



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 14, Issue No. 30 | Date: July 26, 2019

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

PAKISTAN OVERVIEW

ITC to Help Uplift Horticulture

International Trade Centre (ITC) has collaborated with All Pakistan Fruit and Vegetable Exporters, Importers and Merchants Association (PFVA) to help uplift horticulture and livestock sectors in Sindh and Baluchistan. The ITC, a subsidy of the World Bank, will assist PFVA in supporting small and medium size enterprises in development of the horticulture and livestock sectors in the two provinces. An ITC delegation, led by Chief of Enterprise Competitive Section Robert Skidmore, held a meeting with PFVA Patron-in-Chief Waheed Ahmed and former chairman Aslam Pakhali. The delegation informed PFVA members about ITC's plan to extend financial assistance to small-scale agri farmers and livestock sector in Sindh and Balochistan under the six-year Growth for Rural Advancement and Sustainable Progress (GRASP) Project.

China Keen to Improve Agriculture Sector in Balochistan

Deputy Chief of Mission of Chinese Embassy in Islamabad Lijian Zhao said recently that his country wanted to help improve the agriculture sector in Balochistan by imparting training to the farmers about latest technology, proper usage of seeds, irrigation and capacity building. He assured that China would assist the Baluchistan government in durable development of its agriculture sector. He said that Chinese investors would also invest in the agriculture sector of Baluchistan. He said the agriculture played a crucial role in the economy of province, as approximately 80pc people were linked with this sector.

Mobile Phone Imports Decline in 2018-2019

Mobile phones imports witnessed a decline of 10.87pc in the last fiscal year (July-June) 2018-19 and remained \$755.545 mn compared to \$847.654 mn during the same period of 2017-18. Mobile phone imports in June 2019 remained \$57.733 mn, registering 34.18pc negative growth as compared to \$87.717 mn imports in June 2018. Last month's figure was 12.27pc lower when compared to \$65.81 mn imports in May 2019. These figures were revealed in the latest data released by the Pakistan Bureau of Statistics (PBS). Mobile phones import witnessed a phenomenal growth of 19.44pc in the fiscal year 2017-18 as it remained \$847.654 mn, compared to \$709.690 mn during the same period of 2016-17.

Fertilizer Prices Increased

The government recently increased fertilizer prices by Rs. 20 per bag. Adviser to PM on Industry and Production Abdul Razak Dawood said the decision is a win-win for both fertilizer manufacturers and the growers. The rise in prices of fertilizer is due to the increase in the price of gas was Rs. 210 per bag, but the impact of reduction in the Gas Infrastructure Development Cess (GIDC) was Rs. 200 per bag, therefore the net increase would be Rs. 10 per bag. As such the

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	13.73	13.98
ENDING	13.75	14.00
CHANGE	+0.02	+0.02

FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 200.00	PKR 180.00	PKR 159.40
ENDING	PKR 199.00	PKR 178.50	PKR 159.60
CHANGE	-1.00	-1.5	+0.2

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	32,458
ENDING	32,103
CHANGE	-355

GOLD RATE

	(10 gm)
STARTING	PKR 70,842
ENDING	PKR 72,171
CHANGE	+1329



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price of 20 kg fertilizer bag would be Rs. 1,890 which includes the dealer margin of Rs. 50.

Pakistan Needs to Mobilize Tax Revenue

Pakistan needs to mobilize domestic tax revenue to ensure funds for social and development programs, while reducing debt, the acting director of the International Monetary Fund said after a meeting with Prime Minister Imran Khan in Washington DC. Lipton said the IMF and other international partners were working closely with the Pakistani government to support implementation of the reforms.

Gas Network Under Stress Due to Low Demand

The country's gas pipeline network is facing an 'emergency situation' as supplies substantially outstrip consumption owing to lower than committed demand in the power system. "This is a very dangerous situation for the gas network as pipelines face extreme backpressure at LNG [liquefied natural gas] offloading points from two re-gasification terminal," a senior official in the gas network told recently. He said the gas system started with line-pack of 4,810 mn cubic feet per day (mmcf) and closed at 4,750 mmcf. "This is very unsafe level. The pipelines and processing systems are at risk and can rupture if gas off-take by key consumers is not increased," he said. Top among them is the power sector on whose demand most of the LNG imports are lined up. The power sector is currently utilizing about 670 mmcf of gas (both domestic and imported) against its allocation of about 1,160 mmcf. Likewise, the industrial sector is drawing about 250 mmcf against its allocated share of 300 mmcf.

