



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 15, Issue No. 37 | Date: September 11, 2020

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

PAKISTAN TIDINGS

COVID-19: UPDATES ON SBP'S MEASURES AS OF SEPTEMBER 8, 2020

◆ Loans Deferred	Rs. 645.7 bn
◆ Loans Restructured	Rs. 180.8 bn
◆ Loans Approved for Wages	Rs. 183 bn
◆ Loans Approved for Hospitals	Rs. 6.2 bn
◆ Loans Approved for Investment	Rs. 53.7 bn
◆ Bank Branches Open	96pc
◆ ATMs Available	94pc

PROFITS OUTFLOW SURGES BY 157PC IN JULY

The outflow of profits and dividends on total foreign investment from the country soared by 157pc to \$354.5 mn in July, as against \$138.2 mn in the same month of 2019, reported the State Bank of Pakistan. Similarly, payments on Foreign Direct Investment surged by 168pc to \$340.2 mn in July, compared to \$126.8 mn in corresponding period last year. On the other hand, the payments on foreign portfolio investments clocked in at a much lower figure of \$14.3 mn during the month under review, up from \$11.4 mn in July 2019. The data indicates that despite negative impact of COVID-19 in the second quarter of FY20, profits on foreign investment substantially increased. The highest outflow was noted from the food sector which rose to \$99 mn in July, compared to a figure of zero in corresponding month last year.

RS. 156 MN RAISED FROM PROPERTY AUCTION

The federal government recently raised Rs. 156.45 mn by disposing of abandoned properties in Islamabad against the reserve price of Rs. 140.525 mn. Prime Minister Imran Khan has entrusted the Privatization Commission to auction federal government's abandoned properties. In the first phase of auctions held recently, five government-owned properties including two penthouses at Islamabad Country Club, two apartments, one in Centarus Mall and other located at Pakistan Housing Authority apartments were sold. Auction of land at Pir Sohawa attracted most interest with investors increasing their bid till the final call.

AUSTRALIAN INVESTOR EXPLORES GREEN OPPORTUNITIES

An Australian green industry developer has shown interest for investment in zero carbon emission technologies — particularly fertilizer and steel production plants in Pakistan. The West Australian Fortescue Metals Group Chairman Andrew Forrest met with Minister for Commerce and Investment Abdul Razzak Dawood and Chairman of Board of Investment (BoI) Atif Bokhari to discuss these opportunities. Over the past two days, a delegation led by Forrest has visited some potential sites for projects which can sustain the industry. The group is undertaking exploration activities in New South Wales and South Australia, as well as in

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

MONETARY POLICY RATE

7pc | Effective from June 25, 2020

KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.02	7.27
ENDING	7.05	7.30
CHANGE	+0.03	+0.03

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 209.00	PKR 185.50	PKR 165.77
ENDING	PKR 219.00	PKR 197.00	PKR 165.97
CHANGE	+10	+11.5	+0.2

PAKISTAN STOCK EXCHANGE

100 Index

STARTING	42,023
ENDING	42,530
CHANGE	+507

GOLD RATE

(10 gm)

STARTING	PKR 103,889
ENDING	PKR 103,798
CHANGE	-91



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PAKISTAN'S MAJOR ECONOMIC INDICATORS

REAL SECTOR (GROWTH IN %)	FY18 _F	FY19 _R	FY20 _P	FY20 _T
REAL GDP	5.5	1.9	-0.4	4.0
AGRICULTURAL SECTOR	4.0	0.6	2.7	3.5
INDUSTRIAL SECTOR	4.6	-2.3	-2.6	2.3
SERVICES SECTOR	6.3	3.8	-0.6	4.8
CPI INFLATION (YoY%)	FY19	FY20 _{PA}	JULY 2020	AUGUST 2020
NATIONAL	6.8	10.7	9.3	8.2
URBAN	7.1	10.2	7.8	7.1
RURAL	6.3	11.6	11.6	9.9
FOOD INFLATION-URBAN	4.6	13.6	15.1	11.3
FOOD INFLATION-Rural	4.8	15.9	17.8	13.5
	FY19	FY 20	JULY 1 - 28 AUGUST 2020	-----
CURRENCY IN CIRCULATION (IN BILLION RUPEES)	562.210	1,191.977	73.507	-----

P-PROVISIONAL | PA-PERIOD AVERAGE | F- Final
R-Revised | T-Target

Data Sources: SBP/PSB/ESP/3rd Quarterly Report
on Pakistan's Economy-2019-2020-SBP

Ecuador and Argentina. The investment from Fortescue Group would result in generating economic opportunities for local communities, employment and large-scale development of green industry for export market and domestic consumption. In addition, it will result in diversification and up-skilling of workforce in Pakistan.

