



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

Page No. 01

Volume 14, Issue No. 31 | Date: August 02, 2019

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

PAKISTAN OVERVIEW

US for Greater Economic Collaboration with Pakistan

The United States and Pakistan can further enhance bilateral trade if strategic ties between the two countries continue to improve, according to a White House factsheet released recently. The factsheet "Working Toward Peace and Stability: Building Economic Prosperity" notes that the United States and Pakistan enjoy a strong economic partnership that benefits both countries. The official document points out that Pakistan and the US traded \$6.6 bn worth of goods last year, setting a new record of bilateral trade.

LSM Diminishes by 3.78pc

The large-scale manufacturing (LSM) sector shrank 3.78pc during May from a year ago, the Pakistan Bureau of Statistics (PBS) reported recently. The contraction came amid dismal performance in the fertilizer, leather, pharmaceutical and chemical sectors raising fears of large-scale layoffs in the industrial sector. On a year-on-year basis, the LSM dipped by 3.5pc during the first 11 months (July-May) of this fiscal year — falling far behind the 8.1pc target set for the government for FY2018-19. Sector-wise, production data of 11 items from Oil Companies Advisory Committee registered a negative growth of 1.05pc whereas 36 items received from the Ministry of Industries and Production and 65 items by Provincial Bureaus of Statistics declined by 2.04pc and 0.7pc respectively. The lackluster performance in the industrial sector shows the economy is likely to slow down further despite government expectations for the GDP growth to clock in at 3.3pc in FY2018-19.

Rs. 200 bn to be Raised for Circular Debt Payment

Government will be raising about Rs. 200 bn through Islamic bonds this month to reduce circular debt after securing about Rs.11 bn relief from independent power producers (IPPs). The finance ministry has called a meeting of presidents of 10 commercial banks in the country to finalize a term sheet for Pakistan Energy Sukuk-II amounting to Rs. 200 bn for power sector liquidity through Power Holding (Pvt) Limited.

Countdown Begins to Ban Single-use Plastic Bags

Minister of State for Climate Change Zartaj Gul began the countdown recently to August 14, after which selling and using single-use plastic bags will become an offence punishable with a fine in the capital. Addressing a press conference, Ms. Gul said Islamabad's two million residents consume three to four plastic bags every day. She asked citizens to use fabric bags or bags that are decomposable to protect the environment. In the summary approved by cabinet, the manufacturers of single-use plastic bags within the limits of the capital will be fined between Rs. 100,000 and Rs. 500,000 after August 14. Implementation will be strict and

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	13.75	14.00
ENDING	13.78	14.03
CHANGE	+0.03	+0.03

FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 199.00	PKR 178.50	PKR 159.60
ENDING	PKR 193.50	PKR 176.50	PKR 158.60
CHANGE	-5.5	-2.00	-1.00

PAKISTAN STOCK EXCHANGE

100 Index

STARTING	32,103
ENDING	31,666
CHANGE	-437

GOLD RATE

(10 gm)

STARTING	PKR 72,171
ENDING	PKR 71,245
CHANGE	-926



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Page No. 02

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raids will be carried out with the assistance of law enforcement agencies, the media and civil society should also assist the government. It was noted that there was no other choice but a complete ban on the consumption of single-use plastic bags, which are the biggest problem in choking drains, sewerage and streams. *(Plastic bags we use in our everyday life take 10-1000 years to decompose, while plastic bottles can take as much as 450 years.)*

Pakistan, Japan to Remove Banking Hindrance

Pakistan and Japan have agreed to hold bilateral talks in August for the removal of banking bottlenecks faced by both the countries' nationals engaged in trade. Both sides discussed issues of bilateral trade, economic relations and the impediments, particularly with respect to opening of new bank accounts. FPCCI president also informed that many operational bank accounts of Pakistanis in Japan were being suspended for some reason to which METI officials shared that the same is being faced by Japanese in Pakistan.

