



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan\*

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Volume 15, Issue No. 05 | Date: January 31, 2020

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

## PAKISTAN TIDINGS

### SBP Keeps Policy Rate Unchanged at 13.25pc

The Monetary Policy Committee (MPC) on 28th January, decided to keep the policy rate unchanged at 13.25pc for next two months as the inflation outlook remained unchanged. Governor State Bank of Pakistan (SBP) Dr. Reza Baqir announced the decision at a press conference at SBP head office after the meeting of MPC.

### Number of Tax Filers Rises by 40pc as Deadline Looms

The Federal Board of Revenue (FBR) has received nearly 40pc more income tax returns for the tax year 2019 compared to the preceding year ahead of the Jan 31 deadline. The board received 2.285 mn tax returns until January 29 as against 1.635 mn returns filed in the tax year 2018. The last date for filing of income tax returns for tax year 2019 was extended four times consecutively to facilitate individuals to file their returns. For the tax year 2018, FBR had received 2.7 mn returns — the highest number in FBR's history.

### Banking Briefs

**Bank Deposits** – As on January 17, 2020, the total bank deposits stood at Rs. 14,401.273 bn as compared to Rs. 14,389.879 bn on January 10, 2020, more by 0.08pc. **Bank Advances** – As on January 17, 2020 the total bank advances stood at Rs. 8,132.307 bn as compared to Rs. 8,124.540 bn on January 10, 2020, more by 0.1pc.

### CPEC Benefits: Some Takeaways from PM's Views

- China-Pakistan Economic Corridor (CPEC) project is really helping the country.
- The Chinese came to help us with this Belt and Road Initiative (BRI) and CPEC, we were really at the rock bottom. So, Pakistan is really grateful to the Chinese that they came and rescued it.
- They came and pumped in, not just they gave us loans – and the loans, by the way are barely 5 or 6pc of the total portfolio rejecting the suggestion that the CPEC was a debt-trap.
- The Chinese actually helped Pakistan with investment and because of them the country now has an opportunity to attract foreign investment.
- Our government is now creating special economic zones to attract investment. Two have been just opened two more would be opened where we are giving special concessions to industries.
- The CPEC is also teaching Pakistanis the skills they needed to benefit from the CPEC projects. They are building skill centers in Pakistan.

For UPCOMMING TRAINING PROGRAMS of IBP, please see the last page

## MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

### MONETARY POLICY RATE

Effective from July 16, 2019 - 13.25pc

### KIBOR (6 MONTHS)

Bid% offer%

	Bid%	offer%
STARTING	13.22	13.47
ENDING	13.19	13.44
CHANGE	-0.03	-0.03

### FOREIGN EXCHANGE RATES

GBP (£) EURO (€) USD (\$)

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 203.50	PKR 172.00	PKR 154.80
ENDING	PKR 204.00	PKR 171.75	PKR 155.05
CHANGE	+0.5	-0.25	+0.25

### PAKISTAN STOCK EXCHANGE

100 Index

	100 Index
STARTING	42,633
ENDING	41,630
CHANGE	-1003

### GOLD RATE

(10 gm)

	(10 gm)
STARTING	PKR 77,390
ENDING	PKR 78,446
CHANGE	+1056



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## Pakistan Made Significant Progress to Get off FATF Grey List: SBP Chief

The State Bank said recently that Pakistan had made significant progress to get off the grey list of the Financial Action Task Force (FATF) while the central bank had been making all-out efforts to curb money laundering and terror financing. Announcing the monetary policy with unchanged interest rate of 13.25pc, State Bank of Pakistan (SBP) Governor Dr. Reza Baqir said that the last two reviews in May and September showed that Pakistan had made significant progress in most of the 27 points raised by the FATF. However, he said, the FATF was the final authority to decide if the progress was enough to pull Pakistan out of the grey list, adding that the country would have to continue making progress in this direction. The State Bank, he said, had been constantly playing a role in curbing money laundering and terror financing which was in favor of the country.

