



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 15, Issue No. 13 | Date: March 27, 2020

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

PAKISTAN TIDINGS

SBP Announces New Monetary Policy Statement - 24th March 2020

At its last meeting on March 17 2020, the Monetary Policy Committee (MPC) noted considerable uncertainty about how the coronavirus outbreak would impact the global economy and Pakistan. In the statement issued following that meeting, the MPC "emphasized that it stood ready to take further actions if and when needed as more information becomes available on the outlook for inflation and growth." Substantial new information on global and domestic developments has become available since the last MPC meeting. Globally, the coronavirus has severely increased in reach. This has caused major disruptions to economic activity and the IMF has also significantly downgraded its global growth outlook for 2020 from 3.3pc growth previously to below zero. These global developments have also led to a sharp fall in international trade. On the domestic front, since the last MPC, the number of COVID-19 cases has increased considerably, prompting social distancing and curtailment of activity. This is expected to lead to noticeable slowdown in domestic demand. The developments discussed above imply that the outlook for growth and inflation in Pakistan is likely to be revised down further. In the wake of this new information, the MPC agreed at its emergency meeting, to take further action. Accordingly, the MPC has decided to cut the policy rate by a further 150 basis points to 11pc. This brings the cumulative easing over the past one week to 225 basis points. The MPC was of the view that this cumulative easing would cushion the growth slowdown while protecting inflation expectations.

Banking Briefs

Deposits Folder

Deposits of all Scheduled Banks stood at Rs.14,760.833 bn as on March 13, 2020 as compared to the position on March 6, the same stood at Rs. 14,682.627 bn, an increase of 0.53pc.

Credit Portfolio

Advances of all Scheduled Banks amounted to Rs. 8,188.441 bn as on March 13, 2020, when compared to the position as on March 6, the same stood at Rs. 8,190.168 bn less by 0.02pc.

Textile Exporters Say Order Cancellation Rise

Some textile exporters may have to lay off employees, mainly daily-wage workers, after most of the orders were delayed for an indefinite period due to lockdown in various European countries. More than 50pc of ready-to-shipment export orders have been delayed by importers in several countries especially in Europe, where most of the cities are facing lockdowns due to COVID-19 outbreak, according to

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

MONETARY POLICY RATE

11pc | Effective from March 24, 2020

KIBOR (6 MONTHS)

Bid% Offer%

	Bid%	Offer%
STARTING	12.09	12.34
ENDING	12.09	12.34
CHANGE	0	0

FOREIGN EXCHANGE RATES

GBP(£) EURO(€) USD(\$)

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 182.00	PKR 171.00	PKR 159.00
ENDING	PKR 188.00	PKR 171.00	PKR 158.50
CHANGE	+6.00	0	-0.5

PAKISTAN STOCK EXCHANGE

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STARTING	30,667
ENDING	28,109
CHANGE	-2558

GOLD RATE

(10 gm)

STARTING	PKR 76,732
ENDING	PKR 76,732
CHANGE	0



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Pakistan Textile Exporters Association (PTEA) Secretary General Azizullah Goheer. The PTEA represents 254 registered member mills involved in manufacturing and export of home textile, fabrics, spinning, garments employing over 500,000 daily-wage workers.

Startups Hit by Virus

The tech sector is discovering that it is not immune to the virus scourge that is debilitating large sectors of the country's economy. Bykea, SWVL, Careem, and Uber recently shut their services in Sindh after the provincial government enforced a lockdown. "In accordance with the Government of Sindh's directives, we have taken measures to temporarily suspend our services in Sindh, effective 12 am, on Monday", the notification from Careem read. Meanwhile, Airlift had already stopped operations a few days back. The impact may not be restricted to transport related tech companies. Delivery based outfits are also likely to take a hit as all movement on the streets draws to a halt. "Technology companies, particularly startups that have limited capital are going to see very stressful times in attracting capital into the country amid complete curfew-like shutdowns. We really hope the nation survives this economic blow as startups with two-sided marketplaces in transport and hospitality will be the first to bear the brunt," says Bykea CEO Muneeb Maayr. Speaking of the impact on his business just before the lockdown, he said: "Since colleges were shut, ride-hailing service was down 10pc while deliveries were moderately up." While closure of educational institutes dragged down ride-hailing numbers, education-tech startups noticed an increase in demand as schools, colleges and universities have been forced to pivot towards remote learning.

