



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan\*

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Volume 14, Issue No. 32 | Date: August 09, 2019

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

## PAKISTAN OVERVIEW

### Agricultural Lending Jumps to Rs. 1.2 tr

The banks nearly achieved the target set for agriculture credit for the fiscal year 2018-19 despite disbursing higher amount compared to the preceding year, data published by the State Bank of Pakistan (SBP) showed recently. The SBP said the banks made disbursements of Rs. 1.174 tr or 94pc against the ambitious target of Rs. 1.25 tr set by Agricultural Credit Advisory Committee for 2018-19.

### Govt Housing Scheme for Economic Recovery

Prime Minister said recently that the mega project of construction of five million houses would kick-start from Gwadar to benefit the poor fishermen and later commence in Peshawar and other parts of the country to provide affordable housing units to low-income groups. He was speaking at the signing ceremony of a memorandum of understanding (MoU) between the government of Pakistan, the United Nations Office for Project Services (UNOPS) and the Sustainable Housing Solutions on the Naya Pakistan Housing Program. The prime minister termed the financial and technical assistance from the UNOPS and the SHS a landmark development, saying the project would accelerate the wheels of economy by overcoming the shortage of housing units in the country, besides creating job opportunities.

### PM Directs Speedy Revival of Pakistan Steel

Prime Minister directed authorities concerned to expedite the efforts for revival of Pakistan Steel Mills (PSM). Chairing a meeting to discuss the situation of country's biggest steel mill, the prime minister said saving and restoring PSM is the top most priority of the government. PM Khan was briefed about the current status of the steel mills, including its losses. He was apprised that till 2008 PSM was a profit earning organization but it started facing losses since 2009 and was closed down in 2015.

### Chiniot, Chagai Ore Steel Mill for Saudi Investment

The country's first-ever local iron-ore steel mill to be established in Chiniot tops the list of four potential projects selected by the government from across the country for investment by Saudi Arabia, it emerged recently. It may be recalled that Pakistan has signed a Memorandum of Understanding (MoU) for economic cooperation in mineral resources. The MoU was part of the several \$20 bn agreements and MoUs signed on Feb 17, 2019 for different sectors, including power production, establishment of refinery, petrochemical plant, promotion of sports and technical assistance in standardization sector, at a ceremony held at Prime Minister House on the occasion of Saudi Crown Prince Mohammad Bin Salman's visit. Officials said that the four projects were picked out of a pile of

## MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

### KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	13.78	14.03
ENDING	13.83	14.08
CHANGE	+0.05	+0.05

### FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 193.50	PKR 176.50	PKR 158.60
ENDING	PKR 190.00	PKR 175.00	PKR 157.80
CHANGE	-3.5	-1.5	-0.8

### PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	31,666
ENDING	29,429
CHANGE	-2237

### GOLD RATE

	(10 gm)
STARTING	PKR 71,245
ENDING	PKR 74,417
CHANGE	+3172



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proposals submitted by the provincial, Azad Jammu and Kashmir and Gilgit-Baltistan governments at a high-level meeting held last month in Islamabad. The projects include establishment of a steel mill based on iron ores of Chiniot (Punjab) and Chagai (Balochistan). The Punjab Mineral Company, Pakistan Mineral Development Corporation (PMDC) and Pakistan Petroleum Limited (PPL) were asked to jointly prepare a project proposal in this regard. The proposed facility would also consider use of indigenous coal.

## AEO Program to Facilitate Trade

The Federal Board of Revenue (FBR) has decided to implement a comprehensive Authorised Economic Operators (AEO) program as part of trade facilitation agreement under the World Trade Organization (WTO). A senior customs officer said that the AEOs include exporters, importers, manufacturers, custom agents, carriers, ports, airports, terminal operators, integrated operators, warehouses and distributors. The accredited AEOs will enjoy several trade facilitation benefits including expedited processing and release of shipments, mutual recognition of AEO status by customs administration, financial guarantee waivers and self-assessment.

