



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 14, Issue No. 21 | Date: May 24, 2019

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

PAKISTAN OVERVIEW

SBP Raises Policy Rate to 12.25pc

The State Bank of Pakistan (SBP) on May 20, 2019, raised its policy rate by 150 basis points to 12.25pc, 50 bps above market expectations. The bank cited rising inflation as well as expectations of future inflation driven by a weak rupee, widening fiscal deficit and potential adjustments to the utility tariffs as the key drivers behind the rate hike. The move follows a staff-level agreement with the International Monetary Fund (IMF) for a \$6 bn bailout package, which is likely to be accompanied with tough conditions, including higher interest rates and commitments to roll over debts taken from China, Saudi Arabia and the UAE.

FDI Amounts to \$ 1.376 bn

As the government embarks on an arduous journey to fix the economic imbalances with the help of International Monetary Fund (IMF) bailout, the foreign direct investment (FDI) amounted to \$1.376 bn during the first 10 months of this fiscal year. Sector-wise, construction led the chart attracting \$386.8m during the July-April period of 2018-19 followed by oil and gas exploration, financial business, and electrical machinery with \$287.3 mn, \$256.6 mn, and \$287.3 mn respectively.

Big Industry Production Lessen by 10.63pc

The large-scale manufacturing (LSM) sector shrank by 10.63pc during March from a year ago, the Pakistan Bureau of Statistics (PBS) reported recently. It was attributed to dismal performance of food and beverages, fertilizers, petroleum products and automobiles. Industrial sector is targeted to grow by 7.6pc during 2018-19. Manufacturing sector is projected to expand by 7.8pc with LSM growth rate of 8.1pc, small-scale and household manufacturing 8.2pc, construction 10pc and electricity generation and distribution and gas distribution by 7.5pc.

US to Help Pakistan Introduce Genetically-Engineered Corn

The Foreign Agricultural Service of the United States Department of Agriculture (USDA) has said that future collaborative projects between the US and Pakistan include using American soybean feed in poultry, fish farming and dairy industries, introducing genetically-engineered maize and working with various government departments to develop uniform food safety standards. "Soybean from the United States will serve as raw material for poultry, fish farming and dairy industries in Pakistan. We are working collaboratively with the government and the industry not only in poultry but also in the new and exciting area of fish farming which is in the pipeline," Casey E. Bean, USDA official based in US Embassy told. "Approval of genetically-engineered maize is currently being considered in Pakistan. It would offer farmers a tool to increase their production and reduce use of agricultural chemicals," he claimed.

MARKETS AT A GLANCE

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

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	11.82	12.07
ENDING	12.70	12.95
CHANGE	+0.88	+0.88

FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 187.00	PKR 163.50	PKR 145.50
ENDING	PKR 192.00	PKR 169.00	PKR 152.50
CHANGE	+5.00	+5.5	+7.00

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	33,166
ENDING	35,703
CHANGE	+2537

GOLD RATE

	(10 gm)
STARTING	PKR 61,471
ENDING	PKR 61,128
CHANGE	-343

* An ISO 9001 : 2015 Certified Company



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Services Exports Jump

Export of services increased 5.63pc year-on-year to \$468.39 mn in March compared to \$443.44 mn during the same period last year, according to latest data released by the Pakistan Bureau of Statistics. The services sector has emerged as the main driver of economic growth as its share in the GDP increased from 56pc in 2005-06 to nearly 59pc in 2017-18. Services exports are concentrated in finance and insurance, transport and storage, wholesale and retail trade, public administration and defense sectors.

Exports Decline Despite Subsidies

Despite currency devaluation and subsidies offered to various sectors, the country's exports declined by 1.54pc during April, according to latest data released by the Pakistan Bureau of Statistics (PBS). PBS data shows that exports during the month of April slightly declined to \$2.094 bn compared to \$2.127 bn during the same period last year.

NA Body Directs Better Crop Insurance

Expressing serious concerns over ineffective crop insurance schemes offered to farmers in the country, the National Assembly Standing Committee on Commerce and Textile recently asked the commerce ministry and National Insurance Company Limited (NICL) to come up with better packages. The committee was informed that although standing wheat crop had been damaged due to hailstorms in April, sufficient stocks are available from the previous harvest for consumption in the country.