Oil Consumption Falling

The world is witnessing the unexpected not just in terms of coronavirus (COVID-19) outbreak but also the lowest prices of crude oil in the last 17

PAKISTAN'S MAJOR ECONOMIC INDICATORS

REAL SECTOR (GROWTH IN %)	FY 2018	FY 2019 _p	FY 2020 _†	-
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
CURRENCY IN CIRCULATION (IN BILLION RUPEES)	FY 2018	FY 2019 _p	1 JUL 19 - 6 MAR 2020	-
PROVISIONAL	476.513	562.210	603.575	-
PERIOD AVERAGE	-	-	-	-
† Target from Annual plan 2018-19-PBS	-	-	-	-

*As on March 13, 2020

Data Sources: SBP/PBS/PC



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years. Global crude is down about 40pc in March so far, and refiners are racing to reduce operations due to coronavirus pandemic and demand destruction as a result. Global oil demand is set to plunge by more than 10pc from the average 100 mn bpd as countries go on massive lockdowns. Though Pakistan can benefit from falling oil prices as does any other oil importing country, the benefits may be short-lived. The demand destruction is likely to outweigh the benefit of lower oil prices. The global pandemic will hit oil demand at home. Oil sales have already been on a downward trajectory for some time and now coronavirus is ringing alarm bells for demand including that of POL consumption.

Multi-billion Rupee Relief Package Approved

Prime Minister Imran Khan recently approved a multi-billion rupee relief package for different segments of society who are vulnerable to the adverse impact of the coronavirus outbreak on the country's economy. The package was approved in a meeting chaired by Prime Minister Khan at the Prime Minister Office. A source privy to the meeting said that under the package, the monthly stipend of the Benazir Income Support Program (BISP) has been increased from Rs. 2,000 to Rs. 3,000.

Banks to Provide Disinfected, Quarantined Cash

The State Bank of Pakistan (SBP) has directed the banks to clean, disinfect, seal and quarantine all currency being collected from hospitals and clinics, blocking it from circulation. The SBP held a meeting, chaired by Governor Reza Baqir, with banks through video link to assess their readiness to ensure uninterrupted supply of services to clients in the wake of lockdowns due to the COVID-19 pandemic. Recognizing the need for issuance of fit, authenticated and disinfected cash by the banks, detailed instructions have been provided by the SBP to the latter, said a press release. The banks will report daily collection of cash from hospitals to SBP, which will credit the latter's accounts for the amounts so quarantined by them. "Further, arrangements are being made to provide sufficient fresh or disinfected cash to banks enabling them to issue fresh cash or the re-issuable cash that remained in quarantine for at least fifteen (15) days to their clients", the statement said. Banks were ensured that the SBP has sufficient quantity of such cash, and it would meet all

demands for it. It has also directed continuous and round-the-clock availability of ATMs by the banks and to keep call centers and help-lines operative 24/7. "Large scale closure of branches may cause rush and congestion in the operative branches, which may be counterproductive to efforts to contain the spread of the disease", the SBP said, adding that the situation will be reviewed again in a couple of days based on the customers' visit to branches during lockdowns. Further, the banks may start their branch operations from 10 am, if needed to better facilitate their clients.

State Bank Flies in to Ease Liquidity Crunch

In the wake of slowdown in global demand due to the novel coronavirus, the State Bank of Pakistan (SBP) recently introduced relaxations for exporters to help alleviate the current crisis. The SBP already offers two lending programs — Export Finance Schemes (EFS) and Long-Term Financing Facility (LTFF) — to banks worth Rs. 660 bn for extending cheap credit lines to exporters and in the latest statement, it has eased the conditions under these. Those availing the EFS are now required to export one-and-a-half-times of the borrowed funds effective for FY20 and FY21, down from two times as was previously the case. Similarly, the time period to meet export performance was also extended from end of June to Dec 31.

Closure of Telecom Franchises to Disturb Social Connectivity

Closure of telecom franchises, during the lockdown, may disturb the social connectivity and information sharing related to coronavirus (COVID-19). With such alarming numbers of people being affected due to the corona pandemic, the provincial governments of Sindh and Punjab have taken concrete steps and announced lockdown for 15-days, up to 6th April, to prevent the spread of COVID-19. During the lockdown all mobile phone franchises, electronic, cloth markets and area shops except those selling essential daily life products and pharmacies will remain closed. Due to these preventive measures taken by the government, the public life has come to a halt limiting people within their homes, with internet and telecommunication being the only source left to communicate with their loved ones in Pakistan and abroad. Mobile phone connectivity and social networking sources are also considered to be the



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most imperative tool of information, which helps to create awareness of the coronavirus amongst the masses through social media.

