



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 14, Issue No. 24 | Date: June 14, 2019

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

PAKISTAN OVERVIEW

Fresh Currency Note Issuance on Eid-ul-Fitr 2019

The State Bank of Pakistan (SBP), through 16 field offices of its subsidiary SBP-Banking Services Corporation (SBP-BSC), provided fresh banknotes of various denominations aggregating to Rs. 360 bn, including Rs. 61 bn of Rs.100 and below denominations, via cash counters of banks and SMS service (8877) to general public during Ramazan. Out of Rs. 61 bn, Rs. 54 bn were issued through the SMS service which was available in 142 cities through more than 1,700 commercial bank branches and 16 field offices of SBP BSC. The service catered to more than 3 mn people before Eid-ul-Fitr.

Provinces to Get Rs. 3.25 tr Under NFC Award

Provinces will get Rs. 3.25 tr under the National Finance Commission (NFC) award in the next financial year — an increase of Rs. 790 bn over their share of Rs. 2.45 tr in the outgoing fiscal year. In accordance with the framework for distribution of resources structured by the 7th NFC award, provincial share in federal taxes and straight transfers to provinces are estimated at Rs. 3.25 tr for fiscal year 2019-20, reflecting an increase of 32.2pc over revised estimates of 2018-19, a budget document reads. Punjab will get Rs. 1.61 tr under the NFC award as against its share of Rs. 1.20 tr during the current financial year, reflecting an increase of Rs. 410 bn. Sindh will have a share of Rs. 814.91 bn as compared to the Rs. 616.26 bn it received during the current financial year. Khyber Pakhtunkhwa and Balochistan will receive Rs. 533.26 bn and Rs. 294.98 bn as against their share of Rs. 404.03 bn and Rs. 237.61 bn, respectively, during the current fiscal year.

Sialkot Surgical Industry Highlights

- Institute of Surgical Technology is successfully functioning and catering to the needs of surgical industry of Sialkot; the major objective of the establishment of Institute of Surgical Technology (IST) was to provide skilled work force.
- In order to address the problems and challenges of surgical industry the revamping of Metal Industries Development Centre along with establishment of Institute of Surgical Technology had been completed at a cost of Rs. 234.351 mn and Rs. 334.384 mn.
- The MIDC has been equipped with latest machinery for catering the requirements of the industry and it earned more than Rs. 21.742 mn so far by providing different services to the industry enabling it to compete international market with quality products.
- The surgical industry represents manufacturers and exporters of surgical instruments, dental instruments, veterinary, pedicure and manicure items, tailor scissors, barber scissors and beauty salon instruments.

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	12.78	13.03
ENDING	12.80	13.05
CHANGE	+0.02	+0.02

FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 188.00	PKR 167.00	PKR 148.20
ENDING	PKR 193.00	PKR 172.00	PKR 152.50
CHANGE	+5.00	+5.00	+4.3

PAKISTAN STOCK EXCHANGE

100 Index

STARTING	34,659
ENDING	35,572
CHANGE	+913

GOLD RATE

(10 gm)

STARTING	PKR 59,842
ENDING	PKR 62,243
CHANGE	+2401



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- There are about 2300 small and medium surgical units functioning in and close to Sialkot with labor force of 150,000 workers.
- The Pakistani surgical instruments are most economical in the world coupled with unconditional guarantee of finest quality and the surgical manufacturers and exporters are making strenuous efforts for further improving the standard and quality of the instruments to cope with the international market.

Petroleum Demand Plummet

The country's overall oil sales plunged by 25pc to 16.972 mn tonnes during the first 11 months of this fiscal year owing mainly to 57.7pc drop in furnace oil (FO) sales to 2.743 mn tonnes. A drop of 19pc was witnessed in the high-speed diesel (HSD) sales to 6.764 mn tonnes. However, petrol sales inched up by 1.2pc to 6.808 mn tonnes. Total off-take of petrol, oil and lubricants (POL) dipped 32pc year-on-year to 1.68 mn tonnes in May chiefly on the back of dreary FO sales. Similarly, motor spirit (MS) and HSD volumes tumbled by 5.2pc and 20.6pc year-on-year to 604,000 tonnes and 706,000 tonnes, respectively.

