



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

Page No. 01

Volume 14, Issue No. 28 | Date: July 12, 2019

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

PAKISTAN OVERVIEW

IMF Approves \$6 bn Package

The Executive Board of the International Monetary Fund (IMF) recently approved a \$6 bn bailout package for Pakistan and immediately released \$1bn to ease a sustained pressure on the country's foreign exchange reserves. The package, which supports the government's efforts to revive the country's ailing economy, includes a phased release of the additional aid over a 39-month period. The IMF will also conduct quarterly review of Pakistan's performance over this period.

Pakistan Finally Gets Access to Qatar's Rice Market

Pakistan will export 100,000 bags of rice to Qatar as part of the government initiative to enhance overall rice exports from the country. With the continuous efforts of the government, Qatar has now opened its market for Pakistani rice. Previously, Pakistan rice was not being procured by the state procurement agency of Qatar.

Foreign Investors' Confidence Rises

Foreign investors' perception of the country's security and law and order situation has significantly improved in the last year, revealed the survey results conducted by the Overseas Investors Chamber of Commerce and Industry (OICCI). The survey, conducted last month, said the security situation in Balochistan improved by 40pc, 70pc in Karachi and Lahore – home to most of the OICCI member offices. The visibly improved security situation has boosted confidence of foreign investors and is reflected in over 65pc increase in the visit to the country by OICCI members' senior management, according to the survey.

ADB to Give \$10 bn in Five Years for Development Projects

The Asian Development Bank (ADB) recently said it planned to extend up to \$10 bn indicative lending to Pakistan for various development projects and programs during the next five years including \$2.1 bn disbursements during the current fiscal year. The Manila-based lending agency said it had a series of country consultations to formulate a new Country Partnership Strategy (CPS), which will guide ADB's engagement in the country from 2020 to 2024. The purpose of ADB's 5-year CPS is to define priorities and to support Pakistan's development goals. The new strategy will also complement efforts by other development partners.

Pakistan, Iran to Promote Barter Trade

Pakistan and Iran have agreed on the need to constitute a committee to identify goods for promotion of barter trade. The decision was reached at the concluding session of the 8th Pakistan-Iran Joint Trade Committee meeting. It was suggested that for barter trade to begin, the two countries should select few items having competitive advantage. In this regard, Pakistan can enhance exports of wheat,

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	12.88	13.13
ENDING	12.90	13.15
CHANGE	+0.02	+0.02

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 196.50	PKR 175.50	PKR 156.00
ENDING	PKR 199.00	PKR 179.00	PKR 158.70
CHANGE	+2.5	+3.5	+2.7

PAKISTAN STOCK EXCHANGE

100 Index

STARTING	34,190
ENDING	33,672
CHANGE	-518

GOLD RATE

(10 gm)

STARTING	PKR 67,387
ENDING	PKR 68,844
CHANGE	+1457



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 02

Volume 14, Issue No. 28 | Date: July 12, 2019

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

sugar, rice and fruit to Iran. The Iranian side acknowledged the fact that Pak-Iran trade relations were not matching the real potential, particularly in agriculture, food products and pharmaceuticals.

Saudi Oil Imports to Start From this Month

Pakistan will start receiving the promised deferred payment facility on petroleum imports from Saudi Arabia from this month, a press statement issued by the Saudi embassy recently. Pakistan will receive oil products worth \$275 mn every month for the next three years. Last year, Riyadh had agreed to provide a bailout package worth \$6bn to help resuscitate Pakistan's economy. Under the agreement, \$3 bn were to be provided in foreign currency to address Pakistan's balance of payments crisis. A deferred payment facility for the import of oil worth up to another \$3 bn was also part of the package.

June Inflation Eases to 8.9pc

Pakistan's overall inflation clocked in at 8.89pc year-on-year in June, sliding from 9.1pc in May, mainly due to a slight slowdown in food price levels. According to data released by the Pakistan Bureau of Statistics, the Consumer Price Index (CPI) and Wholesale Price Index (WPI) in June was recorded at 8.89pc and 12.69pc, respectively as most of the essential items maintained an upward trend. The average inflation between July-June FY19 rose to 7.34pc, from 3.92pc — the highest since 2013-14 when it stood at 8.6pc.

