



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 14, Issue No. 35 | Date: August 30, 2019

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

PAKISTAN OVERVIEW

State Bank to Issue Banknotes with Dr. Reza Baqir's Signature from August 30, 2019

The State Bank of Pakistan will start issuing banknotes bearing the signature of SBP Governor, Dr. Reza Baqir with effect from August 30, 2019 from the field offices of SBP Banking Services Corporation. The banknotes bearing the signatures of his predecessors will continue to remain in circulation as legal tender.

Gold Soars to Rs. 90,000

Gold price on August 28, 2019 hit an all-time high of Rs. 90,000 and Rs. 77,160 per tola and per 10 grams up by Rs. 900 and Rs. 770 respectively. The local prices were adjusted upward after international yellow metal prices soared \$15 to \$1,545 an ounce, said the All Sindh Jewelers Association (ASSJA).

365,000 Registered For Govt's Housing Project: NADRA

At least 365,000 people have been registered in the Naya Pakistan Housing Program in a month and a half, according to the National Database and Registration Authority (NADRA). According to a spokesperson, 365,000 people registered themselves for the project since July 15 through NADRA's online registration process. As a result, some 7,500 NADRA e-facility centers are providing information to people about the project. Besides, three special camps have been set up at Raiwind, Chuhng and Ferozpur Road for awareness and registration of citizens for the program.

Tax Exemption Laws for Gwadar Port, Free Zone Approved

The government recently approved a number of amendments to laws aimed to provide exemptions from income tax, sales tax and custom duties to the Gwadar port and free zone until 2039. A meeting of the Economic Coordination Committee (ECC) of the Cabinet presided over by the Adviser on Finance and Revenue, Dr. Abdul Hafeez Shaikh, asked the law ministry to come up with a legal way out — possibly a presidential ordinance or a bill — when the Federal Board of Revenue expressed its inability to issue a statutory regulatory order on the matter.

PM Sets Up Body to Meet FATF Targets

Prime Minister Imran Khan has set up a high-powered 12-member National Financial Action Task Force (FATF) Coordination Committee to ensure execution of all FATF-related tasks till Dec 1. Led by Minister for Economic Affairs Division Hammad Azhar, the committee comprises federal secretaries of finance, foreign affairs and interior besides heads of all the institutions and regulators concerned with money laundering and terror financing. They include the governor of the State Bank of Pakistan (SBP), chairman of Securities and Exchange Commission of Pakistan (SECP), director general of the Federal Investigation Agency (FIA), Member (customs) of the Federal Board of Revenue (FBR)

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

MONETARY POLICY RATE

Effective From July 16, 2019-13.25 Pct

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	13.83	14.08
ENDING	13.83	14.08
CHANGE	0	0

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 192.50	PKR 174.50	PKR 157.90
ENDING	PKR 191.00	PKR 173.00	PKR 156.50
CHANGE	-1.5	-1.5	-1.4

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	31,350
ENDING	29,672
CHANGE	-1678

GOLD RATE

	(10 gm)
STARTING	PKR 75,360
ENDING	PKR 77,160
CHANGE	+1800



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and DG of the Financial Monitoring Unit (FMU). The committee also has three senior officials from the military's General Headquarters (GHQ).

Plunging Prices of Hides & Skins

The prices of sacrificial animal hides had plunged substantially during Eid ul Azha this season. After the salting process, the hides are stored in warehouses in the anticipation that tanneries would buy them at a fair price. The other option is to sell the hides in the wholesale market through middlemen in Karachi and Lahore. The animals were bought at prices varying from Rs. 55,000 to Rs. 62,000 from different markets of lower Sindh. Skins and hides of healthy animals are preferred by the value-added industry. During non-Eid routine slaughtering, the average weight of animals is 1.5-2 maunds whereas during Eid the average weight is 4-6 maunds. (*One maund or mun is equal to 37.3242 kilograms*)

TIDINGS

- Livestock has a growing share of 60.5 pc in agriculture and 11.2 pc in GDP according to PES Survey 2018-19
- Number of sacrificial hides and skins in 2018 numbered 90 mn
- Estimates of Expenditure by people on Eidul Azha 2018 was Rs. 355 bn and in 2019 – Rs. 200 bn
- Remittances from abroad by overseas Pakistanis rose by 24 pc to \$ 2.04 bn in July from \$ 1.65 bn a year ago
- Three separate evaluations currently in progress will determine Pakistan's possible exit from the grey list of FATF by mid-October
- The cut-off yield on three-month treasury bills was 7.75 in August last year, now it is 13.75 pc
- According to an estimate by reliable sources, Pakistani nationals have more than 152,000 offshore accounts with deposits of \$ 11 bn.