Trade Deficit Shrinks

The government is set to reduce overall trade deficit by almost \$5 bn by end June, said the Economic Survey 2018-19 released recently. The first 10-month figure showed that the overall trade deficit will drop to a certain level owing to contraction of imports of non-essential luxury items. Overall, the trade deficit has decreased by 7.28pc in the July-April FY2019 to \$23.93 bn from \$25.81 bn in the same period last year.

Khewra Salt Mine 2nd Largest in World

Pakistan can rightly boast of famous Khewra city for having world's second largest Salt mine; largest by area wise rock salt mine in the world. Its reserves contain rock salt in the form of halite (98pc) and is said to be of Pre-Cambrian age. It is estimated that the mine contains more than 82 mn metric tons of reserves of rock salt. It has an annual output of around 0.35 mn tons of which 60pc is sold to a soda ash manufacturing factory in Khewra. (Khewra is located north of Pind Dadan Khan in Jhelum District, the salt mine was

discovered by Alexander's army horses in 320 BC, and it was reported that his prized horse named Bucephalus used to enjoy licking the rock salt, it is said to be buried in Phalia, which was named after the horse.)

Pakistan's Fiscal Consolidation Measures to Revive Economic Growth

Pakistan is on the path of consolidation to tackle sizeable fiscal and current account deficits but the imbalances are expected to diminish slowly, said the World Bank recently. The bank estimates the country's GDP growth rate to reach 2.7pc in 2019-20. However, the consolidation measures, coupled with other macroeconomic improvements, are likely to lead to an increase in the economic growth to 4pc in the beginning in fiscal year 2020-21, adds the World Bank report titled 'Global Economic Prospects: Heightened Tensions, Subdued Investment'. The bank also noted that the improvement in source countries is expected to increase workers' remittances in the upcoming fiscal year which is likely to boost growth performance and the current account balances. Inward remittances have seen significant growth in the ongoing fiscal year increasing by 8.43pc to \$17.87 bn compared to \$16.48 bn during the first 10 months of the last fiscal year. Moreover, Pakistan's National Economic Council, the high-powered decision making body on economic affairs, has also set a target of 4pc GDP growth for the next fiscal year.

Squeeze in Eid Market

The economic slowdown deepens, stoking inflation and squeezing household budgets. It seems to have altered the composition of the Eid economy. The market has witnessed a shift from branded to unbranded categories in a wide range of consumer items and services. The fall in sales, according to leaders of market associations, ranges between 20 and 40pc in various categories of goods and services this year due to a variety of factors including price elasticity and the order of placement on the priority list of consumers this year. The market was generally slow compared to last year all over the country, but the fall in sales was most significant in the second-tier cities of Punjab like Faisalabad, Gujrat, Sheikhupura, Wazirabad, Sialkot and Multan, traders believe.



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INTERNATIONAL VISTA

Singapore Top Source of FDI in India

Singapore has emerged as the largest source of foreign direct investment (FDI) into India, underlining growing business links between the two countries. According to latest figures from the Indian Department for Promotion of Industry and Internal Trade, the country received the greatest share of FDI inflows from Singapore, valued at \$16.23 bn (\$22.1 bn), in the last Indian financial year, which ended March 31. Singapore was followed by Mauritius (\$8.08 bn), the Netherlands (\$3.87 bn), the United States (\$3.14 bn) and Japan (\$2.97 bn). The total FDI inflow into India for the 2018-19 financial year stood at \$44.37 bn. One of the factors behind the jump in FDI inflow from Singapore was a big-ticket investment from Walmart, which acquired a 77pc stake in Indian online retailer Flipkart for \$16 bn in May last year. The latter's parent firm is based in Singapore.

Europe's Split Economy: Factories Hurt as Consumers Do Well

Services companies and consumers are rolling along fairly well. Unemployment is at the lowest in a decade and prices are comfortably under control for shoppers. At the same time, key indicators show that the industrial sector is in recession, even in the continent's usual powerhouse, Germany. Manufacturing is being hurt by global trade conflicts, a slowdown in key export market China, Britain's looming departure from the European Union, and fundamental changes in an auto industry. The question now is whether the industrial slowdown will drag down the rest of Europe's economy, spoiling hard-earned gains in the jobs market after years of crisis and stagnation. Data released recently underlined the progress the 19 countries that use the euro currency have made in overcoming the debt crisis that broke out in 2010 and was followed by two recessions. The economy grew 0.4pc in the first quarter over the previous quarter, and up 2.2pc over the year-earlier period.

