets within the country and abroad (except for real estate) can be whitened after paying a rate of 4pc. The whitened cash assets will have to be kept in Pakistani bank accounts. For people wanting to keep their whitened money abroad, a rate of 6pc will be charged.

Pakistan Ranked 3rd Best in Hydel Power Growth

Pakistan has been ranked 3rd in the world among top 20 countries for newly installed hydropower capacity in 2018. The country was placed at third position by the United Kingdom-based renowned organization — International Hydropower Association (IHA) — in its recently issued report titled '2019: Hydropower Status Report — Sector Trends and Insights'. Formed under the auspices of UNESCO in 1995 as a forum to promote and disseminate good practice about hydropower, IHA champions continuous improvement and sustainable practices across the sector. According to IHA report while listing down top 20 countries by newly installed capacity states that Pakistan managed to add 2,487 MW of hydel electricity in 2018 following China and Brazil at the first and second rung that added 8,540 MW and 3,866 MW to their systems respectively.

Experts Review CPEC Trade Activities

Experts from Pakistan and China recently reviewed problems related to the volume of traffic and trade activities on the China-Pakistan Economic Corridor (CPEC). The two sides held a detailed discussion on the issues during signing of minutes of the two-day expert groups meeting on international road transport at the communications ministry. The two-day talks between working level expert groups from Pakistan and China were aimed at promoting bilateral trade through the CPEC. On the first day of the meeting, both sides discussed in details matters relating to exchange of information about China-Pakistan international transport volume during 2018, the present condition of the Karakoram Highway, restoration of the Kashgar-Gilgit bus service, and start of bus service from Lahore and Islamabad to Kashgar, routine mechanism for holding of bilateral talks on a regular basis and grant of multiple entries visas to the drivers/crew members. The meeting also reviewed problems being faced by transport companies and facilitation measures by both the sides. A proposal to open the Pak-China border seven days a week was also considered.

MARKETS AT A GLANCE

Rates are taken till Friday 1:00 pm (Due to Ramadan)

KIBOR (6 MONTHS)		
	Bid%	offer%
STARTING	11.28	11.53
ENDING	11.82	12.07
CHANGE	+0.54	+0.54

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 184.30	PKR 157.30	PKR 141.20
ENDING	PKR 187.00	PKR 163.50	PKR 145.50
CHANGE	+2.7	+6.2	+4.3

PAKISTAN STOCK EXCHANGE

100 Index	
STARTING	34,716
ENDING	33,166
CHANGE	+1550

GOLD RATE

(10 gm)	
STARTING	PKR 58,300
ENDING	PKR 61,471
CHANGE	+3171

* An ISO 9001 : 2015 Certified Company



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Subsidized Loan Scheme Planned

The government will push forward in the upcoming budget about Rs. 20 bn credit guarantee scheme for financial inclusion of the poor farmers and small enterprises through a subsidized loan scheme through the State Bank of Pakistan (SBP) and National Savings. The scheme is part of the National Financial Inclusion Strategy (NFIS) supported by the World Bank to contribute to financial inclusion and development of market infrastructure. The scheme aims at creating an ecosystem that could increase access and usage of digital payments and financial services by low-income households and SMEs. The Budget 2019-20 will envisage about Rs. 5.2 bn needed for financial inclusion and infrastructure project (FIIP) based on feedback from both executing agencies for the project — SBP and Central Directorate of National Savings (CDNS). The scheme should have been in place last fiscal year but was delayed due to requirements of the procurement rules and some activities planned for 2018-19.

Pakistan Reaches Agreement with IMF

The technical teams of the government and the International Monetary Fund (IMF) have reached an agreement on a bailout package for Pakistan, Adviser to Prime Minister on Finance, Revenue and Economic Affairs Dr. Abdul Hafeez Shaikh announced on May 12, 2019.

Summary of Pakistan-IMF Accord

- Pakistan to receive \$6 bn over three years
- Islamabad to also receive \$2-3 bn from World Bank, ADB, etc.
- Finance adviser hints at raising prices in some areas 'to recover costs'
- Decisive policies and reforms necessary for growth: IMF
- IMF says 'market-determined exchange rate' to help the financial sector

Steel Body Wants Ban on Imports Via Road

Pakistan Association of Large Steel Producers (PALSP) has asked the government to make the steel industry critical enabler of growth amid infrastructure development, China-Pakistan Economic Corridor projects and large-scale housing programs in the country. In its budget proposals forwarded to the Ministry of Industries and Production, steel producers highlighted that Pakistan has a menial steel

consumption of 42 kg per capita compared to the world average of 256 kg per capita.

