



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 15, Issue No. 11 | Date: March 13, 2020

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

PAKISTAN TIDINGS

Trade Deficit Shrinks 26.5pc

Pakistan's trade deficit fell by 26.5pc to \$15.77 bn in the first eight months of this fiscal year from \$21.46 bn over the corresponding period of last year, Pakistan Bureau of Statistics said recently. The decline came mainly on the back of double-digit decline in imports following government's corrective measures to reduce pressures on foreign exchange reserves and slump in overall demand. On a monthly basis, the deficit fell by 14.6pc to \$1.9 bn in February from \$2.26 bn during the same month last year. The commerce ministry estimates the annual trade deficit to decrease by around \$12 bn to \$19 bn in the ongoing fiscal year from \$31 bn during the last fiscal year.

Banking Briefs

Deposits Folder

Deposits of all scheduled banks as on February 28, 2020 stood at Rs. 14, 815.095 bn when compared to the position as on February 21, 2020, the deposits amounted to Rs. 14,445.328 bn, more by 2.56pc.

Credit Portfolio

Gross Advances of all scheduled banks amounted to Rs. 8, 212.064 bn as on February 28, 2020 when compared to the position on February 21, 2020, the same amounted to Rs. 8, 161.479 bn, more by 0.62pc.

Major Ehsaas Initiatives with Focus on Women

Kafaalat

- 7 mn beneficiaries
- 70pc already been inducted
- The most destitute get a monthly stipend of Rs. 2,000

Interest Free Loans Program

- Provided 550,000 loans of a total amount of Rs. 18.5 bn
- More than 45pc provided to women

Undergraduate Scholarship Program

- Of 200,000 merit-based scholarships over 4 years, 100,000 reserved for girls.

Aamdan

- 1.4 mn individuals will get livelihood options
- 60pc of assets have been reserved for women
- Operational in 23 poorest districts

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%
STARTING	13.00	13.25
ENDING	12.30	12.55
CHANGE	-0.7	-0.7

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 199.00	PKR 171.70	PKR 154.25
ENDING	PKR 202.00	PKR 178.00	PKR 158.50
CHANGE	+3.00	+6.3	+4.25

PAKISTAN STOCK EXCHANGE

100 Index

STARTING	38,219
ENDING	36,060
CHANGE	-2159

GOLD RATE

(10 gm)

STARTING	PKR 80,761
ENDING	PKR 81,018
CHANGE	+257



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Auto Sales Plummet

The entire auto sector continued to remain under pressure with sales declining in the range of 9.7-46.8pc across segments during the first eight months of this fiscal year. Car sales plunged by 43.4pc to 79,537 units during 8MFY20 despite slight improvement to 10,345 in February, from 10,095 compared to January. Suzuki WagonR maintained its lead in the worst sales category, depicting 73pc fall in 8MFY20 to 5,812 units while Suzuki Bolan came in second position in registering 64pc decline to 4,073, followed by 63pc of Honda Civic and City to 10,665 during July-February. Similarly, Suzuki Swift and Toyota Corolla sales dipped by 55pc and 51pc to 1,466 units and 18,902 respectively while those of Suzuki Cultus were down 33pc to 9,845 in the eight-month period.

About 81,000 Vacancies in Federal Govt.

Of the total 663,234 sanctioned posts in the federal government, over 81,000 are currently vacant, according to data released by the Establishment Division. As per the annual bulletin about the employees for 2018-19, the total number of sanctioned federal government posts stood at 663,234 but 581,755 employees and officers were available for these positions, showing a vacancy of about 81,479 posts, or 12.29pc of the total.

Remittances to be Exempted From WHT

The amount of the remittances transferred into bank accounts will be exempted from withholding tax with effect from July 1, 2020, aimed at increasing remittances, the Finance Division said. Remittances during July-February fiscal year 2019-20 reached \$ 15.1 bn.