## Pakistan Needs \$234.5 bn to Achieve Key SDGs

Pakistan needs at least \$234.5 bn investment by 2030 to deliver on three sustainable development goals (SDGs) — power, digital access, transport and clean water and sanitation. The findings were released by Standard Chartered bank in a report titled 'Opportunity 2030: The Standard Chartered SDG Investment Map' to help companies, institutional investors and other stakeholders ascertain the impact of their investments in achieving United Nation's SDGs. The map identifies \$10 tr opportunity for private-sector investors across all emerging markets. In Pakistan, the power sector needs \$99.3 bn, digital access \$56.6 bn, transport \$38.5 bn and clean water and sanitation \$4 bn.

## Dr. Murtaza Syed Appointed as Deputy Governor SBP

Dr. Murtaza Syed was appointed as Deputy Governor of the State Bank of Pakistan by the Federal Government for a period of three years, in pursuance of Section 10(4) of the State Bank of Pakistan Act 1956 (amended). He assumed his responsibilities on January 27, 2020. Dr. Syed has more than 20 years of experience in macroeconomic research and policy making. He worked with the IMF for 16 years before resigning to join the State Bank of Pakistan. Most recently, he served as Advisor

## PAKISTAN'S MAJOR ECONOMIC INDICATORS

REAL SECTOR (GROWTH IN %)	FY 2018 <sub>R</sub>	FY 2019 <sub>P</sub>	FY 2020 <sub>T</sub>	-
REAL GDP	5.5	3.3	4.0	-
AGRICULTURE SECTOR	3.9	0.9	3.5	-
INDUSTRIAL SECTOR	4.9	1.4	2.3	-
SERVICES SECTOR	6.2	4.7	4.8	-
CPI INFLATION (YoY%)	FY 2019 <sub>PA</sub>	JUL-DEC 2019 <sub>PA</sub>	DEC 2019	-
NATIONAL	6.8	11.1	12.6	-
URBAN	7.1	11.0	12.0	-
RURAL	6.3	11.3	13.6	-
FOOD INFLATION-URBAN/RURAL	4.7/4.8	13.7/15.1	16.7/19.7	-
	FY 2018	FY 2019 <sub>P</sub>	Jul 19 - 17 JAN 2020	-
CURRENCY IN CIRCULATION (IN BILLION RS.)	476.513	562.210	508.482	-
<sub>P</sub> PROVISIONAL	-	-	-	-
<sub>PA</sub> PERIOD AVERAGE				
<sub>T</sub> Target from Annual plan 2018-19- PBS				
<sub>R</sub> Revised				

Data Sources: Planning Commission- PBS/ STATISTICS-SBP NEWS/ PROVISIONAL DATA



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in the IMF's Institute for Capacity Development, overseeing the planning and implementation of IMF training and technical assistance programs around the world.

## National Savings & FATF

Last year the government drafted rules for anti-money laundering and combating the financing of terrorism (AML/CFT) for National Savings. To meet FATF standards, the government also decided to scrutinize all existing account holders as quickly as possible. The senior management of the CDNS shared details of how it intends to get the scrutiny completed within the stipulated time through a third party selected by a transparent bidding process. The selected bidder will screen all NSS accounts and make their risk profile on the basis of the Anti-Money Laundering Act 2010, Anti-Terrorism Act 1997 and the United Nations (Security Council) Act 1948, a senior source explained. The National Savings Scheme (AML and CFT) Rules 2019 have been finalized and enabled the organization to meet the technical criteria of FATF requirements. Under the said rules, the CDNS shall train its officers and employees on AML and CFT measures to effectively implement relevant changes. There are 4 mn account holders and have investment of Rs. 4 tr in all or size of holding of a single client is Rs. 1 mn on an average.

