



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 14, Issue No. 22 | Date: May 31, 2019

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

PAKISTAN OVERVIEW

Govt Eyes 4pc Growth as Development Budget Slashed for 2019-20

The government has envisioned a subdued economic outlook for next fiscal year with gross domestic product forecast to grow by 4pc as the development program comes under a virtual freeze. This is the crux of the budget preparations ahead of Annual Plan Coordination Committee (APCC) meeting being held recently.

PM To Launch Qarz-I-Hasna, Asset Transfer Schemes Next Month

The government will start next month the process of distributing over 80,000 loans and moveable/immovable assets every month to the deserving families under Qarz-i-Hasna and assets transfer schemes. Both schemes will be launched by Prime Minister Imran Khan under the ambitious Ehsaas programme. Under the Ehsaas Qarz-i-Hasna scheme, over 80,000 loans will be disbursed every month among youth and women, enabling them to undertake their own business ventures and help their families extricate from poverty trap. These loans would be prioritized in the underdeveloped districts. Under the asset transfer scheme, people will be given livestock (goats and chickens), agriculture tools and supplies, sewing machines or material to support local crafts, small shops or cash to help them start small businesses. 'Assets' under this scheme will be given as one-time support and are not expected to be returned.

Mango Moods

A mature crop of mangoes is yet to be fully available in the market amidst reports of substantial decline in production mainly in Sindhri variety, apparently due to climate change-driven variations in weather. Extended winter, unusual summer rains, winds and hailstorms are factors that adversely affected the crop. But there is good news as well. Mangoes have started gaining lost ground in lower Sindh as growers who had done away with orchards have taken interest in farming the 'king of fruit' again. Up until five to six years ago, growers had switched to other crops. Although the trend of re-cultivation is slow, it is constant. This will eventually contribute to higher mango production in the long run. In the short to medium term, the mango crop is facing a host of challenges. A team of Sindh Horticulture Research Institute assessed around 25-30pc drop in crop production in its 2019's annual survey.

FBR Eyes Rs. 775 bn in Fresh Taxes Next FY

According to a detailed revenue plan drawn up by the tax bureaucracy, and shared with the International Monetary Fund in the last round of meetings, the government is aiming to introduce new tax measures equal to Rs. 775 bn in the forthcoming budget for the fiscal year 2019-20. The revenue plan and detailed conversations

MARKETS AT A GLANCE

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

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	12.70	12.95
ENDING	12.74	12.99
CHANGE	+0.04	+0.04

FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 192.00	PKR 169.00	PKR 152.50
ENDING	PKR 188.00	PKR 165.00	PKR 148.80
CHANGE	-4.00	-4.00	-3.7

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	35,703
ENDING	35,974
CHANGE	+271

GOLD RATE

	(10 gm)
STARTING	PKR 61,128
ENDING	PKR 59,842
CHANGE	-1286

* An ISO 9001 : 2015 Certified Company



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with senior officials of the Federal Board of Revenue have provided the context in which it was produced. The plan has to be approved by the cabinet, something that was supposed to have happened in the first week of May but has been delayed due to changes at the top.

Industry Deserves Inducement

Chances are that Pakistan will achieve a primary surplus, build up enough foreign exchange reserves and bring down the current account deficit to a safer level by the conclusion of the 39-month \$6 bn Extended Fund Facility (EFF) from the IMF. The long-term sustainable economic recovery, however, will continue to hinge on the country's ability to boost its exports and attract domestic and foreign direct investment in the manufacturing sector. Otherwise, the country may once again be knocking at the doors of the Washington-based lender of last resort shortly after the conclusion of the program. Both the previous and present governments have made efforts to increase exports during the last two and a half years. These include the implementation of the zero-rated regime for export-oriented industries, cash subsidies to exporters under the Prime Minister Exports Enhancement Package, improvement in energy supplies, partial payment of tax and other refunds, exemption of import duties on raw materials used in export production and substantial reduction in the prices of electricity and imported gas.