Gender Diversity in Board Rooms

Is gender diversity improving in the boardrooms? The latest Women on Board Pakistan survey 2020 released at PSX's ceremony of 'Ring the Bell for Gender Diversity' shows some improvement over

PAKISTAN'S MAJOR ECONOMIC INDICATORS

REAL SECTOR (GROWTH IN %)	FY 2018 _R	FY 2019 _P	FY 2020 _T	-
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	6.3	4.7	4.8	-
CPI INFLATION (YoY%)	FY 2019 _{pa}	JUL 19 - FEB 20 _{pa}	JAN 2020	FEB 2020
NATIONAL	6.8	11.7	14.6	12.4
URBAN	7.1	11.3	13.4	11.2
RURAL	6.3	12.3	16.3	14.2
FOOD INFLATION-URBAN/RURAL	4.6/4.8	14.6/16.8	19.5/23.8	15.2/19.7
CURRENCY IN CIRCULATION (IN BILLION RUPEES)	FY 2018	FY 2019 _P	1 Jul 19 - 28 FEB 2020	-
₨ PROVISIONAL	-	-	-	-
₨A PERIOD AVERAGE	-	-	-	-
₨ Target from Annual plan 2018-19- PBS	-	-	-	-
₨ Revised	-	-	-	-

*As on February 28, 2020

Data Sources: SBP/PBS



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the last four years. The survey is conducted by Women on Board Pakistan (WOB), which is a self-funded initiative of voluntary professionals aiming to make diversity mainstreaming an important component of corporate performance. WOB's objective is to have at least 25pc gender parity on the corporate boards in Pakistan by 2025. Besides an increase in absolute numbers of female directorship, the survey shows that women make up 11pc of the total directorships in 2019 – a 2 percentage point increase from 2016 results. Similarly, listed companies and number of KSE100 index companies with no women directors has also fallen. Despite the growth in women representation on the board, 50pc of the listed companies in 2019 still do not have women directors. The survey also shows that 30pc KSE 100 companies do not have a woman director.

Future Lies in Export-led Growth Strategy

Adviser to the Prime Minister on Commerce, Industry and Investment Abdul Razak Dawood said recently that the government's export-led growth strategy had started bearing fruit as Pakistan had posted a 13.6pc growth in exports at a time when regional competitors were witnessing a decline. Speaking at the 'Dialogue on Industrial Cooperation under CPEC and SEZs Framework on CPEC Phase II' organized by the Board of Investment (BoI), Mr. Dawood elaborated on the framework of economic development strategy and stated that Pakistan's future lay in export-led growth, which made the development of special economic zones (SEZs) vital to improve the capacity and complement the export requirements of the country.

Remittances Rise 5.4pc

Remittances sent by overseas Pakistanis came in at \$15.127 bn during the first eight months of this fiscal year, rising by 5.37pc, compared to \$14.356 bn in corresponding period of 2018-19, reported the State Bank of Pakistan on March 10.

During February, remittances jumped 16.47pc year-on-year to \$1.824 bn compared to \$1.581 bn in same period of 2019 while declining by 4.35pc month-on-month over \$1.901 bn in the outgoing January. This corresponded to an average monthly inflow of \$1.891 bn, up from the mean value of \$1.82 bn the year before.

10 Special Economic Zones Approved

Prime Minister Imran Khan recently at two separate meetings approved establishment of 10 Special Economic Zones (SEZs) in the four provinces and privatization of 33 state entities/lands during current fiscal year. According to the PM Office, five of the 10 SEZs will be established in Punjab (Bhalwal, Bahawalpur, Rahim Yar Khan, Vehari and Allama Iqbal SEZ), two each in Sindh (Naushehro Feroze and Bhulari) and Balochistan (Bostan and Hub) and one in Khyber Pakhtunkhwa (Rashakai). Presiding over a meeting of the board of approval for the SEZs, Prime Minister Khan said the purpose of establishment of special economic zones was to provide facilities and incentives to the business community.

Incentives to Boost Remittances

The Economic Coordination Committee (ECC) of the Cabinet recently approved further incentives for banks and facilitations to the overseas Pakistan to boost remittances through the formal channels. The meeting presided over by Finance Adviser Dr. Abdul Hafeez considered a set of proposals to encourage overseas Pakistanis to send their remittances through official banking channels. It was decided to increase the rebate on reimbursement of telephonic transfer charges to 20 Saudi Rials from 10 on transactions between \$100-200. It also allowed the continuation of the new scheme of incentives launched in 2018-19 for banks and exchange companies during the ongoing calendar year from January. As per this scheme, financial institutions would be incentivized at the rate of 50-paisa per US dollar on 5pc growth, 75-paisa per dollar on 10pc growth and Rs. 1 per dollar on 15pc growth.

SNIPS

Doomed From the Start

It is estimated that up to 85pc of big data projects will fail because of flawed risk assessment.

Tools of The Digital Trade

About 29pc of total advertising budgets is allocated to marketing technology, according to the research firm Gartner.