Insect Spray Facts

Kingtox brand's market share hovers around 12pc in a market that sells 40 million units worth of spray annually in Pakistan. International players Mortein and Finis/Baygon have taken the lead with a 39pc and 37pc share respectively. The remaining 12pc is divided among other players such as Cobra and Coopex.

Japan to Provide \$5.2 mn for Agri Project

Japan will provide \$5.2 mn for the execution of a UN agro-food and industrial development project in Pakistan. In this regard, country representative of United Nations Industrial Development Organization had a meeting with the federal minister to discuss the different features of the project. The

project aims to strengthen cattle meat and fruit production through the introduction of new techniques. This, the UN agency believes, will improve livelihoods of farmers and reduce rural poverty in the provinces of Khyber Pakhtunkhwa and Baluchistan.

SBP Reserves Rise by \$918 mn

Reserves held by the State Bank of Pakistan jumped by a net \$918 mn to \$8.001 bn during the week ended on July 12. The increase came on the back of first tranche of \$991.4 mn received from the International Monetary Fund. Meanwhile, holdings of commercial banks amounted to \$7.248 bn whereas total liquid reserves of the country stood at \$15.249 bn during the period under review.

FATF Cell Set Up at FBR

The Federal Board of Revenue (FBR) has established a Financial Action Task Force (FATF) cell to ensure an effective and timely implementation of measures against terror financing carried out through currency smuggling. The cell will seek information required for FATF-related work from the FBR, field formations, directorates and record of meetings. The FATF cell will serve as a focal point for all activities related to customs compliance for FATF issues. The Financial Action Task Force cell has been placed under the Director General of Intelligence and Investigation, Islamabad.

No New Tax on Bike, Rickshaw: FBR

The Federal Board of Revenue (FBR) has clarified that no new withholding tax is being levied on motorcycle and auto rickshaw. An official statement issued said that no change or increase in tax has been levied on motor vehicles under section 231B and 234 of Income Tax Ordinance 2001. Further, there is no suggestion under consideration to levy tax on motorcycle and auto rickshaw. The tax is levied only on cars as per Income Tax Ordinance 2001. The government is working to provide facilities to the less income segment of society, added the announcement.

GREAT THINGS NEVER COME FROM COMFORT ZONES.



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INTERNATIONAL VISTA

Apps Help Shanghai's Waste Classification

Discovering the proper classification for each piece of household waste before disposal and dodging fines of up to 50,000 Yuan (\$7,200) has become as simple as snapping a photo on your smartphone or talking to it thanks to the efforts of a group of young programmers and user interface designers. They have applied speech and image recognition technologies to apps and other smartphone services to guide Shanghai residents through China's first mandatory garbage-separation plan, which came into effect this month. The rules require every household and institution to classify waste into four categories: recyclables, kitchen waste, hazardous waste and residual waste with a long list of items in each category. Noncompliance could lead to fines. Previously, everything went into one bin, and the dramatic change has made many Shanghai residents worried, along with hundreds of millions of people living in 46 cities due to adopt similar rules by the end of next year.

Malaysia: 2020 Fiscal Deficit Target a Challenge

Malaysia will find it challenging to meet its 3pc fiscal deficit target for next year due to uncertainties around the US-China trade war, the finance minister told recently. Southeast Asia's third-largest economy is dealing with a debt pile of over 1 tr ringgit (\$243.19 bn), which the administration of Prime Minister Mahathir Mohamad has blamed on mismanagement by the previous government. Malaysia is also struggling with slowing economic growth, hurt largely by a global slowdown and the trade war between the United States and China - two of Kuala Lumpur's biggest trading partners.

UK Car Sector Moves Towards Electric Future

UK's auto industry, seeking to swerve BREXIT obstacles, is accelerating toward electrification as consumers shun high-polluting diesels, driven by rapid advances in technology and greener government policy. Four famous car brands born in Britain but now foreign-owned — German-held Bentley and Mini, Indian-backed Jaguar Land Rover and Chinese-controlled Lotus, each have this month outlined plans for purely electric models to sit alongside their petrol

vehicles. All-electric cars, which need to be charged from the mains, and hybrids, which combine electrics with petrol or gasoline engines, are gaining in popularity as more consumers turn away from the pollution-spewing internal combustion engine.

