



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan\*

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Volume 14, Issue No. 26 | Date: June 28, 2019

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

## PAKISTAN OVERVIEW

### Overseas Pakistanis Remit US \$20.19 bn

Overseas Pakistani workers remitted US \$20.190 bn in the first eleven months (July to May) of FY19, showing a growth of 10.42% compared with US \$18.285 bn received during the same period in the preceding year.

### Current Account Deficit Shrinks 29 pc in 11 Months

The current account deficit (CAD) fell to \$12.678 bn in July-May FY19, decreasing by 29.27pc, from \$17.926 bn in same period last year, reported the State Bank of Pakistan recently. The primary contributor to the massive yet declining CAD was the balance of trade in goods and services which amounted to \$30.056 bn during 11MFY19, down 12.14pc, from \$34.209 bn in corresponding months last year.

### Borrowing from SBP Doubles to Rs. 2.7tr

The government has announced its decision to stop borrowing funds from the State Bank of Pakistan (SBP) in the next fiscal year after cumulative borrowing in the ongoing fiscal year doubled to Rs. 2.7 tr as of June 14 compared to Rs. 1.43 tr in the same period last year. The government in the budget 2019-20 plans to increase revenues by up to Rs. 1.4 tr on account of higher inflation and reducing subsidies.

### Pakistan - Indonesia for Free Trade Agreement

Pakistan and Indonesia are set to hold talks over the conversion of Preferential Trade Agreement (PTA) to Free Trade Agreement (FTA) next month, as the respective ministries have started their homework in this regard. The negotiations for converting PTA to FTA will be held next month between ministries of the two countries so that the bilateral trade is enhanced. Since Pakistani products have great demand in Indonesia, businessmen should avail this opportunity. Indonesia is a major trading partner of Pakistan. Among the top importing and exporting destinations of Pakistan, Indonesia comes at 5<sup>th</sup> and 16<sup>th</sup> places, respectively.

### Govt. to Offload Wheat Stocks to Stabilize Prices

The federal government is likely to offload wheat stocks in the open market to stabilize the commodity's price and discourage hoarding and profiteering. The Wheat Review Committee in its meeting recently, chaired by Minister for National Food Security and Research Mehboob Sultan, assessed the per 40 kg price of the commodity, its procurement by the government, market situation, exports and crop losses due to unfavorable weather conditions. Currently, provinces are holding 24.279 mn tonnes of wheat stocks along with additional leftover of 3.721 mn tonnes. This takes the total availability of wheat to 28 mn tonnes, well above the national and domestic requirement of about 25.84 mn tonnes.

## MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

### KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	12.81	13.06
ENDING	12.86	13.11
CHANGE	+0.05	+0.05

### FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 196.50	PKR 175.50	PKR 156.00
ENDING	PKR 204.50	PKR 184.50	PKR 163.50
CHANGE	+8.00	+9.0	+7.5

### PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	35,125
ENDING	33,901
CHANGE	-1224

### GOLD RATE

	(10 gm)
STARTING	PKR 66,272
ENDING	PKR 69,872
CHANGE	+3600



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## 1,323 Firms Registered in May

The Securities and Exchange Commission of Pakistan (SECP) incorporated 1,323 new companies in May, up 21 pc, from 1,094 in corresponding period last year. With the latest additions, the total number of registered companies has reached to 100,532. Around 73pc entities were incorporated as private limited, 24pc as single-member companies, while the remaining 3pc as public unlisted, non-profit associations, foreign companies and limited liability partnerships during the month. Almost 55pc of these were registered the same day.

## Body Formed to Ease Business Registration

Prime Minister Imran Khan recently approved the constitution of a steering committee on Pakistan Regulatory Modernization Initiative (PRMI) to help devise a regulatory framework for simplifying the process of business registration. The government said that the high-powered body will support the business community to start new ventures and attract investments by improving the 'ease of doing business' ranking of the country. Among 190 economies, Pakistan ranks at 136, according to the World Bank report on ease of doing business.