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INTERNATIONAL SCENARIO

Workers in US Gig Economy Most Vulnerable to Virus

They are on the front lines of the coronavirus outbreak, yet have the least protection against it: workers in the US gig economy, living paycheck to paycheck, have no choice but to show up to work, despite the growing risks of contagion. Cleaners, waiters, delivery or ride-share drivers, home-help, receptionists, bar staff, construction workers, porters: millions of Americans lack any financial safety net if they are not able to work. Health authorities are advising people to "self-isolate," but for these workers, that means running the risk of eviction because they cannot pay their rent, or living without power because they cannot afford electricity. "They cannot go without a paycheck. They do not have money in a savings account that will let them pay their rent if they do not work for a couple of weeks. They have no way to cope with this," said Eileen Appelbaum of the progressive Center for Economic and Policy Research.

Rising Food Costs Lift US Consumer Prices

US consumer prices unexpectedly rose in February but could drop in the months ahead as the coronavirus outbreak depresses demand for some goods and services, outweighing price increases related to shortages caused by disruptions to the supply chain. The report from the Labor Department recently, which also showed a steady rise in underlying inflation, did not change financial markets expectations that the Federal Reserve will aggressively cut interest rates again at its policy meeting next week as the coronavirus spreads across the United States.

Hong Kong to Give Big Cash Handouts to Jumpstart Economy

Hong Kong's government said recently it would give a HK\$10,000 (\$1,280) handout to every permanent resident in a bid to jumpstart an economy in recession after months of protests and hit further by the coronavirus outbreak. Financial Secretary Paul Chan unveiled the cash gift in the annual budget, committing a colossal HK\$120 bn to help alleviate the worst economic downturn the international financial hub has faced in a decade. Hong Kong boasts significant

fiscal reserves of more than HK\$1 tr built up over the boom years, a stockpile that the government is now tapping into.

WB Study Highlights 'Gender Dividend'

A new study shows that the world could achieve a 'gender dividend' of \$172 tr by closing gaps in lifetime labor earnings between women and men. The World Bank study, 'How Large is the Gender Dividend? Measuring Selected Impacts and Costs of Gender Equality', finds that if women earned the same as men, global human capital wealth could increase by about one-fifth, and women's human capital wealth could increase by more than half. Investments to end gender inequality should not be based solely on economic considerations. The primary motivation for ending gender inequality should be to address the substantial risks and suffering affecting girls and women throughout their life. However, demonstrating the magnitude of the impacts and costs of gender equality provides additional justification for investments in girls and women. If gender equality could be achieved, first year benefits from lower population growth are valued at \$80 bn for 16 developing countries with a combined population of 2.3 bn people, and additional benefits would accrue in subsequent years. Savings are estimated as the reduction in the anticipated cost of reaching universal secondary education by 2030 in 16 countries.

EU Suspends Aviation Slots Rule

The European Union will suspend a rule requiring airlines to run most of their scheduled services or else forfeit landing slots, to give carriers some breathing space as the coronavirus crisis deepens, EU chief Ursula Von Der Leyen said recently. The decision came as the world's airlines scrambled to deal with the worsening virus epidemic and Italy's lockdown, which have hammered passenger numbers and forced the cancellation of thousands of flights. Von Der Leyen, President of the European Commission, said the suspension of the rule would do away with "ghost flights" where airlines fly almost empty planes simply to keep their slots.

Russia in Close Contact with OPEC Amid Price War

Russia announced recently that it was open to renewing cooperation with the OPEC oil cartel although its leading



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member Saudi Arabia escalated a price war with Moscow by announcing it would flood markets with new supplies. The oil price conflict broke out after OPEC and a group of non-member countries dominated by Russia, the world's second largest oil producer recently failed to agree on production cuts. Saudi Arabia, the world's biggest crude exporter, responded by announcing unilateral price cuts. This prompted the oil price to plummet and fueled huge drops on stock markets.

Trends in International Arms Transfers, 2019

The fact sheet reveals the volume of international transfers of major arms in 2015–19 was 5.5pc higher than in 2010–14 and 20pc higher than in 2005–2009. The five largest exporters in 2015–19 were the United States, Russia, France, Germany and China. The five largest importers were Saudi Arabia, India, Egypt, Australia and China. Between 2010–14 and 2015–19, there were increases in arms transfers to the Middle East (by 61pc) and to Europe (3.2pc). Based on the new data, this March 2020 SIPRI Fact Sheet presents global trends in arms exports and arms imports and highlights selected issues related to arms transfers. (*SIPRI stands for Stockholm International Peace Research Institute, the independent resource on global security.*)