## International Restrictions Blamed for Lower Oil Production

Confirming economic slowdown due to stabilization program, the government said the operations of local refineries had slowed down because of high production of residual fuel oil (RFO) and the international ban on its use for bunkering with effect from Dec 31, 2019. In a statement, the petroleum division said that because of new regulations issued by the International Maritime Organization (IMO), crude oil import had reduced during the first six months of the current fiscal year. Under these regulations, RFO containing more than 0.5pc of Sulphur content is disallowed for use in ships and its violation carries heavy fines. Most of the country's refineries hardly produce furnace oil of less than 3.5pc Sulphur content. As a result, furnace oil prices have plummeted by almost three times. The local refineries on an average produce almost 25pc furnace oil from their total crude processing.

## Indo-Pak Trade Plumets in 6 Months

Amid strained bilateral relations between New Delhi and Islamabad, the trade between the two countries continued to suffer, but still mostly stayed in India's favor in the first half of 2019-20. The latest data issued by the State Bank of Pakistan shows that bilateral trade volume plunged in the first half of this fiscal year. Pakistan's exports to India during the period came in at an insignificant \$16.8 mn as compared to \$213 mn in first half of 2018-19. Meanwhile, imports from India also fell to \$286.6 mn as against \$865 mn in the same period. As a result, Pakistan's trade deficit with the eastern neighbor amounted to \$269.8 mn.

## Private Sector Lending Business

Between July 1, 2019 and Jan 10, 2020, banks' net fresh lending to the private sector amounted to Rs. 138 bn — or less than one-third of Rs. 495.6 bn lent in the year-ago period — according to the State Bank of Pakistan (SBP). Despite a big decline in the GDP growth rate from 5.5pc in 2017-18 to 3.3pc in 2018-19, banks' private-sector lending remained robust, falling to just Rs. 693 bn from Rs. 775 bn. One reason for the banks' low lending to the private sector is that bad loans have recently ballooned. Banks certainly need to take care of this issue before they can improve private-sector lending. However, in the Small and Medium Enterprises (SME) sector, although its loan infection ratio is quite high — 18pc to be exact but it is not the rise. The ratio was a bit higher — 18.4pc a year earlier. As of September last year, lending to SMEs was still 5.5pc of total advances. Some 3.2 mn SMEs are contributing 30pc to GDP, employ more than 80pc of non-agricultural workforce and account for one-fourth of our export earnings. So their share in the total pie of bank advances should increase to more than the present 5.5pc.

**DON'T LIMIT  
YOUR CHALLENGES.  
CHALLENGE YOUR LIMITS.**



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## INTERNATIONAL SCENARIO

### **US Business Investment Weak; Consumer Confidence at Five-month High**

New orders for key US-made capital goods dropped by the most in eight months in December and shipments were weak, suggesting business investment contracted further in the fourth quarter and remained a drag on economic growth. For now, however, the longest economic expansion on record looks set to continue, with other data recently showing consumer confidence surged to a five-month high in January amid optimism over the labor market. That suggests consumer spending could stay fairly strong in the near term and blunt some of the hit on the economy from weak business investment. Business spending has remained weak even as the Federal Reserve cut interest rate three times last year. Officials from the US central bank started a two-day policy meeting and are expected to reiterate the Fed's desire to keep rates unchanged at least through this year. Weak business investment and the resulting slump in manufacturing have been on the radar of Fed officials who have blamed trade tensions, especially the White House's 18-month trade war with China, and an uncertain global economic growth outlook for the malaise.

### **UK Banks Approve Most Mortgages Since 2015**

British banks approved the highest number of mortgages in more than four years in December, Industry group UK Finance said recently, adding to signs of a turnaround in the country's housing market since last month's elections. Mortgage approvals for house purchase hit 46,815 last month, on a seasonally adjusted basis, the most since August 2015, according to UK Finance's data. The value of mortgage lending rose by the most since March 2016, shortly before voters decided to leave the European Union, up by a net 33.773 bn pounds (\$4.96 bn). December's jump in mortgage approvals adds to a growing amount of firmer data and survey evidence suggesting that the housing market could well be changing up a gear after a lacklustre 2019. The Bank of England is discussing this week whether to cut interest rates in response to weak economic data at the end of 2019, or put faith in early signs of a recovery since the elections.