## Afghan Transit Trade Pact Being Amended

The government is working on various proposals to introduce amendments in the Afghanistan-Pakistan Transit Trade Agreement (APTTA) to control the pilferages in movement of goods to Afghanistan. The amendments are proposed at various forums following complaints of rising smuggling of goods in the country which is harming local production. The issue gained importance following the diversion of transit trade to Pakistan in the wake of US sanctions on Iran. An official source in the commerce ministry told that the proposals evolve around three areas: enhance the number of goods in negative list, allow quota for certain products or collect duty on Pakistani ports and refund on transit out.

## Monetary Policy Statement - Changes in 2019

- Rate Effective from July 16, 2019----- 13.25pc
- Rate Effective from May 21, 2019----- 12.25pc
- Rate Effective from April 1, 2019----- 10.75pc
- Rate Effective from February 1, 2019 ---- 10.25pc  
(December 3, 2018 – the rate was 10.00 pc )

## Pakistan's Major Economic Indicators - FY 2018 & FY 2019

REAL SECTOR (GROWTH IN %)	FY 2018	FY 2019 *	
REAL GDP	5.5	3.3 *	-
AGRICULTURE SECTOR	3.9	0.9	-
INDUSTRIAL SECTOR	4.9	1.4	-
SERVICES SECTOR	6.2	4.7	-
CPI INFLATION (YoY)	FY 2018**	JUNE 2019	FY 2019**
Over ALL	3.9	8.9	7.3
FOOD INFLATION	1.8	8.2	4.6
NON-FOOD	5.4	9.3	4.6
NON-FOOD, NON- ENERGY	5.8	7.2	7.9
SOME MONETARY FIGURES	FY 2018***	JUNE 2019*	
CURRENCY IN CIRCULATION	PKR 476.5 BN	PKR 583.4 BN	-
TOTAL DEPOSITS	935.5 BN	1365.7 BN	-
*PROVISIONAL	-	-	-
** PERIOD AVERAGE	-	-	-
*** END PERIOD	-	-	-
SOURCES: PBS/ STATISTICS DEPT. SBP (July 2019)	-	-	-



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## INTERNATIONAL VISTA

### China Warns India of Sanctions if Huawei is Blocked

China has told India not to block its Huawei Technologies from doing business in the country, warning there could be consequences for Indian firms operating in China, sources with knowledge of the matter said. India is due to hold trials for installing a next-generation 5G cellular network in the next few months, but has not yet taken a call on whether it would invite the Chinese telecoms equipment maker to take part, telecoms minister Ravi Shankar Prasad has said. Huawei, the world's biggest maker of such gear, is at the center of a geopolitical tug-of-war between China and the United States. U.S. administration put the company on a blacklist in May, citing national security concerns. It has asked its allies not to use Huawei equipment, which it says China could exploit for spying.

### Markets Brace for Currencies Surge Enter Trade War

China's decision to let its Yuan plunge through a previously sacrosanct level means a tit-for-tat trade conflict could morph into a currency war, injecting volatility into long-dormant foreign exchanges and piling pressure on world markets. Beijing on Monday allowed the Yuan to breach the 7 per Dollar level for the first time in 11 years, a move seen as a direct response to US President Donald Trump's escalation of their trade conflict through more tariffs. China's willingness to use its currency to offset the impact of a year-long trade dispute is of huge symbolic, if not economic, importance: it shows Beijing is prepared to use its currency as a tool to respond asymmetrically to Trump's levies.

### Amazon in Talks with Reliance Retail for Stake Purchase

Amazon.com Inc. is in talks with Reliance Industries's retail unit to buy a stake in India's biggest brick-and-mortar retailer, sources with knowledge of the talks revealed recently. Amazon's massive online presence could help bolster Reliance's consumer and private labels business. More importantly, a potential partnership will help the duo

counter Walmart, which last year invested \$16 bn in India's Flipkart, in their battle for a bigger share of India's fast-growing e-commerce market. In late December, India modified rules around foreign direct investment (FDI) in e-commerce, creating additional hurdles for companies such as Amazon and Flipkart and giving companies such as Reliance an edge.