Customs Launches WeBOC-Glo

Pakistan Customs launched WeBOC-Glo, an upgraded version of WeBOC Customs clearance system to ensure speedy clearance of goods in order to reduce parking time at ports to facilitate businesses. The term stands for Web Based One Customs Global (WeBOC-Glo), a modern version of its already operational clearance system.

Deferred payment facility for oil imports from Saudi Arabia to begin from July

Saudi Arabia's promised deferred payment facility to Pakistan for the latter's oil imports will kick in from July 1, under which Pakistan will receive petroleum products worth \$275 mn every month as reported.

INTERNATIONAL VISTA

French Unemployment at 10-Year Low

French President Emmanuel Macron received a boost from figures showing unemployment at a 10-year low, but the 8.7pc rate is still much higher compared to other European heavyweights. The jobless indicator inched down by 0.1 point from the same period in 2018 to its lowest level since 2009, the national statistics institute INSEE said. Macron, a pro-business centrist, has made cutting unemployment his main domestic priority and it has fallen — albeit gradually — from 9.4pc when he took office in May 2017.

Hit by US Sanction Threats, EU Seeks Ways to Boost Euro

The European Union is seeking new ways to widen use of the euro and counter the dollar's global dominance, top EU officials said recently, as the bloc tries to salvage Iran's nuclear deal by helping companies bypass US sanctions. Fears they will be hit with sanctions have pushed European corporations to suspend their dealings with Iran after Washington pulled out of the nuclear accord last year. The EU has tried to defend the pact signed with world powers in 2015 by offering firms alternative ways to trade with oil-rich Iran. Because the dollar is the world's dominant currency, European officials and businessmen are aware that financial threats by the United States cannot be overlooked, even when they rest on controversial legal grounds.

Self-Sufficiency Helps Iran Counter Sanctions

Foreign tourists who visit Iran the first time will be surprised at the calm of the Iranian people who are living under US sanctions. In Iran, there is a wide variety of food in supermarkets. All kinds of local cuisine, at bargain prices, fill Iran's restaurants. Sights like these are common in many restaurants: big stacks of bread are on diners' tables, people take a slice and savor it with a local sauce as they chat over their meal. In some restaurants, bread is unlimited as long as people order other food. "In a small restaurant at the city center of Tehran, we ordered two pizzas, French fries and a non-alcoholic beer. The meal cost us 675,000



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riyals, which was only about \$5". According to the restaurant's owner, Iran's food prices are strictly controlled by the government. The apparent ample supply also shows that Iran has enough food to meet the needs of the people. Food is the first necessity of the people. Every country's social stability is based on its food supply that meets people's needs. No matter how strict the US sanctions are, no serious problems in Iran would occur as long as its people have enough food to eat and clothes to wear.

Greece Stresses Support for BRI

Economic cooperation between China and Greece under the Belt and Road Initiative (BRI) has yielded growing benefits for the Mediterranean country, which brings in rising investments and props up Greek tourism sector, one expert told recently. Greece has consistently supported the China-proposed new silk road initiative. During this week's visit to China, Greek President Prokopis Pavlopoulos said that Greece "highly appreciates" the joint development of the BRI, according to a recent report. He also said that he appreciates the outlook on world civilizations proposed by Chinese President Xi Jinping, as well as the concept of building a community with a shared future for humanity, the report said.

Germany Returns to Growth

A strong first quarter for Germany has lifted some of the gloom from a weak second half to 2018, but fears linger for the future of its manufacturing-led model, analysts said recently. Europe's powerhouse narrowly avoided recession late last year, with zero growth between October and December following a decline of 0.2pc in the preceding quarter. But the economy recovered again in the first three months of this year, with gross domestic product expanding by 0.4pc on a quarter-on-quarter basis, data published by the federal statistics authority, Destatis, showed recently.

Saudi 'Green Card' to Allow Expats to Own Property, Start Business

The Saudi cabinet is deliberating over a proposed scheme to issue 'Privileged Iqamas' to expatriates that would allow them to become permanent residents, own properties and start businesses in the kingdom without the need of local sponsors called kafeel. It is pertinent to mention here that

in the existing system, expatriates cannot start a business without a kafeel, who is required to have a sizeable share in the venture, which often leads to monetary disputes. If the new scheme goes through, those on visit visas will also be spared from the hassle of visiting embassies every few months to get extensions. The Privileged Iqama, or the Saudi 'green card', could also benefit the nearly 2.7 mn Pakistanis living in Saudi Arabia who remit nearly \$6 bn from Saudi Arabia every year.

