



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 15, Issue No. 39 | Date: September 25, 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 23, 2020

◆ Loans Deferred -----	Rs. 650.5 bn
◆ Loans Restructured -----	Rs. 184 bn
◆ Loans Approved for Wages -----	Rs. 212.6 bn
◆ Loans Approved for Hospitals -----	Rs. 6.3 bn
◆ Loans Approved for Investment ---	Rs. 78 bn
◆ Bank Branches Open -----	96 pc
◆ ATMs Available -----	94 pc

MS. SIMA KAMIL JOINS AS DEPUTY GOVERNOR SBP

Ms Sima Kamil was appointed as the Deputy Governor of SBP by the Federal Government on August 25, 2020 for a period of 3 years and she assumed her responsibilities on August 26, 2020. Ms. Kamil is the first woman appointed as Deputy Governor of SBP. She has over 35 years of experience in diverse fields of commercial banking, including Branch Banking; SMEs, Rural, Consumer and Corporate Financing; and investment banking. She has worked in various international banks including American Express Bank, ANZ Grindlays Bank and Standard Chartered Bank in areas of Corporate Banking and Risk Management. Before joining SBP, Ms. Kamil was the first-ever woman appointed President of a private sector commercial bank, United Bank Limited. Earlier, she served Habib Bank Limited for 16 years at various senior management levels, including Head of Corporate & Investment Banking and then Head of Branch Banking. Ms. Kamil has a degree in business from Kingston University, UK and an MBA from City University, London.

POLICY RATE TO REMAIN UNCHANGED AT 7PC: SBP

The State Bank of Pakistan (SBP) has decided to maintain its policy rate at 7pc in its new monetary policy announced on September 21. Following a meeting of the Monetary Policy Committee (MPC), the SBP, in a statement, said: "In reaching its decision, the MPC considered key trends and prospects in the real, external and fiscal sectors and the resulting outlook for monetary conditions and inflation." The statement by the central bank also noted that "business confidence and the outlook for growth have improved" in the country since the last meeting of the MPC that was held in June.

TEXTILE EXPORTS IN AUGUST

Pakistan's textile and clothing exports amounted to \$1.007 bn in August, compared to \$ 1.19 bn in the corresponding month of 2019, data released by the Pakistan Bureau of Statistics showed recently. The export proceeds dipped in the second month of current fiscal year after posting growth in the first month. As a result of COVID-19, the demand for country's exports has fallen during the last five months. It was only in February when the textile and clothing exports

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	7.05	7.30
ENDING	7.04	7.29
CHANGE	-0.01	-0.01

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 218.00	PKR 196.50	PKR 165.83
ENDING	PKR 211.69	PKR 193.22	PKR 165.79
CHANGE	-6.31	-3.28	-0.04

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	42,504
ENDING	41,701
CHANGE	-803

GOLD RATE

	(10 gm)
STARTING	PKR 106,067
ENDING	PKR 99,626
CHANGE	-6441



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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
AGRICULTURE 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}	JUL 2020	AUG 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	1 JUL - 11 SEP 2020	-----
CURRENCY IN CIRCULATION (IN BILLION RUPEES)	562.210	1,191.977	133.657	

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

jumped nearly 17pc on a yearly basis. This growth was reported after a long time as the past few years had been marred by single-digit increases. However, in July-August, textile exports were slightly lower by 0.98pc to \$ 2.28 bn, from \$ 2.302 bn in same period of previous year. The country's textile and clothing exports amounted, year-on-year to \$ 12.526 bn in FY21, compared to \$ 13.327 bn in the corresponding period of FY20.