Services Trade Deficit Decrease

Services trade deficit plummeted by 8.5 pc during the first month of this fiscal year (FY19-20) supported by contraction in the outflow of imports. Economists say that massive decline in services trade deficit will also help to reduce pressure on external account. Although, the services sector account is still negative during July, however despite that service trade statistics are very encouraging as its imports are on decline and exports are almost stable, they added. According to the State Bank of Pakistan (SBP), country's services sector trade has registered a deficit of \$473 mn during July compared to \$517 mn in same period of last fiscal year, depicting a decline of 8.5 pc or \$44 mn in a month. During July 2019, the country earned \$105 mn on account of telecommunications and computers services, \$62 mn from transport, \$38 mn from travel services, \$87 from government goods and services, \$9 mn through financial services and \$117 mn on account of other business services. Meanwhile, during the period under review, services payment of Transport sector was \$322 mn, Travel \$215 mn, \$35 mn on account of Telecommunication and Information services, \$29 mn as charges for use of Intellectual Property and an amount of \$37 mn was paid as government goods and services.

Tile Makers See Falling Sales

As the housing and property market remains mired in a prolonged slump, affiliated industries say they are seeing a collapse in demand for the products as well. Tiles and sanitary dealers are worried over a steep drop in sales and attribute much of it to budgetary measures; a leading tile maker says "there is unrest in the market with difficulty in understanding too many changes in the ways of doing business." Shabbir Tiles and Ceramics Limited CEO Masood Jaffery said many of his retailers, wholesalers and distributors are still unaware of the processes for registration of sales tax and income tax due to "very low literacy rate and limited availability of tax experts operating in the market."

**Gold and Iron at the present day,
as in ancient times, are the rulers
of the world - William Whewell**



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INTERNATIONAL VISTA

EU Leaders Round on Trump Over Trade at G7

EU leaders rounded on US President Donald Trump over his trade threats as they arrived in the chic French seaside resort of Biarritz for a G7 summit overshadowed by trans-Atlantic tensions and worries about the global economy. Already embroiled in a high-risk trade war with China, Trump warned he would impose punishing tariffs on French wine if France does not withdraw a new digital tax that will hit US tech giants. The European Union "will respond in kind," EU Council President Donald Tusk answered to Trump, who issued his threat on departing Washington for Biarritz.

Indian Economy Set for Weakest Quarter of Growth in 5 years

The Indian economy likely expanded at its slowest pace in more than five years in the April-June quarter, driven by weak investment growth and sluggish demand, according to economists. That would reinforce concerns seen in the minutes from the central bank's August meeting, which showed policymakers were worried about weak growth and indicated further rate cuts in the next few months to boost the slowing economy.

China Lets Yuan Sink, Trump Says Serious Talks to Start

China allowed its Yuan to sink while US President Donald Trump said the two sides will talk very seriously about their war over trade and technology following tit-for-tat tariff hikes and Trump's threat to order American companies to stop doing business with China. The escalations prompted warnings that the chances of a settlement of the fight that threatens to tip the global economy into recession were disappearing. But Trump, speaking at the Group of Seven (G7) meeting of major economies in France, said serious negotiations would begin.

Kenya Exports First Crude Oil Shipment

Kenya exported its first crude oil on August 26, 2019, amid calls by local leaders asking the government to stick to its commitment to share revenues from future shipments

equitably. Although commercial production is years away, the discovery of oil has heightened expectations that citizens, especially those living adjacent to the deposits, will benefit. President Uhuru Kenyatta in March signed into law a long-awaited petroleum bill that regulates oil exploration and production and outlines how revenues will be shared between the government, local communities and companies. Of the revenues due to the state, the law allocates 20pc to local government, 5pc to the communities living where oil was found and 75pc to the central government. An earlier draft gave 10pc to the communities. Tullow Oil estimates that Kenya's Turkana fields hold 560 mn barrels of oil and expects them to produce up to 100,000 barrels per day from 2022. Monday's shipment was 250,000 barrels of oil. The crude was trucked to the port since there is no pipeline. The shipment's destination was not announced.