British Airways to Resume Operations from June 2

British Airways (BA) will resume flights between London and Islamabad on June 2 after a break of around 11 years, with a three flights per week service on the Boeing 787 Dreamliner aircraft. According to a press release issued by BA, the airline is starting a three flights per week service to London Heathrow. The final touches are coming together for the airline's return, ahead of its first flight on June 2, the statement said. The service will be operated on a three-class Boeing 787 Dreamliner with World Traveler (long-haul economy), World Traveler Plus (long-haul premium economy) and Club World (long-haul business class) available.

Shipping Sector's Potential

It is difficult to comprehend why a country with a trade of over \$70 bn has a minuscule shipping sector. Pakistan has just 10 ships at present and that too only in the government sector. While the country is facing a major balance of payment problem, an estimated \$4-5bn in foreign exchange is spent per annum on sea freight charges alone. In addition, Pakistani seafarers are finding it difficult to get jobs in sea-going ships. There is an urgent need to correct this anomaly. Under the United Nations Conference on Trade and Development (UNCTAD) 1964 rule, Pakistani ships can lift at least 40pc of export and import cargo.

Bike Makers Raise Prices

Manufacturers of two and three-wheelers and auto loaders jacked up prices in the range of Rs. 500-Rs10,000 citing rising raw material prices in the international market and recent bouts of currency devaluation. Crown Motorcycle, manufacturer of bikes and loaders, raised prices by Rs. 2,000-5,000. In addition, rickshaw and motorcycle manufacturer Road Prince jacked up prices in the range of Rs. 500-6,000 for various models effective from June 1.

Bulgaria to Import Rice, Cotton

Bulgarian Minister for Economy Liliya Ivanove recently expressed her country's keen desire to import rice and cotton from Pakistan. During the second meeting of Pakistan-Bulgaria Inter-Ministerial Commission, Ivanove stated that Bulgaria is looking forward to extensive cooperation in the field of agriculture including sustainable imports of cotton and rice from Pakistan. Bulgarian ambassador to Pakistan, who accompanied the minister for economy, offered cooperation in the field animal's medicines of which Bulgaria is quite famous for. Pakistan exports cotton fabrics, synthetic fabric, chemical materials and products, sports goods and toys to Bulgaria.

BRIEFS

Fixing the budget announcement date on June 11, the government approves a consolidated development portfolio of Rs. 1.837 trillion.



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INTERNATIONAL VISTA

Trump Presses Japan Over Trade Gap

Donald Trump pressed Japanese Prime Minister Shinzo Abe recently to even out a trade imbalance with the United States and told a news conference with Abe after their summit that he wanted US exports to be put on a fair footing in Japan through the removal of trade barriers. He said he hoped to have more to announce on trade very soon and said he and Abe had agreed to expand cooperation in human space exploration.

IMF Warns US-China Trade War Will 'Jeopardise' Global Growth

The IMF sounded the alarm recently about the escalating US-China trade war, warning it will 'jeopardise' 2019 global growth, undermine confidence and raise prices for consumers. Gita Gopinath, the International Monetary Fund's chief economist, directly refuted President Trump's claim that tariffs are paid by China and provide a windfall for the US treasury, and that his aggressive posture will help reduce the US trade deficit. She and her co-authors warned in a blog post that the economic damage will be even worse if Trump goes through with the threat to impose steep tariffs on all goods imported from China, as that "will subtract about one-third of a percentage point of global GDP in the short term." Optimism was high earlier this month that a deal was within striking distance but tensions erupted after Trump accused Beijing of backtracking on its commitments made over the year of negotiations.

Indo-Pak Border Trade Continues Despite Simmering Tensions

According to the latest report of State Bank, the trade volume of the two countries (Pakistan and India) was \$1,699 mn during July-April FY19 compared to \$1,820 mn in the same period in last fiscal year, showing a decline of 6.6pc. However, trade remained in favor of India as its exports to Pakistan were much bigger than imports. Pakistan's exports to India declined by \$39 mn to \$298 mn and imports by \$82 mn to \$1,401 mn during the 10 month period.