LARGE-SCALE MANUFACTURING REBOUNDS BY 5.02PC IN JULY

The large-scale manufacturing (LSM) output posted a rebound after suffering months of damage inflicted by COVID-19, as it grew 5.02pc in July, showed data released by the Pakistan Bureau of Statistics (PBS) recently. In the

pre-COVID days, the LSM index returned to red after jumping by 9.66pc in December 2019, which was led by impressive performance in sugar production surging 97pc. The decline in production was seen after the outbreak with the steepest fall in LSM of 24.8pc year-on-year in May. It was again down 7.74pc in June but improved compared to previous months. The big industry output grew by 9.54pc in outgoing July compared to June, reflecting revival in economic activities in the country. The monthly snapshot of manufacturing on monthly basis showed that 9 out of 15 sub-sectors in LSM rose in July. Lowering of interest rates and reduction in duties on raw materials is expected to spur economic activities in the current fiscal year. The LSM constitutes 80pc of the country's total manufacturing and accounts for nearly 10.7pc of the national output. In comparison, the small-scale industry



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makes up for just 1.8pc of GDP and 13.7pc of the secondary sector.

BANKING BRIEFS (RS. IN BILLIONS)

As at September 11, 2020

As at September 4, 2020

DEPOSITS OF ALL SCHEDULED BANKS

16,188.238

16,185.316

% PLUS / MINUS COMPARED TO PREVIOUS WEEK

+ 0.02

GROSS ADVANCES

8,024.169

8,026.082

% PLUS/ MINUS COMPARED TO PREVIOUS WEEK

-0.02

WORKERS' REMITTANCES REMAIN STRONG

In August, 2020 workers' remittances remained above \$ 2 bn for the third month in a row. They reached \$ 2.095 bn, which is 24.4 pc higher than during the same month last year and largely in line with SBP projections. Over the last three months, remittances reached an unprecedented level of \$ 7.3 bn, 37.2pc higher than the same period last year. Efforts under the Pakistan Remittances Initiative (PRI) and the gradual re-opening of businesses in major host countries such as Middle East, Europe and United States contributed to this increase. The top three originating countries for remittances in August were: Saudi Arabia (\$ 0.593 bn), UAE (\$ 0.410 bn) and UK (\$ 0.302 bn).

PAKISTANI-AMERICAN MAN IN RICHEST LIST

A Pakistani-American, Shahid Khan, has emerged as the 66th richest man in the United States in 2020, with a total worth of \$ 7.8 bn. Amazon founder and CEO Jeff Bezos is number one for the third year in a row, followed by Microsoft founder Bill Gates at number two. The Forbes list of 400 richest Americans, published on September 9, estimates Bezos' total worth in 2020 as \$ 179 bn. Gates has about \$ 111 bn and Facebook CEO Mark Zuckerberg has \$ 85 bn. He is the third on the list. The year's biggest gainer, in percentage terms, is Tesla founder Elon Musk, who is an

astounding 242pc richer than he was on last year's ranking. Shahid Khan, the only Pakistani on the list, is an engineer by trade. He immigrated to the US at age 16 with \$ 500 and a plane ticket. In 1980, he bought auto parts supplier Flex-N-Gate from his former employer. His design for a one-piece truck bumper was the basis for his success; the company now has 64 plants worldwide and over 24,000 employees. Khan made his first billion at Flex-N-Gate.

SAVING SWINGS

◆ Except for a few years since our independence, we have struggled to get beyond a single-digit saving rate. The gross saving rate as of June 30, 2020, was 8.4pc. This rate is low when compared to South Asian countries.

◆ India is at 29.44pc, Bangladesh is at 24.75pc and Nepal at 36.2pc. According to a Gallup survey commissioned by the State Bank of Pakistan, 64pc of the survey respondents stated that they save either in cash or informal savings.

◆ Given the low level of absolute savings, the inference is that the bulk save in cash, however nominal the saving amount may be. This conclusion is further strengthened by the fact that Pakistan also has the highest currency-to-deposit ratio, namely 36.2pc in the region.

◆ This Rs. 6.3 tr — printed yet not within banks or other formal investment vehicles — is where the solution to increasing our saving rate lies. Bringing this cash into the formal economy will reap immense benefits. If the cash in circulation was reduced by Rs. 1 tr, it would lead to a Rs. 3 tr increase in the national deposit base due to the bank multiplier effect.

◆ In order to achieve our Rs.1 tr objective of bringing cash into the formal economy we must adopt the customer lens, review the customer journey and the commercial returns.

◆ The irony is that Pakistanis save, they just do not save within the formal system: 23pc via the committee mechanism, 16pc in gold and another 11pc through livestock.

