



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 15, Issue No. 12 | Date: March 20, 2020

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

PAKISTAN TIDINGS

Monetary Policy Rate: 12.5pc

State Bank of Pakistan has cut the key policy rate by 75 basis points and announced two special financing schemes to address the economic and health challenges posed by the spread of coronavirus (COVID-19). Talking to newsmen after a meeting of Monetary Policy Committee (MPC) on March 17, 2020 at SBP head office, Governor State Bank Dr. Reza Baqir said the Committee has decided to cut policy to 12.50pc. In addition to its decision on interest rates by MPC, SBP has announced two special financing schemes. 'Temporary Economic Refinancing Facility (TERF)' will be for businesses to provide important additional support to investment in response to the anticipated slowdown in activity due to the coronavirus pandemic. Secondly, 'Refinance Facility for Combating COVID-19 (RFCC)' will provide cheap financing to hospitals and medical centers for combating the spread of COVID-19.

Banking Briefs

Deposits Folder

Deposits of all scheduled banks as on March 06, 2020 stood at Rs. 14,682.627 bn when compared to the position as on February 28, 2020, the deposits amounted to Rs. 14,815.095 bn, less by 0.89pc.

Credit Portfolio

Gross Advances of all scheduled banks amounted to Rs. 8, 190.168 bn as on March 06, 2020 when compared to the position on February 28, 2020, the same amounted to Rs. 8, 212.064 bn, less by 0.27pc.

Special Economic Zones to Spur Exports to \$1.5 bn

Special Economic Zones (SEZs) could help Pakistan raise its exports to around \$1-1.5 bn annually in the short run by ensuring effective planning, said an industry official recently. According to Mian Kashif Ashfaq, investors from China, Turkey, Korea and Britain have pumped \$1.10 bn into SEZs and they are bringing in more investors from their countries to invest in Pakistan. Mian Kashif is the chairman of the Faisalabad Industrial Estate Development and Management Company (FIEDMC). He stated that the FIEDMC, which was a successful example of public-private partnership and first-ever state of the art SEZ, would ultimately prove to be an economic engine of the country through China-Pakistan Economic Corridor (CPEC) initiatives.

Foreign Investment Soars 513pc

The foreign investment in the first eight months of this fiscal year jumped 512.9pc to \$3.336 bn from \$650.6 mn in the same period last year, showed data

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

MONETARY POLICY RATE

12.5pc | Effective from March 17, 2020

KIBOR (6 MONTHS)

Bid% offer%

| | Bid% | offer% |
|----------|-------|--------|
| STARTING | 12.30 | 12.55 |
| ENDING | 12.09 | 12.34 |
| CHANGE | -0.21 | -0.21 |

FOREIGN EXCHANGE RATES

GBP (£) EURO (€) USD (\$)

| | GBP (£) | EURO (€) | USD (\$) |
|----------|------------|------------|------------|
| STARTING | PKR 202.00 | PKR 178.00 | PKR 158.50 |
| ENDING | PKR 182.00 | PKR 171.00 | PKR 159.00 |
| CHANGE | -20.00 | -7.00 | +0.5 |

PAKISTAN STOCK EXCHANGE

100 Index

| | |
|----------|--------|
| STARTING | 36,060 |
| ENDING | 30,667 |
| CHANGE | -5393 |

GOLD RATE

(10 gm)

| | |
|----------|------------|
| STARTING | PKR 81,018 |
| ENDING | PKR 76,732 |
| CHANGE | -4286 |



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released by the State Bank of Pakistan (SBP) recently. The sharp increase in the total investment came following the \$2.161 bn foreign investment in the country's debt papers. Pakistan's treasury bills and investment bonds have been the pick of foreign investors since the outset of this fiscal year amid high interest rates offering lucrative carry trade opportunities. Major chunk of the FDI came from China, Norway, Malta and Hong Kong at \$696.5 mn, \$288.5 mn, \$148.2 mn and \$105.8 mn respectively. Sector-wise, power sector attracted the highest \$575.6 mn followed by communications \$471.8 mn and electrical machinery at \$143.4 mn during the period under review. However, the highest outflow was seen in the communication sector with investors pulling out \$106.1 mn, followed by \$69.7 mn in personal services and \$85.5 mn from the power sector during the period under review.

Increasing Milk Yield of Kundi Buffaloes

The share of livestock in agricultural GDP has increased from around 52pc to 60.5pc, according to the Economic Survey of Pakistan 2018-19. The gross value addition of livestock has increased 4pc from Rs. 1.384 tr in 2017-18 to Rs. 1.440tr in 2018-19. Therefore, livestock's share in the overall GDP is 11.2pc. The livestock sector in Sindh is struggling to achieve the desired growth in milk yield and save Kundi buffaloes by curbing the slaughter of calves. Sindh's milk production is 16.8 bn liters out of Pakistan's 59.759 bn liters, estimates a livestock department technical official. He believes that this number can be increased substantially if input costs are reduced. The country's livestock population was about 201.9 mn in 2019 whereas Sindh's livestock population is around 42 mn as per the last census figure in 2006. Kundi is amongst the best dairy buffalo breeds of the world and main source of milk production in Sindh province of Pakistan. A Research and Development Kundi Buffalo Farm was established at Rohri, Sukkur.