### Indonesian Economy Loses Steam in Q2

Indonesia posted its slowest rate of quarterly growth in two years on August 5, 2019 as Southeast Asia's biggest economy feels the sting of US-China trade tensions. Growth weakened to 5.05pc in the April-June period as exports and investment slipped. That was down from a 5.27pc expansion in the same period last year. Indonesia is grappling with weaker prices for key commodities like coal and palm oil, as the global economy falters on the back of US intensifying trade war with China.

### Dubai Property Prices Fall

Dubai prime residential property prices fell 1.9pc in the first half of the year due to the market being oversupplied, real estate company Savills said. The Middle East financial hub's real estate market has steadily contracted since mid-2014 as foreign investor interest cooled. Prime market prices declined 19.8pc in the past five-years to \$600 a square foot "due to high levels of new build stock and global economic uncertainty," Savills said recently. Savills defines prime properties as those in the top 5pc of the market by price, according to its website. Analysts say the overall market is down by at least a quarter since mid-2014.

### Japan and South Korea Trade Tit-for-Tat Export Blows

Japan and South Korea rescinded each other's favored export partner status recently and Seoul said it would review a military information agreement, as a long-running row between the US allies hit a new low. The two countries, both democracies and market economies, are mired in long-running disputes over the use of forced labor during World War II. Tokyo, which made the first move despite US calls for both to calm tensions, insisted it was acting on national security grounds rather than retaliation.



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## MANAGEMENT OUTLOOK

### Try Not to Take Small Annoyances at Work Personally

Sometimes the smallest action, or inaction, can have a big effect on how we feel about our colleagues. Imagine that you emailed a co-worker days ago and they have not replied. You might think the person is being rude, but he may just be under a tight deadline — and already feel bad about the delay. We encounter these minor but meaningful situations all the time, which is why it is important to consider the person's broader context before jumping to conclusions. When a colleague's behavior is affecting you in a negative way, ask yourself what his point of view might be. Could he be focused on an important project for the boss? Is something in his personal life distracting him? It can help to think about how the situation would look to an outside observer: is anything actually amiss, or does it just seem that way because you are caught up in what is happening? Relationships with colleagues can make work more fun and enjoyable (or the opposite), so assume the best about people — and try not to take things personally. (Adapted from *The Little Things That Affect Our Work Relationships*, by Kerry Roberts Gibson and Beth Schinoff-HBR.)

### Get Your Employees Talking to Customers

Customer experiences can provide you with powerful insights into how to improve your products. Many companies outsource this research, but you should consider having employees collect it instead. This can save time and money and will give employees a better understanding of the people they serve. Start by identifying who would most benefit from hearing feedback directly from customers. For example, you might choose managers who make the decisions about projects, designers who plan them or individual contributors who carry out their day-to-day work. Next, consider how these employees will interact with customers. You could assign each person to join a sales call once a month, or to spend a few hours talking to clients with customer service representatives. Capture their

insights, and then share the most valuable ones with the rest of your team. This process should be repeated often so that your team stays up to date with what customers are thinking about. (Adapted from *How to Keep Employees Connected to Customers*, by Alessandro Di Fiore-HBR.)

### Tips for Working With People Who Always Think They Are Right

A colleague who always thinks he is right can be extremely frustrating. There are a few ways to keep the relationship productive and professional. The next time you find yourself in a debate with this person, do not fight back — escalating an argument would not change their behavior. Instead, let the conversation come to an end, and then meet with your colleague after you have had some time to reflect. Explain how his actions make you feel. You might say: "when we are on different sides of an issue, you assert your views so strongly that I shut down. It would help me to know that you are hearing my views too, even if we don't agree." Managers should consider how company culture may be contributing to the problem. If your culture prizes certainty or is especially competitive, the person's behavior is probably to be expected. Help the team dynamic by asking everyone to come to discussions with both pros and cons about the topic. That will ensure no one can cling to one point of view. (Adapted from *How to Work With Someone Who Thinks They're Always Right*, by Ron Carucci-HBR.)

## SNIPS

### Levelling Up

Amazon.com recently announced plans for spending \$700 mn to retrain thousands of employees in the skills that will enable them to progress into advanced jobs and adapt to an economy being transformed by artificial intelligence.

### It is Still a Cash Society

According to the Pew Research Centre, 70pc of Americans use cash to make purchases every week.

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