◆ Pakistanis, as is the case with other South Asians, are partial to savings in gold. Pakistan, in the last fiscal year, imported 273 kg of gold, worth \$ 11.9 mn which translates



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to billions of rupees. About 99pc of the gold imported is converted to jewelry and used as ornaments, as well as a medium of savings.

◆ The World Gold Council estimates an annual consumption of 150 to 170 tonnes of gold annually. As there is no regulatory oversight for the purchase of gold, most of these transactions are in cash and do not necessarily enter the formal economy.

FDI RISES 24PC IN AUGUST

Foreign Direct Investment (FDI) jumped 23.5pc to \$ 112.3 mn in August, up from \$ 90.3 mn in same month of 2019, reported the State Bank of Pakistan recently. In the first two months of FY21, the FDI surged 40pc to \$ 226.7 mn, compared to \$ 162 mn in the same period of last fiscal year. Details showed that highest inflow of \$ 85.4 mn during July-August was noted in the financial business, which attracted just \$ 14 mn in the first two months of the previous year. Communications also received \$ 37 mn during the period under review, as against \$ 44.9 mn in corresponding months of FY20. Similarly, the FDI in electrical machinery more than doubled to \$ 36.5 mn, from \$ 15 mn. Country-wise, FDI from China stood at a mere \$ 6.6 mn during July-August, but it still higher than \$ 2.9 mn recorded in the same period of 2019. Other important investors were the UK and US and the inflows showed no significant improvement. The FDI from the Great Britain came in at \$ 18.6 mn in 2MFY21. The highest FDI of \$ 45 mn was noted from Norway in July - August. Inflows from Netherlands and Malta were \$ 39.6 mn and \$ 37 mn, respectively during July-August. The economic environment has relatively improved in Pakistan in terms of foreign investment due to relatively low impact of coronavirus.

SNIPS

Upskilling the Workforce

In a Deloitte survey, 88pc of respondents believed that a well-established workplace culture is important to business success.

INTERNATIONAL SCENARIO

LILLY CLAIMS ANTIBODY REDUCES NEED FOR HOSPITALIZATION FOR MODERATE COVID-19 PATIENTS

Eli Lilly & Co has said that its experimental antibody reduced the need for hospitalization and emergency room visits for patients with moderate COVID-19, according to an interim analysis of a mid-stage clinical trial. The study tested three different doses of LY-CoV555, a manufactured antibody designed to recognize and lock onto the novel coronavirus, preventing the infection from spreading. Of the total 302 patients treated with three different doses of LY-CoV555, five of them, or 1.7pc, had to be admitted to a hospital or visit a hospital emergency room. That compares with a rate of 6pc, or 9 out of 150, for trial patients given a placebo, the company said.

FED KEEPS RATES STEADY

The Federal Reserve kept interest rates pinned near zero recently and promised to keep them there until inflation is on track to "moderately exceed" the US central bank's 2pc inflation target "for some time." The change in guidance is part of the Fed's monetary policy shift announced last month that is aimed to offset years of weak inflation and allow the economy to keep adding jobs for as long as possible. In its policy statement, the Fed also began to pivot from stabilizing financial markets to stimulating the economy: the Fed said it would keep its current government bond-buying at least at the current pace of \$ 120 bn per month, but describing the goal as in part to ensure "accommodative" financial conditions in the future.

NEW ZEALAND IN RECESSION AS ECONOMY SHRINKS RECORD 12PC

New Zealand plunged into recession for the first time in a decade recently, as data confirmed a record-breaking economic collapse that forced Prime Minister Jacinda Ardern to defend her pandemic response ahead of next month's general election. The 12.2pc contraction in April-June was by far the largest since records began, national data agency Stats NZ said, with the country put into a strict lockdown for almost two months and the country's borders closed. Ardern rejected



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opposition accusations that the tough measures had pushed the economy off a cliff, saying the restrictions helped contain the virus, which allowed business to resume far earlier than in many other countries.