Macron Defuses French Digital Tax Row

France and the US reached a deal to end a standoff over a French tax on big internet companies, though US President declined to say whether his threat of a retaliatory wine tax was off the table as a result. The compromise struck foresees France repaying companies the difference between the French tax and a planned mechanism being drawn up by the OECD. France's 3 pc levy applies to revenue from digital services earned by firms with more than €25 mn (\$27.86 mn) in French revenue and €750m (\$830 mn) worldwide.

German Business Confidence Down

German business confidence has fallen for a fifth consecutive month and hit a nearly seven-year low, a closely watched survey found recently adding to mounting worries that Europe's biggest economy is headed for a recession. The Ifo Institute said its monthly confidence index declined to 94.3 points in August from 95.8 in July. Managers' views of the current situation and the outlook for the next six months both worsened. It was the lowest reading for the index since November 2012.

Judge Orders Drugmaker to Pay \$572 mn

An Oklahoma judge found Johnson & Johnson and its subsidiaries helped fuel the state's opioid crisis and ordered the consumer products giant to pay \$572 mn,



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more than twice the amount another drug manufacturer agreed to pay in a settlement. Cleveland County District Judge Thad Balkman's ruling followed the first state opioid case to make it to trial and could help shape negotiations over roughly 1,500 similar lawsuits filed by state, local and tribal governments consolidated before a federal judge in Ohio.

UK Opposition Lawmakers Join Against No-deal BREXIT

Opposition lawmakers declared recently they will work together to try to stop a departure from the European Union without an agreement, setting up a legislative challenge to Prime Minister Boris Johnson and his promise to complete the divorce by Oct 31 come what may. Some 160 lawmakers have signed a declaration pledging "to do whatever is necessary," to prevent Johnson from bypassing parliament in his plans. Johnson's do-or-die promise has raised worries about a disorderly divorce that would see new tariffs on trade and border checks between Britain and the EU, seriously disrupting business.

MANAGEMENT OUTLOOK

Reaching Out to Someone Whose Career You Admire

We all have professional idols we did like to meet, people whose careers inspire and impress us. But how do you connect with the person? Start by establishing your credibility. When you email or message your hero, mention mutual connections, shared alumni affiliations or work you have done in his or her field. This person likely gets a lot of requests, so demonstrate why connecting with you will be mutually beneficial. Be specific about what you are asking for and what you can offer. (If you do not have something valuable to offer, that might be a reason not to reach out.) You should also be clear that you have no expectations — you like what they do and you did enjoy the chance to be

useful to the person, but you completely understand if the person is too busy. By showing that you are aware of the circumstances and do not want to take up too much time, you can set yourself apart from the rest of the person's inbox. (This tip is adapted from *How to Reach Out to Someone Whose Career You Admire*, by Dorie Clark-HBR.)

Giving Feedback to an Underperformer In the Family Business

Not everyone in a family business is a top performer. Some family members may feel entitled and slack off; others may think they will get a pass for their mistakes. How do you give someone feedback in these situations? Start the discussion by asking questions that will help you understand how people see their work and what they want to contribute. Listen carefully, and then respond with a kind but unambiguous description of the expectations of a person's role. Doing this will set the stage for you to offer further comments about performance. If the family dynamic makes the conversation too risky or uncomfortable, consider having a third party convey the feedback instead. On the other hand, it may be that the person is not a good fit for the role. In that case, think about where in the company the person's skills would be useful. Remember to show respect for the person's ties to the family, while being candid about what you expect as the boss. (This tip is adapted from *Managing an Underperformer in a Family Business*, by Liz Kislik-HBR.)

SNIPS

Pursuit of Knowledge

According to recent research, the majority of knowledge workers dedicate 85pc of their workday attending meetings, communicating on the phone or tending to emails.

The Two-career Couple

Research from the US Bureau of Labour Statistics revealed that in nearly half of all marriages, both spouses have their own careers.

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