## SNIPS

### Bitcoin Trades Above \$11,000 After 10pc Weekend Jump

Bitcoin tested 15-month highs on June 24, after jumping more than 10 pc over the weekend, with analysts ascribing the spike to growing optimism over the adoption of cryptocurrencies after Facebook unveiled its Libra digital coin. The original cryptocurrency hit \$11,247.62 on the Bitstamp exchange late on Sunday — its highest since March last year. It later pulled back, and was last up 1.9pc at \$11,039.62.

### Yves Saint Laurent's Young, Rich Buyers

Millennial consumers now comprise 65pc of Yves Saint Laurent's customer base.

## INTERNATIONAL VISTA

### Southeast Asian Leaders Support China-led Trade Pact

Southeast Asian leaders gathered in Bangkok recently determined to drive forward the world's largest commercial pact, with the trade war between the US and China clouding the outlook for their export-led economies. Disputes in the flashpoint South China Sea and plastic pollution in the seas are also set to be discussed at the two-day Association of Southeast Asian Nations (ASEAN) Summit, chaired by Thailand. But trade will take center stage with ASEAN leaders keen to hasten the signing of a China-drafted commercial deal covering around half the world's population. The Regional Comprehensive Economic Partnership (RCEP) includes all 10 ASEAN economies, plus India, Japan, South Korea, Australia and New Zealand. It is seen as a mechanism for China to draft the rules of Asia-Pacific trade, following a US retreat from the region.

### Federal Reserve Leaves Key Rate Unchanged

The Federal Reserve left its key interest rate unchanged recently, but signaled that it is prepared to start cutting rates if needed to protect the US economy from trade conflicts and other threats. The Fed kept its benchmark rate which influences many consumer and business loans in a range of 2.25 pc to 2.5pc, where it has been since December. It issued a statement saying that because "uncertainties have increased, it would act as appropriate to sustain the expansion." (To refresh our readers' know-how, The Federal Reserve System is the central bank of the United States. It was founded by Congress in 1913 to provide with a safer, more flexible, and more stable monetary and financial system. Over the years, its role in banking and the economy has expanded.)

### Belt and Road Initiative Can Lift 32mn Out of Poverty: World Bank

China's massive Belt and Road infrastructure drive could speed up economic development and reduce poverty for dozens of developing countries, the World Bank said recently in a new report that called for deep policy reforms



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and more transparency for the initiative. The long-delayed report said that the Belt and Road — a string of ports, railways, roads and bridges and other investments connecting China to Europe via central and southern Asia — could lift 32 million people out of moderate poverty conditions if implemented fully. Still, there are “significant risks,” the World Bank said. “Achieving the ambitions of the Belt and Road Initiative will require equally ambitious reforms from participating countries,” World Bank Vice President for Equitable Growth said in a statement. Improvements in data reporting and transparency — especially around debt — open government procurement and adherence to the highest social and environmental standards will help significantly.

## Italy Backs Tax Cuts, Cautious on Eurozone Reform

Italian Prime Minister Conte said recently that he was in favor of a broad reform that would cut taxes but also reduce tax evasion, in remarks that may complicate talks with the European Commission over Rome’s growing debt. Conte told a news conference that the reform should be based on the principle that taxes should be lower, but everybody should pay them. Brussels wants Italy to reduce its debt this year and next and has opposed wide tax cuts, if they are not offset by new revenues or spending reductions — options that Rome has so far dismissed.

## RCEP Trade Deal

Led by China and excluding the US, the sprawling Regional Comprehensive Economic Partnership (RCEP) is poised to become the biggest global trade deal, linking half the world’s people and marking Beijing’s dominance in Asian trade. The long-awaited deal is expected to be discussed at the Association of Southeast Asian Nations’ (ASEAN) leaders meeting this weekend in Bangkok. Launched in 2012, RCEP is a trade pact between the 10-member ASEAN bloc, along with China, Japan, South Korea, Australia, New Zealand and India. It links around 3.4 bn people and when signed will be the world’s biggest free trade pact. It is also expected to cover about a quarter of the world’s exports. Its aim is to break down trade barriers and promote investment to help emerging economies. It mainly matters because it does not include the US and is being led by Beijing.