Petroleum Sales Drop 27pc

The country's overall petroleum sales dropped 27pc mainly due to a massive 59pc plunge in the production of furnace oil (FO) in the outgoing fiscal year. An analyst at Top Line Securities recently said the economic slowdown and significant increase in petroleum prices due to rupee devaluation crumbled the petroleum sales in 2018-19. The FO sales continued its declining trend owing to change in the country's generation mix to relatively cheaper fuels such as re-gasified liquefied natural gas and coal. High-speed diesel (HSD) volumes shrank by 20pc year-on-year to 7.2 mn tonnes due to its smuggling from Iran.

Taxing

Inland Revenue Member Dr. Hamid Ateeq Sarwar said recently that the current strategy adopted by the government was already yielding results as 90,000 new taxpayers had expressed their intent to file tax returns. From 1.3 mn taxpayers in 2017, the number rose to 1.7 mn in 2018 and now stands at 2.05 mn in 2019. The World Bank hopes the number will touch 4 mn by 2022.

Engro's Aspirations

Engro Corporation, one of Pakistan's largest cash-rich conglomerates, is nurturing a new ambition: it aspires to become the country's largest exporter in the next 5-7 years. In order to realize this dream, it is targeting the petrochemical industry. Engro is looking to build a large polypropylene plant based on propane dehydrogenation technology at Port Qasim. This is a billion-dollar project that aims to capitalize on the huge demand existing in China. It wants to become the largest exporter of Pakistan, which is possible for a company like Engro. It aspires to lead CPEC 2.0. The project, Engro has selected, has a significant freight advantage in China. China imports 4.5 mn tonnes of polypropylene every year. The plant is almost a billion-dollar project.

PM Opens Housing Project for General Public

Prime Minister Imran Khan inaugurated the first housing project for the general public. The project was launched under the Naya Pakistan Housing Project (NPHP) on a piece of land in the Phulgaran area where Bahria Town was already executing its housing scheme. The land for the project was provided by Bahria Town on very nominal. Under the project, 18,500 housing units/apartments will be constructed and given to the low-income group on a mortgage basis. Land measuring 1,785-kanal had been acquired from Bahria Town for the NPHP. Not only the land but Bahria Town's management will also construct 10,000 housing units in the same area later for NPHP, the cost of the land would be retired to Bahria Town after sale of housing units.



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 03

Volume 14, Issue No. 28 | Date: July 12, 2019

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

INTERNATIONAL VISTA

UAE Approves Full Foreign Ownership of Firms

The United Arab Emirates announced recently it has decided to lift a decades-old cap on foreign ownership and allow full foreign control of business ventures. A recent cabinet meeting approved 100pc foreign ownership in 122 economic activities. The decision abolishes a decades-old law that limits foreign ownership to just 49pc. The move covers fields including agriculture, manufacturing, renewable energy, e-commerce, transportation, arts, construction and entertainment. The seven Sheikhdoms that comprise the UAE will have the discretion to specify their own ceilings for foreign ownership of key business sectors, a government statement said.

New Greek Government Faces Swift Test from Creditors

Kyriakos Mitsotakis was sworn in as Greece's new prime minister recently, a day after his resounding win over Alexis Tsipras, who led the country through the tumultuous final years of its international bailouts. Greece's creditors appeared in no mood to give the new government any grace period. Dutch Finance Minister Wopke Hoekstra, arriving for a meeting in Brussels of finance ministers from the 19 European Union countries using the euro currency, said the new government has little room for maneuver for any economic reforms and budgetary changes, since the policy backdrop has already been agreed with the other Eurozone countries as part of Greece's rescue program.

African Free Trade Zone Expected from 2020

A landmark African free trade zone, due to be ceremonially launched at a summit in Niger, is expected to take effect from July 2020, the African Union (AU) trade commissioner said recently. "We have recommended to the summit that the actual date of trading should be the July 1, 2020," Albert Muchanga, in charge of trade and industry at the 55-nation bloc said.

US Job Growth Accelerates

US job growth rebounded strongly in June, with government payrolls surging, but persistent moderate wage gains and

mounting evidence the economy was losing momentum could still encourage the Federal Reserve to cut interest rates this month. The Labour Department's closely watched recent employment report suggested May's sharp slowdown in hiring was probably a fluke. Lack of concrete progress in resolving an acrimonious trade war between the United States and China, however, means the bar could be very high for the Fed not to lower borrowing costs at its July 30-31 policy meeting.

Economic Survey Projects 7pc India Growth

According to the Economic Survey 2018-19, made public recently, India has projected a 7pc GDP growth in fiscal 2019-2020, from a 6.8pc five-year low the previous year. The survey said India faces a challenge on the fiscal front following an economic slowdown impacting tax collections and rising state expenditure on the farm sector. However, the investment rate was expected to pick up with improved consumer demand and bank lending. The real GDP growth projection reflects a recovery in the economy after a deceleration in the growth momentum in 2018-19. Growth could pick up in the current fiscal as macroeconomic conditions continue to be stable while structural reforms initiated in the previous few years are continuing on course.