WTO Quarterly Trade Growth Indicator at Nine-Year Low

The World Trade Organization's quarterly outlook indicator (showed on May 20) that global goods trade growth was likely to remain weak, with a reading of 96.3, unchanged from February, the lowest since 2010. "The outlook for trade could worsen further if heightened trade tensions are not resolved or if macroeconomic policy fails to adjust to changing circumstances," the WTO said, adding that the latest indicator did not reflect major trade moves in the last few days. A score of below 100 in the indicator, a composite measure of seven drivers of trade, signals below-trend growth in global goods trade, which the WTO's April forecast estimated at 2.6pc this year, the mid-point of a forecast range from 1.3pc to 4.0pc. But WTO warned that there were several scenarios that could pull trade growth towards the bottom end of that range, including worsening trade tensions between the United States and China, or Britain leaving the European Union without a deal on their future relationship.

Ford Cuts 7,000 White-Collar Jobs

Ford Motor Company revealed details of its long-awaited restructuring plan as it prepared for a future of electric and autonomous vehicles by parting ways with 7,000 white-collar workers worldwide, about 10pc of its global salaried workforce. The major revamp, which had been under way since last year, will save about \$600 mn per year by eliminating bureaucracy and increasing the number of workers reporting to each manager. In the US about 2,300 jobs will be cut through buyouts and layoffs. About 1,500 have left voluntarily or with buyouts, while another 300 have already been laid off. About 500 workers will be let go starting this week, largely in and around the company's headquarters in Dearborn, Michigan, just outside Detroit.

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The Power Of Smartphones

Around three-fourths of Americans own a smartphone, according to Pew Research Center.



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MANAGEMENT OUTLOOK

Fiat Chrysler Wants Merger With Renault

Fiat Chrysler has proposed to merge with France's Renault to create the world's third-biggest automaker, worth \$40 bn, and combine forces in the race to make electric and autonomous vehicles. The merged company would reshape the global industry: it would produce some 8.7 mn vehicles a year, leapfrogging General Motors and trailing only Volkswagen and Toyota. Shares of both companies jumped on the news of the offer, which would see each side's shareholders split ownership in the new manufacturer.

If Employees Lose Their Motivation, Find Out Why

When one of your employees starts to seem unmotivated, you should try to find out why. It will be far easier to help once you know the reason for his or her lack of motivation. Talk to the person about what you have been seeing; make it clear that your intention is to understand his perspective, not to scold. You may hear that the employee does not think his work connects to his values. In that case, try to draw connections between what he does and what he cares about. Or you may hear that the person feels he lacks the skills his work requires. Respond by building his confidence — point out when he has overcome challenges in the past, and consider breaking his tasks into smaller, more manageable chunks. Or you may hear that the employee is not sure why he is struggling. Encourage him to think carefully about what is holding him back. After identifying the problem, brainstorm solutions and discuss how he can approach the situation more productively.

(Adapted from *4 Reasons Good Employees Lose Their Motivation*, by Richard E. Clark and Bror Saxberg-HBR.)

When Leading Across Cultures, Your Style May Need To Change

Lots of managers work with employees whose backgrounds or cultures differ from theirs. In certain circumstances, the leadership approach you are used to may be ineffective, or even offensive. That is why it is important to build your cultural fluency. Think about how your current style has been influenced by your background and personal identity. When might your style be a bad fit, and for whom? Working with a coach, or completing an assessment of your cultural competence, can be a helpful way to identify your blind spots and figure out how to address them. When working with employees from different cultures, think carefully about where your usual approach might need adjusting. Consider: how will you greet employees? Lead meetings? And always be willing to adjust your leadership style; never assume that other people will adjust to you.

(Adapted from *3 Ways to Improve Your Cultural Fluency*, by Jane Hyun and Doug Conant-HBR.)

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Idea Lab

Every year, Toyota employees submit more than 700,000 of the company's ideas for improving processes and products.

Selling Voice Commerce

The Information, a digital media company, reports that only 2pc of Amazon Echo owners have used the device to shop.

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

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