## 500 mn Youth Risk Poverty

Around half of the youth population in the developing countries — 500 mn — are at the risk of falling below the poverty line if the countries fail to implement effective policies and invest in the future of these individuals, says the ‘2019 Rural Development Report’. The youth mostly live in rural areas and they are prone to poverty and inequality and are held back by a series of constraints, including lack of training and skills, limited access to land and credit, scarce availability of inputs and restricted links to social networks, says the report published by Rome-based UN agency, International Fund for Agricultural Development (IFAD).

## Trade Tensions Will Benefit None, Says Lagarde

Trade tensions between the United States and China will not benefit any party over the long term, Managing Director of the International Monetary Fund (IMF) Christine Lagarde said recently. Speaking at a press conference at the Bank Negara Malaysia Museum and Art Gallery here, Lagarde said the climate of trade tension was not conducive to global trade, and countries such as Malaysia, which were deeply involved in the supply chain, could see sluggish growth. Specifically on the Malaysian economy, Lagarde said the IMF had forecast a growth of 4.5 pc, lower than the predictions of the Malaysian authorities and this was attributed to the trade tensions.

## G20 Summit

China said recently it would seek backing for free trade and multilateralism at the G20 summit this week as it denounced protectionism while it fights a tariffs war with the United States. A meeting between Xi Jinping and Donald Trump on the sidelines of the gathering in Osaka, Japan has fuelled hopes for a truce in the increasingly damaging standoff between the world’s top two economies.

## SNIPS

### Me Time

ManpowerGroup found that 84pc of millennial workers expect to take extended breaks throughout their careers to make time for personal pursuits like child care or travel.



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## MANAGEMENT OUTLOOK

### How to Get Your Team to be More Experimental

The most innovative companies encourage their employees to experiment. If you did like to push your team to be more entrepreneurial, here are some things to try. Start by encouraging people to bring their outside interests to work. Ask your employees about their hobbies. What do they enjoy doing on weekends? What are they proud of outside of work? Employees who feel comfortable expressing their full, authentic selves are often better at coming up with new ideas. Creating a culture of experimentation also requires a fairly hands-off approach to leadership. Do not be a micromanager. Instead, show employees that you trust them to get work done, even in ways that have not been tried before. When people have a sense of ownership, they feel more freedom to try something new. And finally, get comfortable with failure. People would not take risks if they are afraid of what will happen if a project does not work out. Measure someone's performance by his or her level of ingenuity, not the ability to play it safe. (Adapted from *How to Encourage Entrepreneurial Thinking on Your Team* by Sergei Revzin and Vadim Revzin-HBR.)

### Do You Know How Much Influence You Have at Work?

The amount of influence people have at work is not always determined by their job titles. To gauge your informal power, do a simple audit. Write down the top 10 people who help you get things done, and give each a score from one to 10 based on how much you depend on them. Think broadly about what they offer: career advice, emotional support, access to stakeholders? Next, assign yourself a score from their perspectives. Consider what you offer them and how difficult it would be to replace you. Finally, look for red flags: Do you add value mostly on one team? Do your contacts help you more than you help them? Do most of your contacts work in one function or business

unit? If you are not satisfied with your audit's results, plan how you will improve them. This might mean contributing more across the company or spending more time with stakeholders. The more value you create, the more irreplaceable you will become. (Adapted from *How to Figure Out How Much Influence You Have at Work*, by Maxim Sytch-HBR.)

### 3 Ways to Become More Optimistic

There are benefits to optimism. Some studies have found that feeling optimistic can help fight stress and improve health; others have found that optimists earn and save more money. To build your optimism, try a few things. For one, practice gratitude. When you wake up each morning, think of three things you are thankful for. It only takes a minute, and it puts a positive spin on the day. (Also, resist the urge to immediately check the news, which often does the opposite.) Second, find ways to make progress toward your goals. Whether you want a new job or you are launching a new project, taking even small steps forward can give you a larger sense of momentum. Third, prioritize connecting with others. Get lunch with friends you have not seen lately, or send a co-worker a note that you are thankful for them. Social connection is one of the top predictors of happiness. (Adapted from *The Financial Upside of Being an Optimist*, by Michelle Gielan-HBR.)

## SNIPS

### Journalism's Gender Gap

According to a 2015 report analyzing the representation of women in media, just 37pc of news stories were reported by female journalists.

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