MoF Proposes 7-Member Board for Privatizing SME bank

The Finance Ministry has proposed a seven-member board dominated by government representatives, aimed at facilitating privatization of Small and Medium Enterprise (SME) Bank, official sources told. In terms of section 11(3) (a) of the Banks (Nationalization) Act, 1974, the federal government is competent to appoint chairman and other members of the Board of Directors of the Bank. Under section 11(1) (a) & (b) of Banks (Nationalization) Act, 1974, a bank shall have a board consisting of; (i) a President who shall be its Chief Executive and; (ii) no less than five and not more than seven other members. In addition to the president SME Bank, who is the ex-officio Director on the Board of SME Bank, minimum five vacancies of Directors are required to be filled to make the Board operational.

INTERNATIONAL SCENARIO

Back to Work in China

People in central China where the coronavirus was first detected are allowed to go back to work and public transport is restarting, as some normality slowly returns after a two-month lockdown. The easing of restrictions in Wuhan city comes as Chinese health officials reported no new local cases of the deadly virus, but confirmed another 39 infections brought from overseas. Wuhan residents considered healthy can move around the city and take the bus or metro so long as they show ID, officials said. They can also go back to work if they have a permit from their employer and leave the city for other parts of the surrounding Hubei province after being tested for the virus and receiving a health certificate.

Poor Indians Head for Villages

Thousands of poor city migrants whose livelihoods have collapsed due to India's coronavirus measures headed back

to their villages recently, raising fears that the exodus could carry the virus to the countryside. About one fifth of India's 271 confirmed coronavirus cases has been reported in the western state of Maharashtra — home to Mumbai, the country's largest city and economic powerhouse. So far, India has registered four deaths due to the virus. For Indians who drive rickshaws or run food stalls, the economic shock of such control measures has been huge, pushing them to leave for family homes where they typically do not pay rent and food is cheaper. Maharashtra state authorities ordered the closure of all shops and offices, apart from those providing essential services.

1.7 bn Told to Stay Home Worldwide

Some 1.7 bn people have been asked to stay home in over 50 countries and territories around the world as governments battle the coronavirus pandemic sweeping the globe, according to informed sources recently. Some countries have imposed mandatory lockdown measures, while others have issued stay-at-home recommendations to stem the spread of the virus. Lockdowns in parts of India alone have kept some 700 mn people hemmed in, in the world's second most populated nation. At least 34 more countries and territories have also established mandatory lockdown measures ordering people to stay in their homes, accounting for some 659 mn people. France, Italy, Argentina, the US state of California, Iraq and Rwanda have also rolled out enforced lockdowns. Greece is the most recent country to impose mandatory confinement measures, which came into effect on Monday morning. Colombia will enforce an obligatory lockdown on Tuesday and New Zealand will follow suit soon. In most cases it is still possible for people to leave the house to go to work, buy essentials or seek medical care. At least four countries with a collective population of more than 228 mn people, including Iran, Germany and Britain, have urged their populations to stay indoors and limit contact with other people as much as possible. But the impact of these non-mandatory recommendations has been limited.

IMF Warns Coronavirus Recession Worse Than 2009

The world economy is facing severe economic damage from the coronavirus pandemic that could be even more



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costly than in 2009 and will require an unprecedented response, IMF chief Kristalina Georgieva said recently. Georgieva called on advanced economies to provide more support to low income countries, which face a massive outflow of capital, and said the IMF stands "ready to deploy all our \$1 tr lending capacity." As much of the world faces mass shutdowns, Georgieva warned finance ministers from the Group of 20 nations that the outlook for 2020 "is negative — a recession at least as bad as during the global financial crisis or worse." The global economy contracted by 0.6pc in 2009 as a result of the 2008 global financial crisis, but major emerging markets like China and India at the time were growing at a rapid rate. In contrast, the coronavirus pandemic is causing worldwide economic and human carnage, and some forecasters now say the downturn could be 1.5pc. "The human costs of the coronavirus pandemic are already immeasurable and all countries need to work together to protect people and limit the economic damage," Georgieva said.