WAYS TO BOOST TRADE WITH IRAN DISCUSSED

Iranian Consul General Hassan Darwesh met the Customs Collector Abdul Waheed Marwat and discussed with the latter, ways of increasing cooperation to enhance trade between Pakistan and Iran. Referring to the importance of bilateral trade for providing employment opportunities in the two countries, the Iranian envoy underlined the need for further increasing working hours at the border and

raising the number of border crossings. Mr. Darwesh also referred to historical and deep cultural commonalities of Iran and Pakistan and the commitment of the top leadership of the two countries to promote bilateral trade. The Iranian Consul General said that in view of 300 mn population of the two countries and their capabilities, holding joint meetings could help in furthering each other's identities and strengthening ties.

PEOPLES OF PAKISTAN, CHINA ASKED TO WORK FOR CPEC

The All Pakistan-China Friendship Association (APCFA) has stressed the need for mobilizing peoples of China and Pakistan to work together for the Phase II of CPEC related to promotion of tourism, cultural corridor along with



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agriculture, energy industrialization, investment and trade. APCFA General Secretary Farwa Zafar said friendship organizations can be crucial players for the Belt and Road Initiative (BRI) to promote common development and prosperity so as to bring benefits to the people. She was addressing the fifth international forum on "Friendship" held in Beijing recently to discuss the cooperation between peoples under the BRI. The event was attended by representatives from 30 countries. Ms. Zafar said BRI is the project of the century and a buzzword across the globe focused on redeveloping the ancient silk route, forging closer partnerships among countries in Asia, Europe and Africa. She said for Pakistan, BRI had been a game changer with the launch in 2015 of the China-Pakistan Economic Corridor (CPEC) as its flagship project. Over the last five years, CPEC has improved people's livelihoods, been a driver of Pakistan's economic growth by one to two percent every year besides creating 70,000 jobs in the country.

STARTUP FUNDING TAKES A DIP

Amid a contracting economy, funding in local startups fell 9pc to \$10 mn in the first half of 2020, down from \$11 mn a year ago, according to a recent report by MAGNiTT, a Dubai-based data portal that has just expanded into Pakistan. Even though the overall funding was down by \$1 mn, the number of deals jumped 13pc to 17 during the first half of 2020. This number was 15 in the corresponding period of last year. A further breakdown shows that \$4 mn poured into nine Pakistani startups in the first quarter while eight companies raked in a total of \$6 mn in April-June. Meanwhile, the average ticket size of disclosed deals dipped 14pc to \$0.6 mn between January and June. As opposed to the Middle East and North African (MENA) countries, Pakistan was towards the bottom end in terms of both funding and number of deals. It was ahead of only Kuwait in value and Jordan in volume. To give some context, the combined population of these two nations is less than that of Karachi or even Lahore.

PAKISTAN DEVELOPS FIRST AFFORDABLE DIALYSIS MACHINE

By the time people are diagnosed with advanced-stage kidney disease and recommended dialysis treatments, they have been through a lot of pain and agony. To make

the treatment process bloodless, hassle-free and affordable, Pakistan's first dialysis machine has been developed by biotechnology startup in Lahore led by experts of a US-based company called Byonyks Medical Devices with support from Pakistan's Ignite, which funds innovative startups and Angel investors. More than 20 million Pakistanis have kidney diseases. Two treatments for those with chronic kidney diseases (CKD) are kidney transplants and dialysis. In Pakistan, only hemodialysis machines are available which removes a patient's blood, run it through a dialysis machine to remove toxins and excess fluid and return cleaned blood to the body.

MIND BUSTERS

In an oddly surprising incident, the Ireland police returned a wallet to its owner who had lost it two decades ago. The police department shared on their Facebook page the details of the long lost-and-found case. Sharing an image of the worn-out wallet, the police began the post by saying '20-year-mystery solved in 24 hours' and went on to describe how they found the owner of the wallet, that was lost nearly 20 years ago.