Auto Sector Loses Shine

As over 300,000 units of additional capacity in cars, sport utility and light commercial vehicles are coming up in the next one to two years, some new entrants believe that the government should avoid giving green signal to more new players while others say that let the market decide the fate of new entrants. They said influx of 15 new entrants in the green field segment and two others in brown field under Auto Policy 2016-21 carrying an investment of over 1 bn dollars may create a difficult working environment in the short term for new entrants.

Mango Moods

Country's overall mango production is feared to have come down to 1.2 mn tonnes this year from 1.8 mn tonnes last year owing to heavy rains and hailstorms that damaged mango crop in Sindh by 10pc and 35pc in Punjab. Amid a bad crop, stakeholders have fixed an export target of 100,000 tonnes for this year which is the same as 2018. Mango exports will kick off from May 20, 2019. Last year, Pakistan exported 75,000 tonnes against the target of 100,000 tonnes. Patron-in-Chief of All Pakistan Fruit and Vegetable, Exporters, Importers and Merchants Association (PFVA) Waheed Ahmed said, "We are expecting to fetch \$80mn foreign exchange this year with an anticipated export of 100,000 tonnes."

Trade Deficit Plummets to \$26.2 bn

The country's trade deficit shrank by 13.1pc to nearly \$26.17 bn in the first 10 months of this fiscal year, from \$30.114 bn in corresponding period last year, indicating that government's corrective measures against trade deficit are bearing fruits. The decline in deficit — decreasing by \$3.944 bn during July-April — is estimated to be around \$5-6 bn by the end of FY19. This contraction is mainly attributable to a steep fall in the overall import bill even though export proceeds posted a mixed trend during the period under review. On a monthly basis, trade deficit dipped by 13.77pc to \$2.498 bn in April, from \$2.897 bn over same month last year.



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INTERNATIONAL VISTA

China Ready for Any Outcomes with US

US President's threat of increased tariffs on Chinese goods has added more uncertainty to trade talks with China. Some observers are worried that a tough stance may be taken by the US side during Chinese Vice Premier's visit later this week and thus drive the two nations away from a deal. No matter what the US side wants to do in the negotiations, China has the confidence to handle it. The worst-case scenario is that the negotiations break down and Washington comprehensively raises tariffs. Even if this happens, the Chinese economy will be able to withstand it. It is very unlikely for Beijing to make strategic compromises just because of the latest US threat of increased tariffs. The Chinese public does want an agreement, but not at any cost. While many have been focusing on Trump's threat of increased tariffs, less attention has been paid to the economic logic behind China's calm toward the US' fickleness.

Thyssenkrupp Agrees Restructuring Approach

Management and labor leaders at Germany's Thyssenkrupp have agreed on a way forward after the industrial conglomerate announced a fresh restructuring drive that could lead to the loss of 6,000 jobs. Agreement was reached in talks between management and workers overnight to recognize the need for radical action whilst ensuring fair treatment of employees at the Essen-based group, a senior workers' leader told. (Thyssenkrupp AG is a German multinational conglomerate with focus on industrial engineering and steel production. It is one of the world's largest steel producers; it was ranked tenth-largest worldwide by revenue in 2015.)

China Fires Back at US with Tariff Hike

China said recently it will raise tariffs on \$60 bn worth of US goods from June 1, in retaliation for the latest round of US tariff hikes and Washington's plans to target almost all Chinese imports. The announcement came after the latest round of US-China trade negotiations ended without a deal, and after Washington increased tariffs on \$200 bn worth of Chinese products. US President Donald Trump had also

ordered the start of a process to impose new duties on another \$300 bn worth of Chinese items. China's rates will target a number of American imports with tariffs rising up to as high as 25pc, according to a statement by the Tariff Policy Commission of the State Council — China's cabinet.