PAKISTAN'S MAJOR ECONOMIC INDICATORS

| REAL SECTOR (GROWTH IN %) | FY 2018 | 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_p |
| 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 | 4.7/4.8 | 14.6/16.8 | 19.5/23.8 | 15.2/19.7 |
| | FY 2018 | FY 2019_p | 1 JUL 19 - 6 MAR 2020 | - |
| CURRENCY IN CIRCULATION (IN BILLION RUPEES) | 476.513 | 562.210 | 603.575 | - |
| P PROVISIONAL | - | - | - | - |
| PA PERIOD AVERAGE | - | - | - | - |
| T Target from Annual plan 2018-19-PBS | - | - | - | - |

*As on March 13, 2020

Data Sources: SBP/PBS/PC



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Textile Exports Surge 17pc

Pakistan's textile and clothing exports jumped nearly 17pc year-on-year in February, reported the Pakistan Bureau of Statistics recently. Trade analysts and commerce ministry believe the growth is due to diversion of orders from China owing to the spread of coronavirus in the country. The proceeds from textile and clothing exports reached \$1.27 bn during February, from \$1.09 bn in the same month last year. The robust growth in the sector is seen after a long time as the past few years had been marred by single-digit increases.

Pakistan, China Sign Two MoUs, 4 LoEs

President Dr. Arif Alvi and President Xi Jinping witnessed the signing of two Memorandums of Understanding and four Letters of Exchange at a ceremony held at the Great Hall of the People, according to a press release recently. The documents were signed at the conclusion of a bilateral meeting between both leaders. The "MoUs would help in monitoring and control of major pests and diseases and improve agricultural productivity while Letters of Exchange signed at the ceremony will play an important role in combating COVID-19 in Pakistan," the press release said.

TIDBITS

- The government raises Rs. 323.39 bn through the auction of treasury bills as reported by SBP.
- The government approves Rs. 20 bn special relief package for export industries and agrees to a Rs. 1,400 per kg support price for wheat procurement involving a total financing of about Rs. 289 bn.
- The central government's debt increases by 3.81pc to Rs. 32.997 tr in the first seven months of 2019-20.

INTERNATIONAL SCENARIO

South Asia Least Integrated Region for Trade

South Asia has an abysmal performance in intra-regional trade as bilateral movement of goods is throttled between India and Pakistan, says the Asian Development Bank (ADB). There is a need to harness the potential of regional cooperation through promoting multilateral institutions by learning from the experiences of European Union (EU) and Association of Southeast Asian Nations (ASEAN) to address challenges faced by South Asia, according to a working paper of the ADB Institute. The region should firmly promote South Asian Association for Regional Cooperation (SAARC) to focus on deeper economic integration and trade. Its secretariat should be built into a powerful and knowledgeable body in trade, economics and non-traditional security threats with a common vision.

IMF to Mobilize \$1 tr to Fight Coronavirus

The International Monetary Fund (IMF) said recently it is ready to use its \$1 tr lending capacity to help countries struggling with the humanitarian and economic impact of the novel coronavirus (COVID-19). On March 15, the US Federal Reserve offered a massive monetary stimulus to encourage economic growth, by slashing interest rates to zero. It also launched a \$700 bn quantitative easing program to shelter the economy from the effects of the virus. "The IMF stands ready to mobilize its \$1 tr lending capacity to help our membership," IMF managing director Kristalina Georgieva said in a statement. "As a first line of defense, the Fund can deploy its flexible and rapid-disbursing emergency response toolkit to help countries with urgent balance-of-payment needs." The Fund, she said, could provide up to \$50 bn to emerging and developing economies and up to \$10 bn to its low-income members through "our concessional financing facilities, which carry zero interest rates".

Euro China Trade Under Pressure

Trade between China and Europe is under pressure from disrupted logistics at sea and in the air since the outbreak of the coronavirus, despite a surge in cargo train services and some industry insiders sounded a warning of 25pc



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decline in trade volume between the two economies in March. ASEAN surpassed the EU as China's largest trading partner in January and February, as China-EU trade declined 14.2pc during the period, according to customs figures. Much of the disruption arose from the logistics sector, which had come to a halt as early as the Chinese Lunar New Year holiday, when the novel coronavirus hit the Chinese city of Wuhan, and to blunt its spread, European countries started to suspend flights to China.

China Industrial Production Shrinks for First Time in Decades

China's industrial production has contracted for the first time in three decades as the coronavirus epidemic wreaked havoc on the economy, official data showed recently. Industrial production for January and February shrank 13.5pc in the first two months of the year, markedly worse than a Bloomberg poll of analysts which forecast a 3pc drop on-year. Retail sales plummeted 20.5pc from a year ago during the same period its worst showing in decades as well after rising 8pc in 2019. Analysts had expected a 4pc fall. But this year, China's businesses and factories saw an unusually slow return to work after an extended Spring Festival break, as Beijing attempted to curb the rapid spread of the coronavirus.