Asia's Factories Falter

Factory activity shrank in most Asian countries in June as the simmering US-China trade conflict put further strains on the region's manufacturing sector, keeping policymakers under pressure to deploy stronger steps to avert a global recession. A series of predominantly downbeat business surveys and official indicators released recently followed the G20 summit in Osaka, Japan, where leaders had warned of slowing global growth and intensifying geopolitical and trade tensions. The US and China agreed at the summit to restart trade talks after President Trump offered concessions including no new tariffs and an easing of restrictions on tech company Huawei, providing some relief to businesses and financial markets.

France Levies 3pc Tax on Google, Amazon

France's lower house of parliament approved recently a small, pioneering tax on internet giants like Google,



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 04

Volume 14, Issue No. 28 | Date: July 12, 2019

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

Amazon and Facebook and the French government hopes other countries will follow suit. The bill aims to stop multinationals from avoiding taxes by setting up headquarters in low-tax EU countries. Currently, the companies pay nearly no tax in countries where they have large sales like France. The bill foresees a 3pc tax on the French revenues of digital companies with global revenue of more than 750 mn Euros (\$847 mn), and French revenue over 25 mn Euros.

16 Countries Slam EU Regulation of Farm Products at WTO

The United States and 15 other countries launched a broadside of criticism at the European Union recently, saying its hazard-based approach to regulating pesticides and other critical tools used by farmers was damaging livelihoods worldwide. Their statement, submitted to the World Trade Organization, said the EU's approach created great uncertainty and diverged from science-based risk assessments, creating disruption that threatened to escalate significantly in coming years.

SNIPS

The Future of Energy

More than 560 companies worldwide have set targets to reduce science-based emissions, and over 175 companies have pledged to transition to 100pc renewable electricity.

The Decline of an Internet Pioneer

Verizon purchased Yahoo, which was worth more than \$100 bn at its peak value, for \$4.8 bn in 2017.

Losing to Climate Change

AT&T recently reported that climate-change related disasters have cost the company \$847 mn.

MANAGEMENT OUTLOOK

Do Not Let a Toxic Culture Drag Down Your Team

Company culture exerts a powerful influence on employees' behavior. In some cases, that power can turn toxic, driving us to compromise our values and do things we normally would not. You probably cannot change a toxic culture on your own, but there are steps you can take to insulate yourself from its effects. First, figure out the kind of environment you need to be effective — and happy — at work. Ask yourself: which of your values have fallen by the wayside? Do you feel healthy and content? Are you proud of how you behave toward colleagues? Next, talk to your teammates about the culture you all wish you had. Ask what is important to them at work and how company norms have affected their behavior. Then talk about establishing and committing to a team 'micro-culture' based on everyone's shared values. The micro-culture may not fix the company's broader issues, but it can encourage your team members to resist the negative pressures they face in their jobs. (Adapted from *Keep Your Company's Toxic Culture From Infecting Your Team*, by Annie McKee-HBR.)

How Leaders Build Trust

To be effective, leaders need their team's trust. But how do you get that trust — and how do you get it back if you have lost it? Three behaviors are essential. The first is to create positive relationships on your team. There are a number of ways to do this, including: helping employees cooperate, resolving conflicts between others, giving honest feedback and checking in with people about their concerns. The second behavior is to demonstrate expertise and judgment. People are more likely to trust you if they believe you have technical know-how and the experience to make good decisions about the team's work. The last behavior is to be consistent. You must do what you say you will do. Follow through on your commitments and keep any promises you make. You do not need to be perfect at these three behaviors to be a trusted leader — but you do need to be good at them. (Adapted from *The Three Elements of Trust*, by Jack Zenger and Joseph Folkman-HBR.)

Editor: Rafi Ahmed | Deputy Editor: Shahla Naqvi | Designed by: M. Jahangir Ishaq | Email: Publications@ibp.org.pk

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

General Disclaimer: Data used in the Economic Letter is based on government sources besides recognised representative private sector trade bodies as reported in the print media. They are cross-checked before release. Yet an error or two may creep in, regrettable as they may be as part of human nature. Reporting is unopinionated. The Institute of Bankers Pakistan stands totally absolved of any error contained in the Economic Letter, either in reporting or composing.