HEPATITIS FACTS

- Worldwide Figures: 300 mn people suffer from Hepatitis.
- Pakistan has 2nd highest number of Hepatitis patients all over the world after China.
- In Pakistan 7 million people are suffering from Hepatitis C with only 1 mn diagnosed.
- 4 mn are affected with Hepatitis B, of whom only 0.3 mn of them diagnosed.
- Shrinkage of liver (Cirrhosis) and liver cancer (HCC) are reasons for chronic liver infections responsible for more than 90pc of all deaths from viral hepatitis, as per figures available for 2013.

INTERNATIONAL VISTA

Switzerland World's Most Innovative Country

Switzerland is the world's most innovative country for a second consecutive year while Asian giant India made the biggest strides among major economies, a global indicator showed on July 24, 2019. The annual Global Innovation Index — compiled by World Intellectual Property Organization, Cornell University and INSEAD — ranks 129 world economies on 80 parameters including research, technology and creativity. Switzerland was closely followed by Sweden and the United States, with Israel rounding out the top 10. India, where the announcement was made, was ranked 52nd but has leaped up the rankings in recent years according to WIPO.

Heatwaves in Europe

Belgium and the Netherlands recorded their highest ever temperatures as a European heatwave neared its peak, impacting rail transport and prompting a spike in drownings as people took to the water. Cyclists in the Tour de France in southern France had to puff their way over the course in well over 30 degrees Celsius while in the Netherlands, farmers have been leaving their cows outside to sleep, rather than bringing them in at night. Belgium registered an all-time high of 38.9 degrees Celsius (102 Fahrenheit) at the Kleine-Brogel military base, beating a record that dated back to June 1947. In the Netherlands, 38.8C in the south, smashed a record dating back 75 years. Paris is facing its hottest day with the French capital's 70-year-plus record of 40.4C (104.7F) forecast to fall. Britain's Met Office predicted a chance that the UK temperature record of 38.5 degrees Celsius, which was recorded in Faversham, Kent, in August 2004, will also be exceeded at the peak of the heat.

EU Assails Member States for Money Laundering Failures

The EU said the bloc's 28 member states held great responsibility for the wave of money-laundering scandals hitting the continent, urging tighter and more centralized control of banking. "We do not want to see any weak link point in the EU that criminals could exploit. The recent scandals have shown that member states should treat this as a matter of urgency," the commissioner said. The commission's



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Page No. 03

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unusually harsh take-down of member states was part of a review of existing rules on money laundering and to identify shortcomings. Banks across Europe have been exposed by a series of money-laundering scandals, many involving northern countries such as Denmark, Sweden and Finland with a reputation for playing by the rules. The biggest scandal involved Denmark's Danske Bank, which is under investigation in Estonia, Denmark, the US, Britain and France, accused of helping launder about \$230 bn, primarily by Russians, through its branch in Estonia.

Malaysia Resumes China-backed Rail Project

Malaysia recently restarted a \$10 bn, China-backed rail project that is part of Beijing's global infrastructure drive following its suspension last year when a corruption plagued government was ejected from power. The 640-km line will link northeast Malaysia, near the Thai border, to the country's main port on the busy Strait of Malacca in the west, forming part of a network it is hoped will eventually run from southern China right through Southeast Asia. The project, part of China's \$1 tr Belt and Road Initiative, was among several Beijing-financed infrastructure initiatives put on hold in Malaysia after last year's defeat of a long-ruling coalition.

China's Soybean Crushers in No Rush to Buy from US

Despite the incentive of a potential exemption from import tariffs, Chinese soybean crushers are unlikely to buy in bulk from the United States any time soon as they grapple with poor margins and longer-term doubts about Sino-US trade relations, people familiar with the matter said. China imposed a 25pc tariff on US soy imports last year as Washington-Beijing trade disagreements boiled over into tit-for-tat levies on each other's goods. That blow was felt on both sides of the Pacific as China was the top buyer of US soybeans.

South African Unemployment Highest

South Africa's unemployment rate jumped to its highest since the global financial crisis more than a decade ago, data showed recently, piling pressure on a shrinking economy and President Cyril Ramaphosa's pledge to deliver a turnaround. The increase in joblessness was preceded by a sharp

rise in jobless claims from the Unemployment Insurance Fund (UIF) between 2018 and 2019. Claims rose 21pc to 9.2 bn Rand, the labor department said.