GLOBAL GDP TO HIT PRE-COVID-19 LEVELS IN MID-2021: DEUTSCHE BANK

World economic output will return to its pre-pandemic level by mid-2021 after a stronger-than-expected economic bounce in recent months, Deutsche Bank forecast recently, but bloated debt levels and a shift in policy could heighten the risk of a financial crisis. Global economic recovery from the depths of the COVID-19 plunge this past winter and spring has proceeded significantly faster than we envisioned, according to Peter Hooper, Deutsche global head of economic research. As Q3 draws toward a close, it is estimated that the level of global GDP is about half way back to its pre-virus level and we now see that journey being completed by the middle of next year, a couple of quarters sooner than in its previous forecast.

MANAGEMENT VIEWS

MANAGERIAL TIPS

ENCOURAGE EMPLOYEES TO SELF-REPORT THEIR COVID-19 RISK

As economies reopen, employers are striving to protect their staff from contracting and spreading COVID-19. To do so, they need to make it safe for employees to disclose any potential exposure. One approach is to implement a random rotation policy, which entails surveying your employees about their COVID-19 exposure and symptoms. Based on responses, a group of randomly selected employees — along with everyone who reported exposure — are then rotated out of the workplace and tested for symptoms upon their return. This random approach protects the anonymity of those employees who report risk. Workers concerned that they may be sick can safely ask to temporarily isolate

without having to expose their personal health information to their colleagues or managers. You can use this survey approach for insight into other sensitive information, such as mental health issues, burnout and harassment — all of which may be exacerbated by the pandemic. With these insights in mind, you can then target support to your people who need it most. (This tip is adapted from *How to Get Employees to Report Their COVID-19 Risk*, by Laura Boudreau and Sylvain Chassang-HBR.)

SNIPS

Burnout is Everywhere

Two-thirds of full-time workers have experienced burnout, according to Gallup.

Running Low

The designer Tom Ford gets about three hours of sleep a night.

IMAGINE YOUR FUTURE SELF TO CHANGE BEHAVIOR

Many of us think that the person we are today is the person we will always be. We cling to labels like “I am an introvert,” or “I am not good with people.” But that type of thinking leaves little room for growth. The reality is that we can and do change. So do not be so wedded to who you are today. Instead, intentionally focus on who you want to be. Start by recognizing how much you have grown and changed from your former self. This will serve as a reminder that growth is possible. Then imagine who you want to be in the future. Maybe you want to be more comfortable chatting with new people, or more confident in your professional skills. Keep that vision of yourself top of mind. Research shows that your behavior in the present is largely shaped by your view of your future. Then hold yourself accountable by telling other people who you want to be. (This tip is adapted from *Take Ownership of Your Future Self*, by Benjamin Hardy-HBR.)

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

IBP ONLINE TRAININGS



SEPTEMBER 2020

29 SEPTEMBER
TUESDAY

10AM - 1PM

RISK FRAMEWORK FOR SME FINANCING

FACILITATOR: Atif Ikram

COURSE FEE: PKR 5,000/- (Excluding Taxes)

29 SEPTEMBER
TUESDAY

4PM - 7PM

PRICING MECHANISM OF BANKING PRODUCTS

FACILITATOR: Muhammad Shoaib Malik

COURSE FEE: PKR 5,000/- (Excluding Taxes)

OCTOBER 2020

05 OCTOBER
MONDAY

2PM - 5PM

EMPLOYEE PERFORMANCE MANAGEMENT USING KPIS

FACILITATOR: Seemin Shafi

COURSE FEE: PKR 5,000/- (Excluding Taxes)

08 OCTOBER
THURSDAY

2PM - 5PM

BASEL III: STANDARDS, ISSUES, CHALLENGES AND IMPLICATIONS

FACILITATOR: Javed Ahmed

COURSE FEE: PKR 5,000/- (Excluding Taxes)

10 OCTOBER
SATURDAY

2PM - 5PM

MICROPAYMENT GATEWAY

FACILITATOR: Syed Muhammad Taha

COURSE FEE: PKR 5,000/- (Excluding Taxes)

12 OCTOBER
MONDAY

2PM - 5PM

SUPPLY CHAIN MANAGEMENT PRACTICES IN BANKS

FACILITATOR: Amir Aziz

COURSE FEE: PKR 5,000/- (Excluding Taxes)