UN Kicks Off Major Climate Change Effort

UN Secretary-General Antonio Guterres has kicked off a major United Nations push for progress on what he calls the defining issue of our time: climate change. Guterres travelled to New Zealand recently, from where he is set to visit several Pacific islands where rising sea levels are threatening the very existence of those small countries. The stepped-up diplomacy will culminate with a climate action summit at the UN in September, an event billed as a last chance to prevent irreversible climate change, three years after the Paris agreement went into force. "We are seeing everywhere a clear demonstration that we are not on track to achieve the objectives defined in the Paris agreement," Guterres said on the failure to limit rises to 1.5 degrees Celsius (2.7 degrees Fahrenheit) above pre-industrial revolution levels. In a strong message for action on climate change, Guterres said international political resolve was fading and it was the small island nations that were "really in the front line" and would suffer most.

Obesity Rising Faster in Rural Areas Worldwide

Obesity worldwide is increasing more quickly in rural areas than in cities, a study reported recently, challenging a long-held assumption that the global epidemic of excess weight is mainly an urban problem. Data covering 200 countries and territories compiled by more than 1,000 researchers showed an average gain of roughly five to six kilos per woman and man living in the countryside from 1985 to 2017. City-dwelling women and men, however, put on 38 and 24pc less, respectively, than their rural counterparts over the same period, according to the findings, published in *Nature*. "The results of this massive global study overturn commonly held perceptions that more people living in cities is the main cause of the global rise in obesity," said senior author Majid Ezzati, a professor at Imperial College London's School of Public Health. "This means that we need to rethink how we tackle this global health problem."



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MANAGEMENT OUTLOOK

Break Up Facebook, Says Company's Co-Founder

One of the co-founders of Facebook called for the social media giant to be broken up, warning that the company's head, Mark Zuckerberg, had become far too powerful. "It is time to break up Facebook," said Chris Hughes, who along with Zuckerberg founded the online network in their dorm room while both were students at Harvard University in 2004. In an editorial published in *The New York Times*, Hughes said that Zuckerberg's "focus on growth led him to sacrifice security and civility for clicks," and warned that his global influence had become "staggering." Zuckerberg not only controls Facebook but also the widely used Instagram and WhatsApp platforms, and Hughes said that "Facebook's board works more like an advisory committee than an overseer." Hughes, who quit Facebook more than a decade ago, was pictured in the newspaper together with Zuckerberg when both were fresh-faced students launching Facebook as a campus networking tool. He accused Facebook of acquiring or copying all of its competitors to achieve dominance in the social media field, meaning that investors were reluctant to back any rivals because they know they cannot compete for long. After buying up its main competitors Instagram, where people can publish photos, and WhatsApp, a secure messaging service, Facebook now has 2.7 bn monthly users across its platforms and made a first quarter profit of \$2.43 bn this year.

Landmark UN Plastic Waste Pact Gets Approved but not by US

Nearly every country in the world has agreed upon a legally binding framework to reduce the pollution from plastic waste except for the United States, UN environmental officials said. An agreement on tracking thousands of types of plastic waste emerged on May 10, at the end of a two-week meeting of UN-backed conventions on plastic

waste and toxic, hazardous chemicals. Discarded plastic clutters pristine land, floats in huge masses in oceans and rivers and entangles wildlife, sometimes with deadly results.

Go Early and Spend Some Time on Your Hobbies

When we do not make time for our hobbies, our professional lives pay a price. Why? Three reasons. First, hobbies awaken our creativity. It is hard to come up with new ideas at work when our brains are filled with targets and deadlines. A creative hobby pulls you out of that by giving you a blank canvas and mental space to make connections. Second, hobbies provide a fresh perspective. Part of coming up with ideas is imagining how people (say, customers) will react to them. If you write, paint or make music, you are probably used to thinking about how a reader or listener will experience your work. Bring that mentality to your job, too. Lastly, hobbies bolster confidence. When a tough project has you feeling discouraged, taking an hour for a hobby can boost your confidence and mood. Use that boost to tackle the project with fresh resolve. (Adapted from *Why You Should Work Less and Spend More Time on Hobbies*, by Gaetano DiNardi.)

SNIPS

An App for Every Bank

Across the continent of Africa, 122 mn people use digital financial services.

We Work Together

A WeWork survey found that the majority of new individual US members, 70pc, are full-time workers at companies that either use WeWork offices for their central location or for remote workers.

Data Loss

In one study, job applicant tracking systems were shown to screen out up to 75pc of resumes.

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Published by: The Institute of Bankers Pakistan, M.T. Khan Road, Karachi 74200, Pakistan

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