### **New York Surges Ahead of BREXIT-Shadowed London in Finance**

New York remains the world's top financial center, pushing London further into second place as BREXIT uncertainty undermines the UK capital and Asian centers catch up, a survey from consultants Duff & Phelps reported recently. Britain will leave the European Union on January 31, 2020, with future access to its biggest financial services customer uncertain after a business-as-usual transition period ends in December. The Global Regulatory Outlook survey of 245 senior officials from asset management, banking and other financial firms from across the world found that New York has extended its lead over London.

### **UK Watchdog Tells Markets: Be Ready in Case of No EU Trade Deal**

Financial firms in Britain should be ready in case no trade agreement is struck with the European Union, a senior UK regulator said recently. Britain leaves the EU on January 31, 2019, followed by a business as usual transition that ends in December. Britain and the EU will formally begin trade talks in coming weeks. Firms still need to ensure they are prepared for a range of scenarios that may happen at the end of 2020, as said by Nausicaa Delfas, executive director of international at the Financial Conduct Authority. Britain's banks, trading platforms and insurers hope to get access to the EU market after December under the EU equivalence system, through which Brussels grants access to countries whose regulatory regimes it deems comparable to its own.

### **UK Approves Restricted 5G Role for China's Huawei**

Britain recently gave the green light to a limited role for Chinese telecoms giant Huawei in the country's 5G network, in a decision it said was necessary for developing its future digital economy but one that left the United States disappointed after it called for a total ban. Even though London decided that high risk vendors would be excluded from Britain's sensitive core infrastructure, a US official insisted there was no safe option for untrusted vendors to control any part of a 5G network, which offers almost instantaneous data transfer. Washington has banned Huawei from the rollout of the fifth generation mobile network because of concerns that the firm could be under the control of Beijing, an allegation it strongly denies.





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## MANAGEMENT VIEWS

### MANAGEMENT TIPS

#### Do Not Let Work Stress Keep You Up at Night

Work stress is inevitable, but it does not have to get in the way of a good night's sleep. Try these strategies during the day to avoid worrying about work at all hours of the night. Make a to-do list. The act of writing down uncompleted tasks allows you to put them out of your mind. You also might consider keeping a journal, where you write down your thoughts and feelings. Putting pen to paper can help you process emotions and reduce anxiety. Get some exercise. Physical activity, even a single instance, decreases rumination, which is often linked to insomnia. Or practice meditation. Researchers in the Netherlands found that even small amounts of mindful meditation (10 minutes before and after work for two weeks) helped calm racing minds and improved sleep quality and duration. Lastly, be easy on yourself. Self-compassion can often break the cycle of negative thoughts that keeps you up. Work stress may be inevitable at times, but these strategies can increase your ability to wake up feeling refreshed and able to tackle your biggest challenges. (This tip is adapted from *How to Stop Thinking About Work at 3 a.m.*, by Rebecca Zucker-HBR.)

#### Inspire Your Team During a Crunch Time

Sometimes work gets intense. Whether it is a seasonal rush or a project with a tight deadline, it can be hard to keep people focused and motivated when they are overloaded. What is the best way to rally the troops? For starters, check your own emotional energy. You will be hard pressed to lead your team if you are feeling beleaguered or stressed yourself. Take the time to reflect on why the work matters. Why is it relevant to your organization's goals or mission? And who will benefit from the hard work of you and your team? Then, convey that message to your staff to inspire excitement and enthusiasm. Acknowledge that success will

require hard work and perhaps some sacrifices, but express confidence that the team will prevail, and assure everyone that you are all in it together. Finally, remember that incentives are your friend, and they should be deployed throughout the project, not just at the end. Identify milestones and find ways to reward your team's hard work: a Friday afternoon off, perhaps, or an office ice cream party. Moments of celebration foster camaraderie and create sustained engagement. (This tip is adapted from *How to Motivate Your Team During Crunchtime*, by Rebecca Knight-HBR.)