MANAGEMENT VIEWS

Keep Your Writing Simple

When you are writing for work, it can be tempting to rely on industry jargon or big words to puff up your ideas. But overblown language does not make you sound smart, and it can be off-putting to readers. Most people are drawn to a more conversational tone. So, choose shorter, more familiar words and explain things in a way that anyone could understand. For example, write "things that could affect the merger" instead of "issues potentially impacting

the successful completion of the merger." Also, whether you are writing an email or a formal proposal, make sure your content is glance-able, since it probably will be read on a screen, these days, often a phone. Assume your readers will be distracted, busy and on-the-go. Formatting can help: try using subheads, bullet points, diagrams and tables to highlight your key takeaways. Short sentences and short paragraphs help too. A good rule of thumb is "one thought per sentence." If there are too many linked ideas in one sentence, your readers may get lost and just give up.

(This tip is adapted from *Writing About Business Without Being a Bore*, by Mike Reed-HBR)

Protect Your Non-Work Time

Some jobs have very clear lines between when you are "on" and when you are "off". But when you work in a role where the lines are blurred — or potentially nonexistent — it is important to protect your non-work time. If you feel like work is taking over most of your waking hours, start by clearly defining what "after hours" means for you. Take into account the number of hours you are expected to work each week, as well as personal commitments like taking your kids to school, making a certain train or attending an exercise class you really enjoy. When do you need to start and stop to put in the appropriate amount of work time? Then, develop mental clarity about what needs to get done and when you will do it. Keep track of your tasks and plan them out. Make sure you block off time for an end-of-workday wrap-up, where you review and make sure you did everything you needed to do for the day. Lastly, communicate with your colleagues about how (or if) you want to be contacted during your off hours. Really guard your time. If you do not, you would not get the mental break that everyone needs.

(This tip is adapted from *How to Leave Work at Work*, by Elizabeth Grace Saunders-HBR.)

Editor: Rafi Ahmed | Deputy Editor: Shahla Naqvi | Designed by: M. Jahangir Ishaq | Email: Publications@ibp.org.pk

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KARACHI

WORKSHOP

FACILITATOR

FEE*

TIMINGS

26-MARCH
THURSDAY

Signature Analysis and Fraud Detection

Naveed Elahi Malik

PKR 12,500

9 am - 5 pm

27-MARCH
FRIDAY

ATM Operations & Settlement - Frauds Mitigation

Mohsin Saleem

PKR 12,500

9 am - 5 pm

30-MARCH
MONDAY

IT Risk Management

Syed M. Ali Naqvi

PKR 12,500

9 am - 5 pm

ISLAMABAD

WORKSHOP

FACILITATOR

FEE*

TIMINGS

25-MARCH
WEDNESDAY

Trade Based Money Laundering & FATF Sanctions

Hafiz Riaz Ahmad

PKR 12,500

9 am - 5 pm

FAISALABAD

WORKSHOP

FACILITATOR

FEE*

TIMINGS

26-MARCH
THURSDAY

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

Atif Sohail

PKR 12,500

9 am - 5 pm

PESHAWAR

WORKSHOP

FACILITATOR

FEE**

TIMINGS

27-MARCH
FRIDAY

SBP Currency Management Strategy &
Penalty Structure - Latest Updates

Rizwana Hayat

PKR 12,500

9 am - 5 pm

SUKKUR

WORKSHOP

FACILITATOR

FEE**

TIMINGS

30-MARCH
MONDAY

Signature Analysis and Fraud Detection

Naveed Elahi Malik

PKR 12,500

9 am - 5 pm

*per participant

FOR REGISTRATION AND DETAILS: KARACHI | HYDERABAD | SUKKUR

Zareen Bano | Muhammad Akram | Yasir Jawed | Rida Mughal | Shazadi Ghazal | T: (021) 35277 557/511/512/532/521

E: zareen.bano@ibp.org.pk | m.akram@ibp.org.pk | yasir.jawed@ibp.org.pk | rida.mughal@ibp.org.pk | shazadi.ghazal@ibp.org.pk

FOR REGISTRATION AND DETAILS: LAHORE | FAISALABAD | SIALKOT | BAHAWALPUR | GUJRANWALA | MULTAN ISLAMABAD / RAWALPINDI | PESHAWAR | GILGIT | SAHIWAL | MIRPUR A.K

Samia Shahid E: samia.shahid@ibp.org.pk | Imran Hameed T: (042) 99210479 | E: imran.hameed@ibp.org.pk

Irfan Ahmed E: irfan.ahmed@ibp.org.pk | Shahid Hamed T: (042)-99210471 | E: shahid.hamed@ibp.org.pk