Iceland Most Expensive in Europe

The hot springs of Iceland are not the only thing making tourists sweat, as a look at the hotel or lunch bill will tell you that most things cost more, sometimes much more, than anywhere else in Europe. On the subarctic island, consumer prices were on average 56pc higher than the rest of Europe in 2018, making Iceland the single most expensive country, ahead of Switzerland (52pc), Norway (48pc) and Denmark (38pc), according to Eurostat data. A glance at the menu at an Icelandic restaurant will tell you that a plain cheese pizza will run around 2,400 kronur — around 17 euros (\$19).

Rise in Indian Govt Borrowing

An increase in government borrowing runs the risk of flooding the debt market, and puts upward pressure on interest rates, making it more expensive for companies to borrow, said outgoing Reserve Bank of India Deputy Governor. In a lecture published on the Federal Bank website, he said India's borrowing relative to its output has ranged from 67pc to 85pc since 2000 and has outpaced many emerging markets including China. As more government debt floods markets, the relative safety and liquidity premium attached by investors to high-rated corporate bonds diminishes, raising the cost of borrowing especially for AAA-rated borrowers and making it relatively less sensitive to policy rate cuts.

SNIPS

In It Together

According to recent studies, aligning the compensation of your sales team with market trends can have a 50pc greater impact on sales than advertisements.

Modest Means

The International Coach Federation estimates that the average income for career coaches and consultants across the world is \$51,000 annually.



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MANAGEMENT OUTLOOK

Microsoft to Pay \$25.3 mn to Settle Anti-Graft Charges

Microsoft Corp agreed on Monday to pay about \$25.3 mn, including a criminal fine, to settle US charges that it made improper payments that were used to bribe government officials in Hungary and other countries. The US Department of Justice said Microsoft Hungary will pay the \$8.75 mn criminal fine, as part of a three-year non-prosecution agreement in which it “admits, accepts and acknowledges” responsibility for employees’ misconduct. Microsoft also agreed to pay nearly \$16.6 mn to settle related civil charges by the US Securities and Exchange Commission (SEC) over its activities in Hungary, Saudi Arabia, Thailand and Turkey, without admitting wrongdoing.

The 3 Types of Information Your New Hires Need

New hires need to learn so many different aspects of the business that covering them all can feel impossible. Onboarding managers can get organized by dividing what the person needs to learn into three categories: technical learning is the company’s products, customers, technologies and systems; cultural learning includes attitudes, behavioral norms and values; and political learning is how decisions are made, who has the power to make them, and whose support the new hires will need. Help new employees pick all of this up by connecting them to the right people. For each category of information, think about who has the relevant expertise (and communication skills) to explain the essentials. The head of product, for example, can probably talk at length about customers and systems, a senior leader might be willing to lay out how big-picture decisions are made, and a long-time trusted employee could be a good reference about important cultural norms. Make these introductions for the new hires early on, so they can start getting up to speed as soon as possible.

(Adapted from *7 Ways to Set Up a New Hire for Success*, by Michael D. Watkins-HBR.)

Help Your Team Embrace Change

Companies are constantly changing. And whether the changes are big or small, leaders need to inspire their employees to embrace what is new. Here are some ways to do that:

— Talk about how people feel: change stirs up lots of emotions (fear, frustration and anxiety, to name a few). Hold regular meetings for people to express what they are worried about and encourage them to be honest.

— Tell stories: stories can be powerful examples of how people overcame challenges. Think about the challenges your employees are facing and share stories that relate to them.

— Ask ‘what if?’ questions: “what if we built our workflows from scratch — what would they look like?” “What if we were all freelancers — how would we solve problems differently?” Use change as a catalyst to rethink the ways things are done.

— Treat mistakes as learning opportunities: everyone messes up, so encourage people to talk about how their mistakes have helped them grow. Build a culture that rewards employees for taking smart risks.

(Adapted from *5 Ways to Help Your Team Be Open to Change*, by Edith Onderick-Harvey-HBR.)

SNIPS

The Wrong Person For The Job

Large companies are estimated to lose \$112 bn in shareholder value per year because of poor planning for changes in leadership, according to a study from PricewaterhouseCoopers.

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

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