"This wallet was handed into Tallaght Gardaí, it appeared to have been buried a long time. When opened it up there was some info in it, pulse was checked, owner was found who had lost it 20 years ago," the post read. (August 28, 2020).

BANKING BRIEFS (RS. IN BILLIONS)

AS AT AUGUST 28, 2020 | AS AT AUGUST 21, 2020

DEPOSITS OF ALL SCHEDULED BANKS

16,327.253 | 16,048.816

% PLUS / MINUS COMPARED TO PREVIOUS WEEK

+1.73 | -----

GROSS ADVANCES

8,052.961 | 8,036.810

% PLUS/ MINUS COMPARED TO PREVIOUS WEEK

+ 0.20 | -----



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INTERNATIONAL SCENARIO

CANADA TO EXTEND RENT-RELIEF PLAN FOR SMALL BUSINESSES

The Canadian government will extend its coronavirus rent-relief program for small businesses into September, it was reported recently, citing sources familiar with the policy discussions. Officials in the government are also working on options to reform the program, adding that the extension of the program was meant to be an interim measure. The Canada Emergency Commercial Rent Assistance Program offered loans to landlords of entrepreneurs worth half the tenant's rent from April through August, if tenants pay a quarter and the landlord absorbs the remaining quarter. However, the program requires landlords to apply, which has prompted low uptake and left many tenants powerless to get relief as their landlords refuse to make applications. Canada had also rolled out the Canada Emergency Response Benefit (CERB) to offer broad support to the millions of Canadians who lost their jobs amid coronavirus shutdowns.

NO BREXIT DEAL WITHOUT FISHERIES: EU NEGOTIATOR

EU chief negotiator Michel Barnier underlined recently there will be no post-BREXIT trade deal without agreement on fisheries, warning Britain against using the issue as a bargaining chip in stalled talks. "There will be no trade agreement between the UK and EU... without a sustainable agreement and balanced agreement on fisheries," he told Irish think-tank, the Institute of International and European Affairs. "The UK has not shown any willingness to seek compromises," he added, speaking via video-link. Barnier said London's position, which calls for annual negotiations on fishing quotas and access, could "lock out" European fishermen from UK waters. He noted they had been fishing there "long before" Britain joined the European Economic Community — the precursor to the European Union — in 1973. "We will not accept that the work and the livelihoods of these men and women be used as a bargaining chip in these negotiations," Barnier said. If no accord is finalized by December 31, EU fishing fleets fear being locked out of rich waters surrounding Britain. Prime Minister Boris Johnson's spokesman said that while a fisheries agreement is possible "it is clear that this is not going to be easy to achieve". He told reporters in London the EU is insisting on sealing the fisheries deal before progressing other strands in the talks, "making it very difficult to progress."

NORWAY POSTS FIRST PUBLIC DEFICIT IN 25 YEARS

Norway posted its first public deficit in 25 years in the second quarter, its finances weighed down by the effects of the coronavirus pandemic, Statistics Norway said recently. The Scandinavian country, which is the biggest oil and gas producer in Western Europe, saw its accounts fall into the red in the April-June period, to -83 bn Kroner (almost -8 bn Euros, -\$9.46 bn), after registering a 22 bn kroner surplus in the first quarter. The fall was attributed to dropping oil revenues as well as lower dividends and tax revenues, while spending increased to mitigate the economic effects of the pandemic and because of higher unemployment benefits, Statistics Norway said. "The public sector has thereby protected the private sector from the brunt of the decline in national income. The flip side is that for the first time in a long while, the state is going from a surplus to a deficit," an economist at the statistics agency, Pal Sletten, said. Norway's public surplus has averaged 10.7 pc of gross domestic product in 2002-2019. The second quarter deficit represents 10.3 pc of GDP.

CHINA'S EXPORTS SOAR IN NEARLY 1.5 YEARS; IMPORTS SLIP

China's exports rose for the third consecutive month in August, eclipsing an extended fall in imports, as more of its trading partners relaxed coronavirus lockdowns in a further boost to the recovery in the world's second-biggest economy. Exports in August rose a solid 9.5pc from a year earlier, customs data showed recently, marking the strongest gain since March 2019. The figure also beat analysts' expectations for 7.1pc growth and compared with a 7.2pc increase in July. Imports however slumped 2.1pc, compared with market expectations for a 0.1pc increase and extending a 1.4pc fall in July. The strong exports suggest a faster and more balanced recovery for the Chinese economy, which is rebounding from a record first-quarter slump thanks largely to domestic stimulus measures. China's exports continue to defy expectations and to grow significantly faster than global trade, thus gaining global market share, according to Louis Kuijs of Oxford Economics. Imports unexpectedly slipped further into contraction, suggesting softer domestic demand. But imports were largely stable in terms of volume, according to Julian Evans-Pritchard of Capital Economics.