IMF Lowers Global Growth Forecasts

The International Monetary Fund (IMF) has lowered its forecast for global growth this year and next, warning that further US-China tariffs or a disorderly exit for Britain from the European Union could further slow growth, weaken investment and disrupt supply chains. The IMF said downside risks had intensified and it now expected global economic growth of 3.2 in 2019 and 3.5pc in 2020, a drop of 0.1 percentage point for both years from its April forecast, and its fourth downgrade since October. Economic data so far this year and softening inflation pointed to weaker-than-expected activity, the global lender said, with trade and technology tensions and mounting disinflationary pressures posing future risks. The IMF slashed its forecast for growth in global trade by 0.9 percentage point to 2.5pc in 2019.

Fed Lowers Interest Rates

The Federal Reserve cut interest rates on July 31, 2019 for the first time since 2008, citing concerns about the global economy and muted US inflation, and signaled a readiness to lower borrowing costs further if needed. Financial markets had widely expected the quarter-percentage-point rate cut, which lowered the US central bank's benchmark overnight lending rate to a target range of 2.00% to 2.25%. In a statement at the end of its latest two-day policy meeting, the Fed said it had decided to cut rates in light of the implications of global developments for the economic outlook as well as muted inflation pressures. The Fed said it will continue to monitor how incoming information will affect the economy, adding that it will act as appropriate to sustain a record-long US economic expansion

SNIPS

France's Digital Tax

France will impose a 3pc tax on large businesses that provide digital services to French users.



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MANAGEMENT OUTLOOK

Making Creativity Predictable (Instead of a Welcome Surprise)

We may never know exactly where creativity comes from, but you can create the conditions that invite it. One way to spur creative thinking is to spend some time considering the problem you are trying to solve — and then walk away from it. Letting the problem marinate gives your brain a chance to draw connections and sort through possible paths forward. To help this process, keep a journal of ideas that inspire you, whether they are from books, conference sessions or random conversations. The goal is to have something to refer to when you need a mental jolt. You can also get inspiration by doing things that do not interest you. Does a magazine have an article on a topic that bores you? Read it anyway. You never know where your next big idea will come from. Lastly, when inspiration hits, stop what you are doing and get to work. Do not let those moments go by without capturing your ideas on paper.

(Adapted from *How to Be Creative on Demand*, by Joseph Grenny-HBR.)

SNIPS

Ditching Fossil Fuels

The Government Pension Fund of Norway recently announced that it will invest about \$13 bn in fossil fuel divestment efforts.

The Cost of Training

American companies spend an average of \$1,000 per person on employee training.

How to Break Through an Impasse in a Meeting

What do you do when the purpose of your meeting is to make a decision but the group cannot reach consensus? Often it is useful to acknowledge what is happening. You might

say something like: “okay, this is a difficult conversation, but let us take a breath and stay with it until we get to a good place.” Then outline a clear process for working through the issue; the conversation will go better if people believe it is not going to become a free-for-all. Try capturing on a whiteboard the points that people have made, which will let everyone review the conversation so far and think about whether new information is needed. You may also want to ask people for suggestions on moving the conversation forward. Do not just vote on the issue, however — that often leads to an unhappy majority. Whatever process you do use, remind everyone to assume positive intent, keep the conversation kind and gracious and listen to one another.

(Adapted from *When You've Reached an Impasse in Your Meeting*, by Paul Axtell-HBR.)

Make Empathy a Part of Your Company Culture

Empathy can improve collaboration, morale and employees' stress levels — which is why making it a part of company culture is so important. To build a more empathic culture, start by thinking about your company's social norms. How do employees generally act toward one another? Will empathy clash with what people are used to? For example, if your culture tends to reward aggressive behavior, empathy is probably going to be a hard sell. Then consider how you can highlight the behavior you want more of. When you see instances of empathy at work, recognize and applaud (and maybe even reward) them. Showing that you support kindness — especially with more than just words — will help it catch on. You should also identify 'connector' employees, the people who naturally encourage team cohesion and recruit them to your cause. New ideals are more likely to spread when there are both top-down and bottom-up efforts.

(Adapted from *Making Empathy Central to Your Company Culture*, by Jamil Zaki-HBR.)

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