US Births Fall to Lowest Level in 32 Years

The number of births in the US fell once again in 2018, reaching the lowest level in more than three decades, according to government statistics published recently. Births have fallen in 10 of the last 11 years since last peaking in 2007, before the Great Recession. With 3,788,235 births in 2018, the number of babies born dropped twopc compared to 2017, according to the Centers for Disease Control and Prevention (CDC). It was the lowest figure since 1986.

May to Make MPs a Final 'Bold Offer' on BREXIT Deal

British Prime Minister Theresa May said recently, she was preparing to make a "bold offer" to MPs in one final attempt to get them to back her BREXIT deal. May said that when she brings the Withdrawal Agreement Bill before parliament early next month, it will come with a new package of measures attached that she hopes can command majority support. She said she still believes there is a majority in parliament to be won for leaving with a deal. MPs three times rejected the deal May struck with Brussels, forcing Britain's EU departure date to be pushed back from March 29 to April 12 and again to October 31. The bill is needed to ratify the divorce agreement struck with the European Union.

SNIPS

Generation GAP

According to research from Canadian company Visier, millennial workers resign two times more often than non-millennials.



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MANAGEMENT OUTLOOK

Talking to a Co-Worker Who is Having a Hard Time

We all have bad days at work. But when a colleague is struggling for an extended period of time, how should you be supportive? Try to help them reflect on their feelings and what they need to move forward. (Note this works best when you and the person have a close relationship.) For example, you could get them talking by saying: "It seems like something has been bothering you. Can I help?" or "You have seemed stressed and preoccupied lately. Would you like to talk about what is going on?" Be careful not to make the person feel judged. Do not imply they already should have gotten over their problem, and avoid telling them how to feel. For example, do not say: "You should stop worrying so much" or "You are making too big a deal about this." Keep in mind that bouncing back takes time — you cannot force someone to feel better. That said, helping a co-worker return to their normal self is usually worth a try. (Adapted from *How to Talk with a Co-Worker Who's Having a Tough Time*, by Deborah Grayson Riegel-HBR.)

When The Future is Unclear, Help Employees Do Good Work Every Day

One of the greatest challenges of managing people is leading them through uncertain times. Maybe market conditions are changing, or it is not clear how your team fits into the C-suite's strategy. Not having an obvious goal, or a clear way to reach it, can be really uncomfortable. You can help your team cope by telling them to focus on one thing: doing their jobs well. They may not know what the future holds, but they do know what their responsibilities are. Doing good work every day can give your team a sense of direction and alleviate some of their discomfort. You should also cultivate an atmosphere of open communication, which can create emotional steadiness. When there is new information you can share about what is going on, share it. Let your team know they can be honest about their emotions,

and be honest about yours too — as long as it is productive. Employees will take their cues from you, so project calm and avoid unhelpful stress-driven responses. (Adapted from *Managing When the Future Is Unclear* by Lisa Lai-HBR.)

Alibaba Results Defy Analyst Estimates

Chinese e-commerce leader Alibaba recently announced revenue for the latest quarter that beat analyst estimates, indicating that the Sino-US trade tiff and a slowing domestic economy were having little impact on the bottom line. Revenue for the January-March period rose 51pc year on year to 93.5 bn yuan (\$13.6 bn), a company statement said, outpacing an average analyst estimate of 91.7 bn yuan compiled by Bloomberg News. Net profit was 25.8 bn yuan, up more than three-fold compared to the same period a year earlier. Revenue in the Hangzhou-based company's core e-commerce segment, which accounts for the vast majority of its business, jumped 54pc, while the smaller but fast-growing cloud computing unit surged 76pc. "Our cloud and data technology and tremendous traction in new retail have enabled us to continuously transform the way businesses operate in China and other emerging markets, which will contribute to our long-term growth," Chief Executive Officer Daniel Zhang said in the statement.

SNIPS

The Alexa Project

Business Insider reports that Amazon has 10,000 employees working on the development of the Alexa smart speaker assistant.

Keep in Touch

The typical person touches their cell phone 2,617 times a day.

Google Rules

Google holds more than 90pc of the world's traditional search engine traffic.

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