#### How to Stop Constantly Checking Your Phone

It can be hard to focus with all that beeping and buzzing from your phone. Fortunately, there are simple ways to reduce distractions. Start by turning off push notifications. If that does not help, use airplane mode to limit interruptions when you are trying to focus. If the idea of being out of touch gives you anxiety, you can always make exceptions for specific numbers, such as those of loved ones or important business colleagues. Try to check email, instant messages, social media and text messages in batches, rather than sporadically throughout the day. "Just quickly checking" anything, even for one-tenth of a second, can add up to major productivity losses — it can take an average of 23 minutes to get back in the zone after task switching. It is OK to not respond immediately to a message. Aside from the benefit of giving you more uninterrupted focus time, delaying can lead to better decision-making by giving you more time to think about your response. (This tip is adapted from *10 Quick Tips for Avoiding Distractions at Work*, by Steve Glaveski-HBR.)

### SNIPS

#### The Right Profile

A 2019 PricewaterhouseCoopers survey of executives around the world found that CEOs ranked the "availability of key skills" as the third biggest threat to businesses.

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General Disclaimer: Data used in the Economic Letter is based on government sources besides recognised representative private sector trade bodies as reported in the print media. They are cross-checked before release. Yet an error or two may creep in, regrettable as they may be as part of human nature. Reporting is unopinionated. The Institute of Bankers Pakistan stands totally absolved of any error contained in the Economic Letter, either in reporting or composing.

## KARACHI

### WORKSHOP

### FACILITATOR

### FEE\*

### TIMINGS

01-FEBRUARY  
SATURDAY

SBP Guidelines on Green Banking

Saeed Afgan

PKR 12,500

9 am - 5 pm

11-FEBRUARY  
TUESDAY

FATF and the AML Requirements in Pakistan

Samina Chaghani

PKR 12,500

9 am - 5 pm

17-FEBRUARY  
MONDAY

Internal and External Frauds - Tools for Fraud Investigation and Reporting

Naveed Elahi Malik

PKR 12,500

9 am - 5 pm

## LAHORE

### WORKSHOP

### FACILITATOR

### FEE

### TIMINGS

14-FEBRUARY  
FRIDAY

SBP Inspection, Regulatory Compliance and Banks' Operational Issues

Mudayyar Naqvi

PKR 12,500

9 am - 5 pm

## ISLAMABAD

### WORKSHOP

### FACILITATOR

### FEE

### TIMINGS

14-FEBRUARY  
FRIDAY

SBP Currency Management Strategy & Penalty Structure - Latest Updates

Hafiz Riaz Ahmed

PKR 12,500

9 am - 5 pm

18-FEBRUARY  
TUESDAY

Processing Effective Credit Proposal & Risk Analysis

Imran Ali Soomro

PKR 12,500

9 am - 5 pm

## PESHAWAR

### WORKSHOP

### FACILITATOR

### FEE

### TIMINGS

13-FEBRUARY  
THURSDAY

SBP Inspection, Regulatory Compliance and Banks' Operational Issues

Mudayyar Naqvi

PKR 12,500

9 am - 5 pm

## QUETTA

### WORKSHOP

### FACILITATOR

### FEE

### TIMINGS

18-FEBRUARY  
TUESDAY

SBP Guidelines on Payment & Collection of Cheques - Fraud & Forgery Measures to Mitigate Risk in Payment

TBA\*\*

PKR 12,500

9 am - 5 pm

\*per participant

\*\*To be announced

OPERATIONS  
AND GENERAL  
MANAGEMENT

COMPLIANCE AND  
REGULATIONS

TRADE FINANCE

CREDIT AND RISK

ISLAMIC FINANCE