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MANAGEMENT VIEWS

MANAGERIAL TIPS

STOP PROMOTING INCOMPETENT LEADERS

There are too many incompetent men in leadership positions – in large part because businesses tend to promote people on the basis of charisma, confidence and even narcissism. Instead, companies should be putting people in charge who demonstrate competence, humility and integrity. If you are responsible for assessing leadership candidates, you should work on your ability to distinguish between confidence and competence. Remember that overconfidence is a natural result of privilege, which is often linked to gender. Fortunately, you can use scientifically valid assessments to measure the traits you want (or do not want) in your leaders. You can ask company leaders, including emerging leaders, to take self-assessments, and then measure their responses against their leadership style, performance and effectiveness. The resulting data will help identify patterns that characterize good and bad leaders at your company. Of course, this practice will take time and effort and many organizations would not want to invest those resources. But vetting candidates for leadership roles will pay dividends down the line.

(This tip is adapted from *How to Spot an Incompetent Leader*, by Tomas Chamorro-Premuzic.)

SNIPPETS

ARTIFICIAL INTELLIGENCE AS A RECRUITER

In a LinkedIn report, 67pc of hiring managers and recruiters said that artificial intelligence saves them time in the process of identifying job candidate.

QUICK BREAKS THAT REJUVENATE

Research shows that engaging in active leisure activities, such as exercising or volunteering, for 10 to 20 minutes can improve your well-being.

BE INTENTIONAL IN SMALL MOMENTS

It is often in small moments that we make and find meaning. So if you want to live your life with a little more purpose, one thing to do is to pay close attention to how you engage with others. Show your colleagues that you believe in them. Take time to understand their aspirations and do what you can to uplift them. Make purpose a regular part of your conversations: talk with people about how you want to live your life – and ask about how they want to live theirs. And use difficult moments to forge stronger ties. In any relationship, you will have conflicts and disagreements, but during these tough times, you can show your ability to empathize and recognize new possibilities. This will help you build stronger connections with the people in your life and further fuel your own sense of purpose.

(This tip is adapted from *Do You Have a Life Outside of Work?*, by Rob Cross.)

TAKE YOUR VACATION

Many of us have had our summer vacation plans cancelled due to the pandemic. And between health concerns and financial stresses it may be easy to think, “I should just keep working,” or “what is the point of a vacation, anyway?” Get those thoughts out of your head! Studies indicate that our performance nose-dives when we work for extended periods without a break. And while your plans will likely look different from last summer, you can still reap the benefits of a vacation, even if you cannot travel. It is not too late to plan something – but make sure that you plan. While a spontaneous getaway can be exciting, research shows that the stress of a poorly planned vacation can eliminate the positive benefits of taking time off. Identify the type of experience that you want to have. What kind of setting and activities recharge your batteries? Do not underestimate a change of scenery – even if you are staying close to home, all you need to do is spend a little time outdoors and unplug. (Seriously, do not check your email.) Finally, create some memories. Take pictures on your trip so you can revisit the experience when you are having a tough day back at work.

(This tip is adapted from *Thinking of Skipping Vacation? Don't!* by Rebecca Zucker.)

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DONATE FOR THE PRIME MINISTER'S COVID-19 PANDEMIC RELIEF FUND



IBP ONLINE TRAININGS

SEPTEMBER 14-16, 2020

**14 SEPTEMBER
MONDAY**
10AM - 1PM

RISK MITIGATION MEASURES FOR FINANCIAL CRIMES IN BRANCHES

FACILITATOR: Naveed Elahi Malik

COURSE FEE: PKR 5,000/- Excluding Tax

**16 SEPTEMBER
WEDNESDAY**
2PM - 5PM

TREASURY RISK MANAGEMENT

FACILITATOR: Faisal Sarwar

COURSE FEE: PKR 5,000/- Excluding Tax

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