US Federal Reserve Slashes Key Interest Rate

Faced with a growing economic shutdown from the coronavirus pandemic, that could cause the US economy to contract, the US Federal Reserve on March 15, announced drastic emergency measures to shore up confidence and keep the financial sector running, including slashing the key interest rate to virtually zero. The Fed made its second emergency rate cut in less than two weeks, lowering the benchmark borrowing rate to a range of 0-0.25pc, where it was during the 2008 global financial crisis and pledged to keep it there until it is confident that the economy has weathered recent events. The central bank also announced massive asset purchases, opened its discount-lending windows to banks, making it easier for them to borrow from the Fed and urging them to use it to help businesses and households. It also removed bank reserve requirements to allow them to use cash backstops to meet unexpected funding needs.

ARAMCO's 2019 Profit Falls 21pc

Oil giant Saudi Aramco posted a 21pc decline in 2019 net profit due to a drop in oil prices and production, and said it plans to rationalize capital spending in the wake of the coronavirus outbreak. This was ARAMCO's first earnings announcement after it listed in December in a record \$29.4 bn Initial Public Offering (IPO) that valued the company at \$1.7 tr. Its shares fell below the IPO price last week for the first time, as oil prices crashed after the collapse of an output deal between OPEC and Non-OPEC members which led to an oil price war between Riyadh and Moscow. ARAMCO CEO Amin Nasser said in a statement the oil giant has taken steps to rationalize planned capital spending in 2020 following the coronavirus outbreak.

Apple to Shut Retail Stores Worldwide

Apple Inc. said recently it will close all its retail stores, except those in Greater China, for the next two weeks to minimize the risk of coronavirus transmission. "We will be closing all of our retail stores outside of Greater China until March 27," Apple CEO Tim Cook wrote in a letter posted on the company's website. "In all of our offices, we are moving to flexible work arrangements worldwide outside of Greater China," he added. "That means team members should work remotely if their job allows." Apple reopened all 42 of its branded stores in China on recently.

Microsoft Co-founder Bill Gates Quits Board

Microsoft recently announced that co-founder Bill Gates has left its Board of Directors to devote more time to philanthropy. The 64-year-old stopped being involved in day-to-day operations at the firm more than a decade ago, turning his attention to the foundation he launched with his wife, Melinda. Gates served as chairman of Microsoft's Board of Directors until early in 2014 and has now stepped away entirely, according to the Redmond-based technology giant.

**POSITIVE MIND,
POSITIVE VIBES,
POSITIVE LIFE.**



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MANAGEMENT VIEWS

Management Tips

Focus on Microhabits to Change Your Behavior

High achievers often have lofty aspirations for self-improvement. But big goals such as “meditate for an hour every day,” or “read more” are often more burdensome than they are sustainable. So start small by focusing on “microhabits” more achievable behaviors that you build over long periods of time. These habits should be ridiculously small, like meditating for 30 seconds or reading a paragraph each night. To minimize effort, piggyback on a daily task. Perform your new action at the same time as (or right before) something you already do every day. Read that one paragraph while brushing your teeth. Meditate while waiting for your coffee to brew. Then, track your progress, but keep it simple. Try using a “yes list” where you write down the desired action and under each date simply note a “yes” or “no” to indicate if you completed the task. Once you have accrued several weeks of “yeses,” you can increase your microhabit by a small increment, say 10pc. Continue these tiny, incremental adjustments until the new habit is part of your muscle memory. By starting small, you can achieve big results.

(This tip is adapted from *To Achieve Big Goals, Start With Small Habits*, by Sabina Nawaz-HBR.)

Design a Better Decision-making Process for Your Organization

Unfocused meetings. Competing priorities. Confusion over who gets to make the final call. These are often signs that your organization has poorly designed decision-making processes. Rather than treating the symptoms, you can take on the system itself. Start by breaking down the types of decisions being made across your organization, then

determine who should make which ones. Distribute decision rights thoughtfully to ensure everyone is clear on the boundaries of their departments and roles. Of course, no one makes decisions in a vacuum and we often have to rely on others to execute our choices. Make sure to connect anyone who is impacted by the decision to ensure effective coordination. You might need to identify liaisons to other teams, create shared calendars or develop online portals where meeting minutes are posted. Finally, be sure to build in metrics to monitor how effective decisions are. Regularly assess what is working and what is not, and make changes accordingly.

(This tip is adapted from *How Systems Support (or Undermine) Good Decision-Making*, by Ron Carucci-HBR.)

New Tele-Commuters

As coronavirus lurks, online classes and working from home are becoming the norms all over the world. Japan is one such example of a country getting its first real taste of working from home, in a culture that has never adopted that option. Japan does not have a working at home policy. People go to work whether they are sick or not according to Niklas Hhne of the German-based New Climate Institute, which supports action to address climate change. But with coronavirus, they are learning to work from home.

SNIPS

Preparing for Coronavirus in the Workplace

A recent survey found that 65pc of companies with employees based in China are training their managers about COVID-19 and its implications.

Setting Expectations

Boeing anticipates that costs resulting from the grounding of the 737 Max will exceed \$18 bn.

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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

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