Echoes of Great Depression as Jobless Australians Line Up for Help

Jobless Australians flooded unemployment offices around the country recently as Prime Minister Scott Morrison warned the coronavirus pandemic would cause an economic crisis akin to the Great Depression. After a record 29 years of economic growth, Australia is poised to spiral into recession as the global coronavirus outbreak wreaks havoc on the country's economy despite a Aus\$ 189 bn (\$ 109 bn) government relief package. In scenes not seen in Australia for decades, queues stretched around the block at unemployment offices around the country as the forced closure of pubs, casinos, churches and gyms began at midday on Monday.

British Supermarkets Step up Hiring

With food flying off the shelves as fast as exhausted shop assistants can replenish them, British supermarkets have stepped up their hiring to see them through the coronavirus crisis. Panic buying by people fearing they need to stockpile in anticipation of possible prolonged isolation or social distancing has led to unprecedented demand on supermarkets and their ability to restock with in-demand items. Supermarkets

are advertising on television for employees as existing staff are rushed off their feet and German discounter Aldi's British arm said it was seeking to hire 9,000 new workers, 5,000 of which would be temporary. Rival discounter Lidl GB said it was recruiting up to 2,500 additional temporary workers.

EU to Suspend Budget Rules to Help Face Virus Crisis

The European Commission said recently that the EU would suspend its strict rules on public deficits to allow governments to open the money taps to face the coronavirus pandemic. In an unprecedented decision, Brussels triggered something called the "general escape clause", giving countries free rein to "inject spending into the economy as needed", EU chief Ursula von der Leyen said. The temporary measure effectively halts strict oversight by Brussels of national spending and will be welcome in Italy, the country suffering most from the novel coronavirus and one often in violation of EU rules. EU finance ministers are widely expected to formally approve the clause next week. According to EU law, the derogation is only allowed in cases of "an unusual event outside the control" of a member state.

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.

SNIPS

Tuned Into Slack

The workplace collaboration app Slack reported last year that it has more than 10 mn daily active users.



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MANAGEMENT VIEWS

Four Ways to Improve Your Board's Performance

The most successful boards do far more than reviewing financials, audits and compliance. If you are a director and you want to up your board's game, here are four things you can do. First, focus forward, not back. Activities like strategic or succession planning, or improving risk oversight, help a company create its future. Second, foster high-quality debate among your fellow members. Actively seek out different points of view and ensure that everyone contributes their expertise, so that you make thoughtful decisions. Third, make sure everyone gets clear performance reviews via an annual assessment of each member's contribution. The board chair should be responsible for giving clear, actionable feedback and coaching to each director. Finally, make sure that everyone is present and focused at each meeting. This is not just about putting their phones down. Directors need to actively listen, speak up and encourage others to do the same.

(This tip is adapted from *Top Boards Do These 4 Things Differently*, by Rusty O'Kelley-HBR.)

You Cannot Over-Prepare for a Presentation

Writing a speech or presentation is challenging and memorizing it takes even more time and effort. But whether you are speaking at a conference, setting a direction for your team or persuading upper management to green light an idea, it is important to know your presentation cold. Transitions can be especially tricky, so break your talk into sections and rehearse the shifts between the sections. Note any troublesome segues and practice them repeatedly. Then, spend time each day memorizing your speech. You might consider recording and listening to it whenever you are driving, exercising or running errands. Or you can rehearse a portion of your script right before bedtime or multitask as you brush your teeth. Finally, have a plan for any slip-ups. Prepare two or three go-to phrases, such as,

"Let me refer to my notes", or "I am struggling to remember my next point. Let me take a moment and step back." The lapse will be less awkward for everyone when you do not panic and do what you need to move on.

(This tip is adapted from *Don't Just Memorize Your Next Presentation — Know It Cold*, by Sabina Nawaz-HBR.)

SNIPS

Word-of-Mouth

Over one-third of employees were hired through an internal referral, according to the software and data company PayScale.

Do Not Change Yourself to Impress a Client or Hiring Manager

When we are trying to land a job or a new deal or client, we often try to make a good first impression by catering to the interests and expectations of others. But this approach can backfire. Hiding who you are or downplaying your ideas is cognitively and emotionally draining — and that, in turn, can undermine your performance. You also cannot really know another person's preferences or expectations with certainty, no matter how much research you have done. Trying to anticipate them will just heighten your anxiety and could make you come across as phony. Instead, be your genuine, authentic self. Focus on conveying what you can offer — skills that the team or organization needs — rather than trying to deliver what you think the person wants. Research shows that simply being yourself makes a better impression. And not only does it feel better, it also improves the likelihood that you will achieve your goal.

(This tip is adapted from *Research: It Pays to Be Yourself*, by Francesca Gino.)

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