Fed Closely Monitoring Trade Impact

The US central bank is closely monitoring trade disputes and the implications for the economy, Federal Reserve Chairman Jerome Powell said recently. A day after another

Fed official said an interest rate cut would be needed soon to preserve economic growth, Powell said the central bank "will act as appropriate to sustain the expansion." President Trump's multi-front trade wars including the exchange of punitive tariffs with China, and new threats to hit Mexico with tariffs, have undercut business confidence and raised prices for manufacturers.

Uber's First International Test Site for Flying Taxi Service

Uber Technologies said it will use Australia's second-largest city, Melbourne, as the first international test site for the group's planned flying taxi service. The United States ride sharing firm had previously chosen Dubai as the first test site outside the US for its UberAIR service but reopened its request for proposals last month after launch delays in the Middle Eastern city. Uber said recently it will begin test flights of the pilotless aircraft in Melbourne and US cities Dallas and Los Angeles in 2020 before commercial operations begin in 2023. "Australian government has adopted a forward-looking approach to ridesharing and future transport technology," Susan Anderson, Regional General Manager for Uber in Australia, New Zealand and North Asia, said in an emailed statement.

SNIPS

Core Competency

According to research from the World Economic Forum, technological developments will redefine 42pc of today's required job skills by 2022.

Job Boom

Last year, the number of American job openings hit a record high at 7 million.



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MANAGEMENT OUTLOOK

Google Faces Privacy Complaints

Google's privacy woes are set to increase after campaigners recently filed complaints to data protection regulators in France, Germany and seven other EU countries over the way it deals with data in online advertising. The criticism mirrored a complaint filed by privacy focused web browser Brave in Ireland and Britain which triggered an investigation by the Irish watchdog last month. At issue is real-time bidding, a server-to-server buying process which uses automated software to match millions of ad requests each second from online publishers with real-time bids from advertisers. The online ad industry, a money spinner for Google, Facebook and other online platforms and advertisers, is expected to grow to \$273 bn this year according to research firm eMarketer.

Great Leaders Build Their Emotional Courage

Part of being a leader is doing things that make you feel uncomfortable. Maybe you need to raise a tough issue with a direct report, or maybe you have to handle negative push-back on a project. To improve the way you deal with uncomfortable situations, build your emotional courage. Start by thinking of a leadership skill you want to get better at: giving feedback, listening, being direct, whatever you want to grow in. Then practice that skill in a low-risk situation. For example, let us say you want to get better at being direct. The next time there is a mistake on your phone bill, call customer service and practice being succinct and clear. Notice how you want to react, get angry. Backpedal? And focus on resisting those impulses. These are the same feelings you will encounter in higher-risk situations at work, so learn to push through them. Continue to practice until you feel comfortable and can respond the way you would like to. (Adapted from *To Develop Leadership Skills, Practice in a Low-Risk Environment*, by Peter Bregman-HBR.)

If Your Star Employee Decides to Leave, Offer Your Support

No manager wants to lose a valued employee, but should you convince the person to stay if he or she wants to leave? If the person has not already accepted an outside offer, try to find out more information. Take him out to coffee and ask about his concerns and hopes for the future. Also ask whether the employee is open to staying at the company, and what he would need to do so — more money, more career opportunities, better work-life balance? What is not he getting enough of in his current role and career path? There may be a solution the person has not thought of. Offer what you can, within reason. On the other hand, if the employee is set on leaving, let him go gracefully. Congratulate him on the new job, and send him off on a positive note. After all, someday the person might be in a position to recommend (or not) your organization to future applicants. (Adapted from *Should You Try to Convince a Star Employee to Stay?* by Art Markman-HBR.)

Hold Your Own Networking Event

Attending conferences and scheduling meetups are great ways to network, but they are not the only way. An often overlooked approach is organizing a gathering yourself, which lets you be strategic about who you get to know. Think carefully about how many people you will invite and who they should be. It is good to keep the event small, which makes it more intimate. One strategy is to bring people together who have something in common, which guarantees they have things to talk about. For instance, they could all be alumni of your alma mater, or tech industry folks, or women entrepreneurs. You could also just invite people who interest you. And think about the mix of personalities in the room. Your goals should be to ensure everyone is on equal footing and to create a great group dynamic. So if you know someone tends to dominate the conversation, leave him off the invite list. (Adapted from *How to Plan Your Own Networking Event (and Invite the Right People)*, by Dorie Clark-HBR.)

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